Open Joint-Stock Company Sberbank of Russia

Consolidated Financial Statements and Independent Auditor's Report

December 31, 2011

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Independent Auditors' Report

To the shareholders and the Supervisory Board of OJSC Sberbank of Russia

We have audited the accompanying consolidated financial statements of OJSC Sberbank of Russia and its subsidiaries (hereinafter the "Group") which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the information on material aspects of the accounting policy and other explanatory information.

Management's responsibility for the consolidated financial statements

The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for the internal control procedures required, in the management's opinion, to prepare the consolidated financial statements that are free from any material misstatements due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion of these consolidated financial statements based on our audit. We conducted the audit in accordance with International Accounting Standards. These standards require that we observe the code of ethics, and plan and carry out the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatements.

The audit involves performing procedures aimed at obtaining audit evidence with respect to the amounts and information presented in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. When assessing such risk, the auditor considers the aspects of internal control over the preparation and fair presentation of the consolidated financial statements in order to determine the audit procedures required in the given circumstances, and not to express an opinion on the efficiency of the Group's internal control system. The audit also includes assessing the appropriateness of the accounting policy chosen and the reasonableness of the accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

CJSC Ernst & Young Vneshaudit

March 21, 2011

СБЕРБАНК РОССИИ

Consolidated statement of financial position

(In millions of Russian rubles)	Note	December 31, 2010	December 31, 2009
ASSETS			
Cash and cash equivalents	7	719,601	725,521
Mandatory reserves on accounts with the Bank of Russia		50,532	40,572
Trading securities	8	66,168	91,022
Securities, a change in the fair value of which is recognized through profit or loss	9	106,875	124,439
Assets with other banks		13,035	10,219
Loans and advances to customers	10	5,489,387	4,864,031
Securities pledged under repurchase agreements	11	81493	2,699
Investment securities available for sale	12	1,210,921	845,975
Investment securities held to maturity	13	358,191	-
Deferred tax asset	27	7,518	-
Fixed assets	14	283,756	249,881
Other assets	15	241,050	150,707
TOTAL ASSETS		**8,696,311**	**8,628,527**
LIABILITIES			
Deposits from other banks	16	188,431	53,947
Deposits from retail customers	17	4,834,459	3,787,312
Deposits from corporate customers	17	1,816,672	1,651,559
Debt securities issued	18	119,426	124,599
Other borrowings	19	270,765	115,213
Deferred tax liability	27	15,921	4,598
Other liabilities	20	92,173	69,841
Subordinated loans	21	303,513	519,061
TOTAL LIABILITIES		**7,618,741**	**7,641,360**
EQUITY			
Share capital	22	87,742	87,742
Share premium		232,553	232,553
Office real estate revaluation reserve		53,648	55,540
Revaluation reserve for investment securities available for sale		24,431	(598)
Reserve for accumulated exchange differences		(1,136)	(1,009)
Undistributed profits		585,819	403,934
Total equity held by the Bank's shareholders		**983,057**	**778,162**
Non-controlling interest		4,110	774
TOTAL EQUITY		**987,167**	**778,936**
TOTAL LIABILITIES AND EQUITY		**8,628,527**	**7,105,066**

Approved and signed on behalf of the Management Board on March 21, 2011.

Herman Gref
CEO, Chairman of the Board

Andrei Kruzhalov
Chief Accountant

The notes are an integral part of these consolidated financial statements.

СБЕРБАНК РОССИИ

Consolidated profit and loss statement

(In millions of Russian rubles)	Note	2010	2009
Interest income	23	795,646,	814,962,
Interest expenses	23	(299,825)	(312,245)
Net interest income		495,821	502,717
Net expense on credit portfolio impairment reserve	10	(153,809)	(388,932)
Net interest income on credit portfolio impairment reserve		342,012	113,785
Fee and commission income	24	130,949	105,723
Fee and commission expenses	24	(7,375)	(4,634)
Income, net of expenses, on operations with trading securities		4,770	13,310
(Expenses, net of income)/income, net of expenses, on operations with securities, a change in the fair value of which is recognized through profit or loss		9,642	7,557
Income, net of expenses,/(expenses, net of income) on operations with investment securities available for sale		9,597	17102
Impairment of investment securities available for sale	12	(39)	(2,274)
Income, net of expenses, from operations with foreign currency and currency derivative instruments, income from foreign currency revaluation	25	14,072	16,228
Income, net of expenses, from operations with precious metals and from forward transactions with precious metals		570	1657
Income, net of expenses, from operations with other derivative financial instruments		1793	768
Negative revaluation of office real estate	14	-	(14,996)
Good will impairment	15	(917)	-
Impairment of assets held for sale		-	(2,967)
Reserve for impairment of other assets	15	(6,437)	(2,373)
Other operating income		14117	10,255
Operating income		512,754	259,141
Operating expenses	26	(282,619)	(229,277)
Profits before tax		230,135	29,864
Income tax expense	27	(48,487)	(5,468)
Profits for the year		**181,648**	**24,396**
Profits attributable to:			
- the Bank's shareholders		182,131	24,396
- non-controlling interest		(483)	-
Basic and diluted earnings per ordinary shares attributable to the Bank's shareholders			
(in Russian rubles per share)	28	8.42	1.10

Approved and signed on behalf of the Management Board on March 21, 2011.

Herman Gref
CEO, Chairman of the Board

Andrei Kruzhalov
Chief Accountant

The notes are an integral part of these consolidated financial statements.

СБЕРБАНК РОССИИ

Consolidated report on comprehensive income

(In millions of Russian rubles)	Note	2010	2009
Profits for the year recognized in the profit and loss statement		**181,648**	**24,396**
Other comprehensive income components:			
Office real estate revaluation:			
- Negative revaluation of office real estate	14	-	(21,198)
Investment securities available for sale:			
- Income, net of expenses, from revaluation of investment securities available for sale		40,823	55,556
- Impairment of investment securities available for sale, transferred to profit or loss	12	39	2,274
- Accrued income allocated to profit or loss due to retirement of securities		,(9,597)	,(17,102)
Effect of currency translation		(152)	(1,110)
Deferred income tax attributable to other comprehensive income components:			
- Office real estate revaluation	27	39	4,257
- Investment securities available for sale	27	,(6,236)	,(8,141)
Total other comprehensive income components for the year, net of tax		**24,916**	**14,536**
Comprehensive income for the year		**206,564**	**38,932**
Comprehensive income for the year attributable to:			
- the Bank's shareholders		207,072	38,932
- non-controlling interest		,(508)	-

The notes are an integral part of these consolidated financial statements.

СБЕРБАНК РОССИИ

Consolidated report on changes in equity

		Held by the Bank's shareholders								
(In millions of Russian rubles)	Note	Share capital	Share premium	Office real estate revaluation reserve	Reserve for revaluation of investment securities available for sale	Reserve for accumulated exchange differences	Undistributed profits	Total	Non-controlling interest	Total equity
Balance as of January 1, 2009		**87,742**	**232,493**	**74,981**	**(33,185)**	**101**	**388,030**	**750,162**	**-**	**750,162**
Changes in equity for the year ended December 31, 2009										
Sale of equity shares redeemed from shareholders			60					60		60
Dividends declared	29	-	-	-	-	-	(10,992)	(10,992)	-	(10,992)
Amortization of office real estate revaluation reserve, net of tax				(2,500)			2,500			
Company merger		-	-	-	-	-	-	-	774	774
Comprehensive income recognized for the year ended December 31, 2009		-	-	(16,941)	32,587	(1,110)	24,396	38,932	-	38,932
Balance as of December 31, 2009		**87,742**	**232,553**	**55,540**	**(598)**	**(1,009)**	**403,934**	**778,162**	**774**	**778,936**
Changes in equity for the year ended December 31, 2010										
Dividends declared	29						(2,177)	(2,177)		(2,177)
Amortization of office real estate revaluation reserve, net of tax				(1,931)			1,931			
Acquisition of subsidiaries		-	-	-	-	-	-	-	4,211	4,211
Acquisition of non-controlling interest	37	_	_	_	.	.	_	_	(367)	(367)
Comprehensive income recognized for the year ended December 31, 2010		-	-	39	25,029	(127)	182,131	207,072	(508)	206,564
Balance as of December 31, 2010		**87,742**	**232,553**	**53,648**	**24,431**	**(1136)**	**585,819**	**983,057**	**4110**	**987,167**

Примечания составляют неотъемлемую часть данной консолидированной финансовой отчетности.

СБЕРБАНК РОССИИ

Consolidated statement of cash flows

(In millions of Russian rubles)	Note	2010	2009
Cash from operating activities			
Interest received		809,556	823,100
Interest paid		(250,681)	(266,462)
Commissions received		130,669	105,198
Commissions paid		(7,140)	(4,634)
Income, net of expenses, from operations with trading securities		1,040	2,404
Income, net of expenses/(expenses, net of income), on operations with securities, a change in the fair value of which is recognized through profit or loss		4,505	(171)
(Expenses, net of income) / income, net of expenses, on operations with foreign currency and currency derivative instruments		(14,516)	7,272
Income, net of expenses, from operations with other derivative financial instruments		2,944	_
Income, net of expenses, from operations with precious metals and from forward transactions with precious metals		928	2,210
Other operating income		12,267	7,781
Operating expenses paid		(240,549)	(194,165)
Income tax paid		(48,249)	(5,723)
Cash from operating activities before changes in operating assets and liabilities		**400,774**	**476,810**
Changes in operating assets and liabilities			
Net increase in mandatory reserves on accounts with the Bank of Russia		(9,960)	(32,929)
Net decrease / (increase) in trading securities		28,436	(352)
Net decrease in securities, a change in the fair value of which is recognized through profit or loss		24,532	15,527
Net increase in assets with other banks		(2,948)	(2,640)
Net increase in loans and advances to customers		(807,732)	(131,215)
Net increase in other assets		(76,191)	(52,752)
Net increase / (decrease) in deposits from other banks		130,062	(252,700)
Net increase in deposits from retail customers		1,044,458	638,290
Net increase / (decrease) in deposits from corporate customers		155,431	(76,554)
Net decrease in debt securities issued		(4,672)	(16,384)
Net increase / (decrease) in other liabilities		29,597	(138)
Net cash from operating activities		**911,787**	**564,963**
Cash from investment activities			
Purchase of investment securities available for sale		(1835,415)	(674,269)
Earnings from sale and redemption of investment securities available for sale		1,178,645	168,711
Purchase of investment securities held to maturity		(94,636)	-
Acquisition of fixed assets	14	(63,082)	(52,498)
Earnings from sale of fixed assets and insurance proceeds		410	1,357
Purchase of associated companies		(2,211)	-
Purchase of subsidiaries		(994)	(1,467)
Dividends received		1,414	188
Net cash used in investment activities		**(815,869)**	**(557,978)**
Cash from financing activities			
Other borrowings received		178,190	832
Repayment of other borrowings		(27,799)	(53,090)
Interest paid on other borrowings		(3,918)	(5,258)
Repayment of subordinated loan		(214,912)	(15,897)
Interest paid on subordinated loan		(28,992)	(41,269)
Acquisition of non-controlling interest	37	(367)	-
Sale of equity shares redeemed from shareholders		-	60
Dividends paid	29	(2,205)	(11,012)
Net cash used in financial activities		**(100,003)**	**(125,634)**
Effect of changes in exchange rates on cash and cash equivalents		**(1,835)**	**40,421**
Net decrease in cash and cash equivalents		**(5,920)**	**(78,228)**
Cash and cash equivalents as of the beginning of the year		725,521	,803,749
Cash and cash equivalents as of the end of the year	**7**	**719,601**	**725,521**

The notes are an integral part of these consolidated financial statements.

1 Introduction

These consolidated financial statements of Open Joint-Stock Company Sberbank of Russia (hereinafter "Sberbank" or the "Bank") and its subsidiaries (jointly referred to as the "Group" or "Sberbank of Russia Group") are prepared in accordance with the International Financial Reporting Standards for the year ended December 31, 2010. The main subsidiaries of the Group include foreign commercial banks and other Russian and foreign organizations controlled by the Group. The list of the main subsidiaries included in these consolidated financial statements is provided in Note 37.

The Bank is an open joint-stock company, and since its foundation in 1841 it has operated in various legal forms. The Bank is registered and has its registered address in the Russian Federation. The Bank's main shareholder is the Central Bank of the Russian Federation (Bank of Russia), holding 60.3% of the Bank's ordinary shares or 57.6% of all the shares issued by the Bank as of December 2010 (60.3% of the Bank's ordinary shares or 57.6% of all the shares issued by the Bank as of December 31, 2009).

As at December 31, 2010, the Bank's Supervisory Board is chaired by the Chairman of the Bank of Russia. The Supervisory Board also includes representatives of the Bank's other shareholders and independent directors. Two Deputy Chairmen of the Bank of Russia are Deputy Chairmen of the Bank's Supervisory Board.

The Bank operates under a general banking license issued by the Bank of Russia in 1991. The Bank has licenses required to keep and perform trade operations with securities, and to carry out other operations with securities, including broker, dealer, depository and asset management activities. The Bank's activities are regulated and controlled by the Bank of Russia and the Federal Financial Markets Service. The Group's foreign banks operate in accordance with the laws and regulations of their countries.
The Group's core activity is commercial and retail bank operations. Such operations include taking of deposits and granting of commercial loans to corporate customers, small business and natural persons in freely convertible currencies and in local currencies of the countries where the Group operates, as well as in Russian rubles; provision of services to customers when they perform export / import operations; conversion operations; cash services; collection services; trading in securities and derivative financial instruments. The Group operates both on the Russian and international markets. As of December 31, 2010, the Group's activities within the Russian Federation are carried out through Sberbank of Russia which comprises 17 (18 as of December 31, 2009) regional banks, 522 (602 as of December 31, 2009) divisions of regional banks and 18,883 (19,103 as of December 31, 2009) branches, as well as through its main subsidiaries – CJSC Sberbank Leasing and Sberbank Capital LLC. The Bank's organizational structure changed in the fourth quarter of 2010, namely the Altai Regional Bank was reorganised into a division and included in the Siberia Regional Bank. The Group's activities outside the Russian Federation are carried out through 3 subsidiary banks in Ukraine, the Republic of Belarus and Kazakhstan, one division in India and a representative office in Germany.

The Bank is a participant of the state deposit insurance system established by Federal Law No. 177-FZ *On insurance of household deposits in banks of the Russian Federation*, dated December 23, 2003. The guaranteed indemnity for household deposits provided for by the state deposit insurance system amounts to RUB 700,000 per one natural person in the event the Bank's license is recalled or a moratorium on payments is introduced by the Bank of Russia.

The Group's average staffing number for the year ended December 31, 2010 amounted to 257,046 employees (260, 805 employees for the year ended December 31, 2009).

1 Introduction (continued)

Registered address and place of business. The Bank is registered at the following address: 19 Vavilova St., Moscow, Russian Federation.

Presentation currency. These consolidated financial statements are presented in millions of Russian rubles (hereinafter "million rubles"), unless otherwise stated.

2 Economic environment in which the Group operates

The Government of the Russian Federation continues implementing the economic reforms and improving the legal, tax and regulatory laws. The Government's current actions focused on the modernization of Russia's economy are aimed at enhancing labor productivity and output quality, and at increasing the share of industries producing science-intensive goods and services. The future stability of the Russian economy depends, to a great extent, on such reforms and the efficiency of economic, financial and money-and-credit measures taken by the Government.

During 2010, the Russian Government took measures for the support the country's economy to overcome the consequences of the global financial crisis of 2008. Gradual economic recovery was followed by a financial stabilization and reduction of unemployment. Starting from the second quarter of 2010, a demand for loans by corporate customers began to grow. Gradual growth of household incomes also led to an increased demand for credit products by natural persons.

The liquidity indicators of the Russian financial sector returned to the pre-crisis level, which led to increased competition between financial organizations and reduced credit rates. Despite the above signs of Russia's economic recovery, there still remains some uncertainty as to further economic growth and the ability of the Group and its counterparties to raise new borrowings at acceptable rates, which may in turn affect the Group's financial position, operating results and development prospects. Since the Russian economy is sensitive to negative trends on global markets, there is still a risk of increased volatility of Russian financial markets.

Although the Group's Management is sure of taking all required measures in the existing situation to maintain business stability and growth, negative trends in the above areas might have a negative impact on the Group's performance and financial position. Moreover, the degree of such impact is now hard to assess.

3 The basis for preparing the financial statements

The basis for preparing the statements. These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) based on the rules of historical cost accounting with an allowance for the revaluation of office real estate, investment property, financial assets available for sale, and financial instruments a change in the fair value of which is recognized through profit or loss.

The principles of the accounting policy used in preparing these consolidated financial statements are provided below: These principles have been consistently applied with respect to all the periods presented in the statements, unless indicated otherwise.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Consolidated financial statements. Subsidiaries are companies and other organizations (including special purpose companies) in which the Group holds, whether directly or indirectly, over half of voting shares, or can otherwise control their financial and operating policy to obtain economic benefits. The availability and influence of potential voting rights, which are easily exercizable or convertible, are taken into account when deciding whether the Group controls another company. Subsidiaries are included in the consolidated financial statements as from the date of the control over their operations is transferred to the Group (control acquisition date), and are excluded from the consolidated statements as from the date the control is terminated.

Subsidiaries are included in the consolidated financial statements by the purchase accounting method. Upon each business merger, the purchaser assesses the non-controlling interest in the acquired company at fair value or in proportion to the non-controlling interest in identifiable net assets of the acquired company.

Non-controlling interest is an interest in subsidiaries not owned by the Group. The costs for the acquisition of subsidiaries are allocated to profit or loss accounts. Non-controlling interest is recognized as part of fixed assets.

Goodwill is an excess of the full acquisition cost, the non-controlling interest and the fair value of shares previously acquired in the acquired company as of the acquisition date over the fair value of the acquired company's net assets as of the acquisition date. If the fair value of the acquired company's net assets exceeds the full acquisition cost, the non-controlling interest and the fair value of shares previously acquired in the acquired company as of the acquisition date, such difference (income from acquisition at a price lower than the market price) is recognized in the Consolidated Profit and Loss Statement. After the initial recognition, goodwill is accounted at the acquisition cost net of accrued depreciation.

Operations between the Group’s companies, balances on the respective accounts and unrealized gains from operations between the Group's companies are mutually excluded. Unrealized expenses are also mutually excluded, save where the costs cannot be compensated. The Bank and all its subsidiaries apply single accounting principles in accordance with the Group’s policy.

Key evaluation methods. Financial instruments are recognized at their historical cost, fair value or amortized cost, depending on their classification. Below is the description of such evaluation methods.

Historical cost is the amount of cash or cash equivalents paid, or the fair value of other resources provided for acquiring an asset as of the purchase date, and includes transaction costs. The evaluation at historical cost is applied only to investments in equity instruments that have no market quotations and the fair value of which cannot be reliably measured, to deliverable derivative financial instruments the basic asset of which is such equity instruments, and to fixed assets save for office real estate.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Transaction costs are additional costs directly related to acquisition, issue or disposal of a financial instrument. Additional costs are the costs that would not have been incurred if the transaction had not been effected. Transaction costs include remunerations and fees paid to the agents (including employees acting as trade agents), consultants, brokers and dealers; charges paid to regulatory authorities and stock exchanges, and taxes and duties collected upon property transfer. Transaction costs doe not include premiums and discounts on debt obligations, financing costs, internal administrative expenses or keeping costs.

Fair value is the amount an asset may be exchanged for or an obligation may be settled by when making a transaction on market terms between well-informed independent parties acting on a voluntary basis. The fair value is the current demand price for financial assets and the current supply price for financial obligations quoted on an active market. The term "quoted on an active market" means that the quotations for such instruments are freely and regularly available on a stock exchange or in any other organization, and that such prices reflect the actual and regular market operations made on market terms.

The evaluation methods are applied to determine the fair value of financial instruments for which there is available information on the market prices of transactions. Such evaluation methods include cash flow discounting models, generally accepted option valuation models, and models based on the data about similar operations made on market terms, or on the investee's financial indicators. Calculations using such methods may require making judgments not supported by observable market data. If a change in the judgments in favour of a possible alternative leads to material changes in the profits, income, total assets and liabilities, the required disclosures are provided in these consolidated financial statements.

Amortized cost is the cost of a financial instrument upon its initial recognition, net of principal debt payments and adjusted for accrued interest, and for financial assets – net of any written off impairment losses. Accrued interest includes Amortization of deferred transaction costs upon their initial recognition, any premiums or discounts in respect of the repayment amount using the effective interest method. Accrued interest income and accrued interest expenses, including the accrued interest coupon income and amoritzed discount or premium (including fees deferred upon their receipt, if any), are not presented separately, but included in the current cost of the respective items of assets and liabilities.

Effective interest method is a method of distributing interest income or interest expenses throughout a certain period to obtain a constant interest rate (effective interest rate) for the current cost of an instrument. Effective interest rate is an accurate discount rate for future estimated cash payments or receipts (exclusive of future losses on loans) for the expected validity period of a financial instrument or, where appropriate, for a shorter period to the net current cost of the financial instrument. Premiums and discounts on instruments with a floating rate are amortized to the date of the next interest revision, save for the premium or discount reflecting credit spread on the floating rate stated for such instrument, or by other variable factors not established depending on the market value. Such premiums or discounts are amortized throughout the whole expected period of the instrument's circulation.

The discounted cost is calculated subject to all fees and charges paid or received by the parties to the contract and constituting an integral part of the effective interest rate (see the Principles of the accounting policy regarding recognition of incomes and expenses).

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Initial recognition of financial instruments. Trading securities, securities, a change in the fair value of which is reflected through profit or loss, and derivative financial instruments are initially recognized at fair value. All other financial assets are initially recognized at fair value, including the transaction costs incurred. The best confirmation of the fair value upon initial recognition is the transaction price. Profit or loss are accounted for upon initial recognition only to the extent there is a difference between the fair value and the price of the transaction which may be confirmed by other observable current market transactions with the same instrument or the valuation method which uses only the data available on an open market as the basic data.

Purchase and sale of financial assets to be supplied within the time limits established under the laws or the business practice for such market (purchase and sale on standard terms) are recognized as of the transaction date, that is the date of the Group's assuming the obligation to supply the financial instrument. All other purchase and sale operations are recognized when the Group becomes a party to the contract for operations with such financial instrument.

Cash and cash equivalents. Cash and cash equivalents are the assets easily convertible in a certain cash amount and exposed to a minor risk of changes in the value.

Cash and cash equivalents include interbank deposits and reverse repo transactions for a period of 30 days inclusive. The amounts subject to any use restrictions are excluded from cash and cash equivalents.

Mandatory reserves on accounts with the Bank of Russia. Mandatory reserves on accounts with the Bank of Russia are recognized at amortized cost and are the assets on which interest is accrued and which are not intended for financing the Group's daily operations. Consequently, they are excluded from cash and cash equivalents for the purpose of drawing up the consolidated statement of cash flows.

Precious metals in physical form. Precious metals in physical form and deposits in precious metals are recognized at the lowest acquisition cost and net realizable value as of the reporting date.

Outstanding plastic card settlements. Outstanding plastic card settlements are accounted using the accrual method and are recognized at amortized cost. Outstanding plastic card settlements are initially recognized upon the incurrence of a legal right to receive or pay cash pursuant to the contract terms.

Trading securities. Trading securities are securities acquired to gain profits at the expense of short-term price or trade margin fluctuations, or securities included in the portfolio which is actually used to earn short-term profits. The Group classifies securities as trading securities if it intends to sell them within a short period after their acquisition, namely within six months.

Trading securities are recognized at fair value. Interest income on trading securities calculated using the effective interest method is recognized in the consolidated profit and loss statement as part of interest income. Dividends are recognized under the *Dividends received* item as part of other operating income upon the Group's incurring the right to receive the respective payments. Currency revaluation of trading securities is included in the income, net of the expenses, from foreign currency revaluation. Other changes in the fair value, as well as profit or loss at selling trading securities, are recognized in the consolidated profit and loss statement as part of the income, net of expenses, from operations with trading securities in the reporting period they refer to.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Securities, a change in the fair value of which is recognized through profit or loss. Securities, a change in the fair value of which is recognized through profit and loss include securities which were allocated to this category upon their initial recognition. The Group's management allocates securities to this category only to the extent the group of financial assets is managed and assessed at fair value, and the information on its change is regularly submitted to the Group's management. Recognition and assessment of financial assets allocated to this category complies with the above policy for accounting trading securities.

Assets with other banks. Assets with other banks are accounted if the Group provides cash to its counterparty banks. Assets with other banks mature on the established or determined date; provided the Group does not intend to perform operations with the arising accounts receivable not related to derivative financial instruments and having no quotations on an open market. Assets with other banks are recognized at amortized cost.

Loans and advances to customers. Loans and advances to customers are recognized to the extent the Group transfers cash to customers to acquire or create accounts receivable not related to derivative financial instruments and having no quotations on an open market, which mature on the established or determined date, and provided the Group does not intend to perform trade operations with such accounts receivable. Loans and advances to customers are recognized at amortized cost.

Impairment of financial assets recognized at amortized cost. Impairment losses on financial assets carried at amortized cost are recognized on profit or loss accounts as they are incurred as a result of one or more events (loss events) occurring after the initial recognition of a financial asset and affecting the value or timeframe of future estimated cash flows related to the financial asset or to a group of financial assets that may be reliably measured. If the Group has no objective evidence of impairment for an individually assessed financial asset (regardless of its materiality), such asset is included in the group of financial assets with similar credit risk characteristics and is measured for impairment together with them. The main factors which the Group takes into account while considering impairment of a financial asset include (i) an overdue status of such financial asset, (ii) the borrower's financial position (iii) poor debt servicing and (iv) the ability to realize the existing debt.

A loan is considered overdue if any established loan payment is overdue as of the reporting date. In this case, the whole amount of payments due to the Group under the loan agreement, including accrued interest and fees, is deemed overdue. For the purpose of credit risk assessment, according to the Group's position, a loan is deemed non-performing if its principal and/or interest payments are overdue by over 90 days.

Impairment losses are recognized by creating a reserve in the amount required to reduce the current cost of the asset to the current cost of the expected future cash flows (net of future losses on loans not yet incurred) discounted at the initial effective interest rate for such asset. The discounted cost of future cash flows from a secured financial asset is calculated subject to the cash flows that might arise as a result of the creditor's taking possession of the debtor’s property, net of the costs for obtaining and selling the security, regardless of the degree of probability for the creditor to take possession of the debtor's property.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Impairment reversal. If the impairment loss reduces in the next reporting period, such reduction may be objectively attributed to the event after the impairment recognition (such as an increase in the debtor's credit rating) and the impairment loss previously recognized is reversed by adjusting the created reserve through profit or loss, accounts.

Write-off of assets accounted at amortized cost. The assets that cannot be redeemed are written off at the expense of the created impairment reserve after complying with all required procedures for replacing the asset value and after the final amount of damage is determined.

Impairment of loans and advances issued to corporate customers. The reserve for impairment of the credit portfolio for corporate loans is measured in the following stages:

- Identifying individually material loans, that is the loans that if fully impaired would have a material impact on the expected average amount of the Group's operating expenses.
- Determining the objective signs of impairment for an individually material loan. To this end, the time and the amount of cash flows expected from interest and principal payments, and the amount of loan collateral in the form of guarantees and security are measured by discounting them at the loan's initial effective interest rate. A loan is considered impaired if its current cost substantially exceeds the replaced value. For each individually material impaired loan the amount of impairment loss is determined.
- All other loans which are not individually material are evaluated on a collective basis.

The Group applies the methodology of creating a loan impairment reserve on a collective basis as described in IFRS (IAS) 39 *Financial Instruments: Recognition and Evaluation* and creates a reserve for the impairment of the loan portfolio for losses that were incurred but were not identified in respect of individual loans as of the reporting date. According to this methodology, the total impairment reserve may exceed the amount of individually impaired loans to the deduction of reserves for their impairment.

To measure and analyze the Group's credit risk, loans are classified depending on their quality. The corporate loan quality is regularly monitored as a complex analysis of the borrower's financial position and includes the analysis of liquidity, profitability and equity adequacy. It may also include the data on the borrower's equity structure, organizational structure, credit history and goodwill. The Group factors in the borrower's position in the industry and on the regional market, availability of production equipment and the level of technologies applied, as well as the overall management efficiency. Based on the analysis, corporate customers are assigned internal ratings and classes. In order to evaluate undue loans and advances on a collective basis, the Group analyzes the loans of each class based on the data of historical losses and collectibility individually for the loans, the terms of which were revised, and for the loans with the initial terms. The data of past periods are adjusted subject to the current observable data to reflect the effect of the current terms which have not influenced the previous periods, and to eliminate the effect of the past events which do not currently exist. For the purpose of collective evaluation of overdue loans and advances to customers, the Group analyzes the period for which the loans remain on the overdue accounts.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Impairment of loans and advances issued to retail customers. To analyze the quality of the credit portfolio, loans issued to retail customers are grouped by the types of credit products into separate sub-portfolios with similar risk characteristics. The Group analyzes each sub-portfolio based on the period for which the loans remain on overdue accounts.

A retail loan is considered fully impaired when an interest and/or principal payment is overdue by over 180 days.

Investment securities available for sale. This category of securities includes investment securities which the Group intends to hold within an indefinite period of time and which may be sold depending on the requirements for liquidity maintenance or as a result of changes in interest rates, exchange rates or prices for shares. The Group classifies investments as available for sale upon their purchase.

Investment securities available for sale are accounted at fair value. Interest income from securities available for sale is calculated according to the effective interest method and recognized in profit or loss. Dividends on equity investments available for sale are recognized in profit or loss upon establishment of the Group's right to receive payment with a high probability of economic benefits. Exchange differences arising upon redemption of debt securities available for sale or upon recognition of investment securities available for sale at the rates different from those they were recognized at upon their initial recognition in the current period or in the statements of past years, are recognized in profit or loss in the period they refer to. All other elements of changes in the fair value are recognized as part of other consolidated income until the investment is derecognized or impaired, and the accrued profit or loss are referred to profit or loss accounts.

Impairment losses are recognized on profit and loss accounts as they are incurred as a result of one or more events ("loss event") which occurred after the initial recognition. Material or continuous decrease in the fair value of an equity security below its acquisition cost is a sign of its impairment. Cumulative impairment loss determined as a difference between the acquisition cost and the current fair value, net of the loss from the impairment of the asset which was earlier recognized in profit or loss, is removed from other cumulative income accounts to profit or loss. Losses from the impairment of equity instruments are not replaced through profit or loss. If in the next period, the fair value of a debt instrument allocated to the *available for sale* category is increased, and such increase may be objectively attributed to the event occurring after the impairment loss was recognized in profit or loss, the impairment loss is replaced through profit or loss, of the current reporting period. Unrealized revaluation of investment securities available for sale which does not constitute losses form their impairment is recognized as part of other comprehensive income as expenses or income from operations with investment securities available for sale.

If the Group has an intention and is able to hold investment securities available for sale up to their maturity/redemption, they may be transferred to the category of investment securities held to maturity. In this case, the fair value of such securities becomes their new amortized cost as of the transfer date. The reserve for accumulated revaluation of securities with a fixed term up to redemption is amortized within the period remaining to their redemption to profit or loss, applying the effective interest method.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

REPO transactions. Repo transactions are operations for raising funds as a collateral for securities. Securities sold under repurchase agreements are not derecognized. Securities are not carried over to other items of the statement of financial position, except where the buyer is entitled under a contract or the established business practice to sell or repledge the securities. In such cases, they are transferred to the *Securities pledged under repos* category. The respective obligations are recognized in the *Deposits from other banks* or *Deposits from corporate customers* lines.

The securities acquired under reverse repurchase agreements (reverse repo) are recognized in the *Cash and cash equivalents, Assets with other banks* or *Loans and advances to customers,* depending on the counterparty and transaction term.

The difference between the selling price and repurchase price is considered as interest income / expense and is accrued throughout the whole term of the repo transaction based on the effective interest method.

The securities provided to counterparties as loans for a fee, continue to be recognized in the consolidated financial statements in the initial item of the consolidated statement of financial position, save where the counterparty is entitled under a contract or the established business practice to sell or repledge such securities. In such cases, they are reclassified in a separate item of the consolidated statement of financial position. The acquired securities are not recognized in the consolidated financial statements, save to the extent they are sold to third parties. In such case, the receipts from the sale of such securities are recognized as a trade obligation for reverse purchase and return of securities. Such obligation is accounted at fair value, and the effect of the revaluation continues to be recognized in the *Income, net of expenses, from operations with trading securities* line in the consolidated profit and loss statement. The obligation to return the securities is recognized at fair value in the *Deposits from other banks* or *Deposits from corporate customers* lines.

Investment securities held to maturity. This category includes the quoted non-derivative financial assets which the Group intends or is able to hold to maturity with a fixed or previously determined payments and fixed repayment dates. The management classifies a financial asset to the category of investment securities held to maturity upon initial recognition and upon transfer thereof from the category of securities available for sale. Investment securities available for sale may be reclassified to the category of the investment securities held to maturity, if the Group changes its expectations and is able to hold such securities to their maturity. At the end of each reporting period, the Group makes an assessment whether such reclassification is appropriate. Investment securities held to maturity are accounted at amortized cost.

Derecognition of financial assets. The Group derecognizes financial assets when (a) such assets are repaid or the rights to cash flows related to such assets expired, or (b) the Group transferred the rights to cash flows from financial assets or made a transfer agreement, and at the same time (i) also substantially transferred all risks and benefits related to the ownership of such assets, or (ii) neither substantially transferred nor reserved all risks and benefits related to the ownership of such assets, but forfeited the right to control the same. The control is reserved, if the counterparty has no practical possibility to sell the asset completely to any unrelated third party without additional sale restrictions. The paragraph below provides a summary of restructuring accounting leading to derecognition of financial assets.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Restructured financial assets. In the course of its day-to-day operations, the Group restructures its financial assets, mostly loans.

Accounting of restructuring not leading to derecognition of financial assets. If the terms of the agreement change immaterially, restructuring is accounted by recalculating the effective interest rate based on the current book value and changed future cash flows.

Accounting of restructuring leading to derecognition of financial assets. Material changes in the terms of the agreement lead to derecognition of one financial asset and recognition of a new financial asset at fair value. The following material changes in the terms of the agreement are deemed material:

- Change of the currency in which the cash flow is denominated;
- Combination or separation of several financial instruments;
- The present value of new cash flows discounted by applying the initial effective interest rate by not less than 10% differs from the present value of the remaining cash flow of the initial financial asset.

In both cases, if restructuring of financial assets is connected with the borrower's financial difficulties, before restructuring is recognized the impairment of financial assets is measured.

Goodwill. Goodwill is an excess of the total acquisition cost, the non-controlling interest or the fair value of shares previously acquired in the acquired company as of the acquisition date over the fair value of the acquired company's net assets as of the acquisition date. Goodwill related to acquisition of subsidiaries is recognized as part of other assets or as a separate item in the statement of financial position, if its amount is material. Goodwill related to acquisition of associated companies is recognized as part of investments in associates. Goodwill is recognized at the acquisition cost, net of the accrued impairment losses (if any). The Group tests its goodwill for impairment at least once year, and if there are signs of its possible impairment. Goodwill is allocated to cash generating units or groups of such units which are expected to benefit from enhanced performance as a result of merger. Such units or groups of units are the basic level for the Group to account its goodwill, and by their amount they do not exceed the accounting segment. If an asset is disposed from the cash generating unit to which goodwill was allocated, the respective profits or losses from such disposal include the current cost of goodwill related to the disposed asset which is generally defined in proportion to the share of the disposed asset in the cost of the cash generating unit.

Plant and equipment. Plant and equipment, save for office real estate, are accounted at their acquisition cost, less accumulated impairment. Office real estate is accounted at fair value and is revalued on a regular basis to the market value. The income from revaluation is recognized as part of other comprehensive income. The frequency of revaluation depends on the changes in the fair value of the revalued items of fixed assets. The office real estate revaluation reserve, included in the shareholders' equity, is transferred directly to the accounts of undistributed profits in equal shares as the asset is used by the Group. Upon the asset's disposal or sale, the remaining revaluation reserve is fully transferred to the undistributed profit accounts.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Construction in progress is accounted at its historical cost, net of the impairment reserve (where appropriate). After construction is completed, the assets are transferred to the *Office real estate* or *Other buildings* categories and are recognized at current cost as at the transfer date. Construction in progress is not subject to amortization up to its commissioning date.

Repair and maintenance costs are accounted as part of the consolidated profit and loss statement as they are incurred. The costs for the replacement of major components of fixed assets are capitalized with subsequent write-off of the replaced component.

In case of impairment, the cost of buildings is reduced to the highest of the costs obtained as a result of their use, and the fair value, net of the sale costs. A reduction in the current cost is allocated to profit or loss in the amount by which the impairment amount exceeds the accumulated positive revaluation, previously recognized as part of other comprehensive income.

The positive asset revaluation is recognized as part of profit or loss in the amount of the negative revaluation of the same asset, as previously recognized in profit or loss. The amount exceeding the negative revaluation previously recognized in profit or loss is allocated to the other comprehensive income.

Profits and losses from disposal are determined by comparing the proceeds from sale with the current cost and are included in profit or loss.

Amortization. Land is not amortized. Amortization of other fixed assets is calculated by applying a liner method, that is by equally writing off the historical or revalued cost to the liquidation cost throughout the asset's useful life at the following amortization rates by the categories of fixed assets:

Buildings:	2.5-3.3%;
Other buildings	2.5%;
Office and computer equipment:	25%; and
Vehicles and other fixed assets:	18%.

The liquidation cost of an asset is an estimated amount the Group would currently get if such asset is sold, net of the expected disposal costs, if the condition and age of the asset corresponded to the condition and age the asset will have at the end of its useful life. The asset's depreciated value equals zero, if the Group intends to use the assets to the end of their physical life. The depreciated value of assets and their useful life are revised and adjusted, if required, at every reporting date.

Investment property. Investment property is real estate which is not occupied by the Group and held for the purpose of earning rental income or for capital appreciation or for both.

Investment property is accounted at fair value which reflects the current market cost and is the amount such property may be exchanged for when a transaction is made on market terms between well-informed independent parties. Investment property is revalued as of every reporting date and is recognized in the consolidated profit and loss statements as *Income / (expenses) from investment property revaluation*. The rental income earned is recognized in the consolidated profit and loss statement as part of other operating income.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Further costs are capitalized only when there is a probability that the Group will obtain economic benefits related to them, and that their cost may be reliably measured. All other repair and maintenance costs are recognized as expenses as they are incurred.

If the owner of investment property occupies it, such property is transferred to the *Fixed assets* category at its current cost as of its reclassification date with subsequent revaluation and accrual of amortization.

Operating lease. Where the Group acts as a lessee, and the lessor does not transfer the risks and income from possessing lease items to the Group, the total amount of payments under operating lease agreements are equally recognized in profit or loss throughout the whole lease term.

Financial lease. In the event of financial lease, all risks and benefits related to the ownership of the asset are transferred. If the Group acts as a lessor, the Group recognizes the accounts receivable from lease payments in the amount equal to net lease investments starting from the beginning of the lease term. Financial income is accrued under a scheme reflecting the constant periodical rate of return on the balance-sheet amount of net investments. Net investments in financial lease are recognized as part of loans and advances to customers.

Deposits from other banks. Deposits from other banks are recognized starting from the date the Group is provided cash and other assets by its counterparty banks. Non-derivative financial obligations are recognized at amortized cost.

Deposits from retail and corporate customers. Deposits from retail and corporate customers comprise non-derivative financial obligations towards retail and corporate customers (including governmental authorities and companies controlled by the government) and are recognized at amortized cost.

Debt securities issued. Debt securities issued include bonds, depository and savings certificates, and other debt instruments issued by the Group. Debt securities issued are recognized at amortized cost.

Other borrowings. Other borrowings are medium-term and long-term funds raised by the Group on international financial markets. Other borrowings are recognized at amortized cost. If the Group buys out its own other borrowings, they are excluded from the consolidated statement of financial position, and the difference between the current cost of the obligation and the amount paid is included in the consolidated profit and loss statement under the *Other operating income* item.

Subordinated loans. Subordinated loans are long-term loans attracted by the Group on international financial markets or on the domestic market. If any of the Group's companies are liquidated, the creditors of the subordinated loan will be the last the debt is repaid to. Subordinated loans are accounted at amortized cost.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Derivative financial instruments. Derivative financial instruments, including forward and futures contracts, option contracts for financial instruments and swap operations are recognized at fair value. All derivative instruments are recognized as assets if their fair value is positive, and as liabilities, if their fair value is negative. Changes in the fair value of currency exchange derivative financial instruments are allocated to the *Income, net of expenses, from operations with foreign currency and currency derivative instruments, income, net of expenses, from foreign currency revaluation* in the consolidated profit and loss statement. Changes in the fair value of derivative financial instruments with precious metals are allocated to the *Income, net of expenses, / (expenses, net of income) from operations with precious metals and from forward transactions with precious metals*; changes in the fair value of derivative instruments with securities, interest rate derivative instruments and other derivative financial instruments are allocated to the *Income, net of expenses, / (expenses, net of income) from operations with other financial instruments*. The Group does not apply *hedge accounting* under IFRS (IAS) 39.

Income tax. The consolidated financial statements display the income tax expenses as required by the applicable laws of the Russian Federation which are effective or substantially effective as of the reporting date. Income tax expenses comprise current tax payments and deferred tax, and are recognized in profit or loss, unless they are to be recognized as part of other comprehensive income as they refer to the operations which are also recognized in this or other period as part of other comprehensive income.

The current tax is calculated based on the amounts expected to be paid to the budget / compensated from the budget with respect to taxable profits or losses for the current and previous periods. Other tax expenses, except income tax, are recognized as part of operating expenses.

Deferred income tax is recognized in respect of deferred tax losses and temporary differences between the taxable base of assets and liabilities and their current cost according to the financial statements. Deferred tax is not recognized in respect of temporary differences upon initial recognition of goodwill or other assets and liabilities under a transaction, to the extent such transaction affects neither accounting nor tax income upon initial recognition.

Deferred tax assets and liabilities are determined by using the taxation rates effective or substantially effective as of the reporting date, and which are expected to be applied during the period when the temporary differences are replaced or the deferred tax losses are set off. Deferred tax assets and liabilities are mutually set off only for each individual company of the Group.

Deferred tax assets and liabilities for temporary differences reducing the taxable base, and deferred tax losses are recognized in the statement of financial position only insofar as there is a probability to gain taxable income against which temporary differences may be used.

Deferred income tax is calculated with respect to undistributed profits earned after acquiring subsidiaries, except where the Group controls the dividend policy of a subsidiary and there is a probability that the temporary differences will not be set off in the foreseeable future by means of dividends or otherwise.

Reserve for obligations and deductions. A reserve for obligations and deductions is a non-financial obligation with an indefinite term or amount. The reserves are created when the Group incurs obligations (legal or those arising out of the established business practice) resulting from the events after the balance-sheet date. In this case, there is a high probability that in order to fulfill such obligations, the Group will require the outflow of economic resources, and the amount of obligations may be measured with adequate accuracy.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Settlements with suppliers and other accounts payable. Accounts payable are accrued after a counterparty has fulfilled its contractual obligations, and are recognized at amortized cost.

Share premium. Share premium is an excess of contributions to the share capital over the par value of the shares issued.

Preferred shares. Preferred shares are not subject to mandatory redemption. The procedure for paying dividends is determined by the Bank. If dividends are paid, the minimum level for the preferred shares amounts to 15% of their par value per annum and is approved by the annual shareholders' meeting. Preferred shares are recognized in equity.

Treasury shares redeemed from shareholders. If the Bank or its subsidiaries redeem the Bank's shares, the equity reduces by the amount paid, including all additional transaction costs, net of tax, up to the sale or repayment thereof. In the event of further sale or reissue of such shares, the amount obtained is included in equity.

Dividends. Dividends are recognized in equity in the period when they were declared. Information on the dividends declared after the balance-sheet date, but before the consolidated financial statements were approved for release, is provided in the *Events after the balance-sheet date* note. Payment of dividends and other distribution of profits are performed based on the accounting statements prepared in accordance with Russian laws.

Recognition of income and expenses. Interest income and expenses on all interest instruments are recognized in profit or loss by the accrual method using the effective interest method. Such calculation includes time distribution of all commissions and fees paid and received by the parties to the contract and constituting an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fee and commission income attributable to the effective interest rate, including commissions received or paid in relation to the creation or acquisition of a financial asset or issue of a financial obligation (for instance, the fee for estimating creditworthiness, for estimating or accounting guarantees or security, for approving the terms of a financial instrument and for processing transaction documents). Fees for the commitment to provide a loan at market rates received by the Group are an integral part of the effective interest rate, if there is a probability that the Group will make a specific loan agreement and will not plan to realize the loan within a short period after the provision thereof. The Group does not refer the loan commitment to financial obligations, a change in the fair value of which is recognized through profit or loss.

Should there be any doubts regarding the ability to repay loans or other debt instruments, they are written off to the discounted cost of the expected cash flows, after which the interest rate is recognized subject to the effective interest rate for such instrument used to assess the impairment amount.

All other fee and commission income, other income and other expenses are generally recognized by the accrual method depending on the degree of completeness of a specific transaction defined as a share of the actually provided service in the total scope of services to be provided.

3 The basis for preparing the statements and the principles of the accounting policy (continued)

Fee and commission income from organizing transactions for third parties obtained after the transactions are performed, for example, acquisition of loans, shares and other securities or purchase and sale of companies, is recognized upon completion of the transaction. Fee and commission income from management of the investment portfolio and from other management and consultancy services is recognized in accordance with the terms of service agreements, generally, in proportion to the time spent. Fee and commission income from trust management of assets and from depository services are recorded in proportion to the time of services rendered during the period such services are rendered.

Credit obligations. The Group assumes credit obligations, including letters of credit and financial guarantees. Financial guarantees are irrevocable obligations to make payments in the event the customer fails to meet its obligations towards third parties, and are subject to the same credit risk as loans. Financial guarantees and loan commitments are initially recognized at fair value which is generally confirmed by the amount of fees received. Such amount is depreciated by a linear method within the validity period of the obligation, save for a loan commitment, if there is a probability that the Group will make a specific credit agreement and will not plan to realize the loan within a short period after its provision; such fee and commission income related to a loan commitment are accounted as deferred income and included in the current cost of the loan upon initial recognition.

Foreign currency revaluation. The functional currency of each of the Group's consolidated companies is the currency of the main economic environment in which the respective company operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation – Russian ruble.

Cash assets and liabilities are translated into the functional currency of each company at the rate effective as of the reporting date. Positive and negative exchange differences from transaction settlements and from translation of cash assets and liabilities into the functional currency of each company are recognized in profit or loss. The effect of exchange differences on the fair value of equity securities is recognized as part of the income or expenses from revaluation at fair value.

The performance and financial position of each of the Group's companies (neither of which performs its core activities in a country with a hyperinflationary economy) are translated into the presentation currency as follows:

(i) the assets and liabilities under each presented statement of financial position are recalculated at the exchange rate as of the respective reporting date;

(ii) the income and expenses recognized in the statement of comprehensive income are recalculated both at the rate as of the operations date, and at the average exchange rate (if such average exchange rate is reasonably approximate to the accumulated effect of exchange rates as of the dates of the operations).

Exchange rate differences arising upon recognition of the performance and financial position of each of the Group's consolidated companies are recognized in the other comprehensive income and are presented as a separate equity component.

As of December 31, 2010, the balance of the reserve for accumulated exchange differences recognized in equity is presented by losses in the amount of RUB 1,136 million (RUB 1,009 million of losses as of December 31, 2009).

3 The basis for preparing the statements and the principles of the accounting policy (continued)

As of December 31, 2010, the main official exchange rates used to translate the functional currencies into the presentation currency, and to revalue the balances on foreign currency accounts are provided below:

	/Russian ruble	Ukrainian hryvna	/Belarusian ruble	/Kazakhstan tenge
Russian ruble/	1	0.261	98.039	4.836
US Dollar/	30.477	7.961	2987.941	147.387
Euro/	40.333	10.535	3954.215	195.050

Assets in safekeeping. Assets and liabilities held by the Group in its own name, but on behalf and at the expense of third parties, are not accounted in the consolidated statement of financial position. The analysis of the respective amounts and operations is provided in Note 32. For disclosure purposes, the activities for keeping the assets do not include the services for safekeeping of valuables in safety deposit boxes. The fees received under such operations are recognized in the fee and commission income.

Assets in management. The Group has established share investment reserves and is acting as their manager. The assets of the reserves are not the property of the Group, therefore they are not recognized in the consolidated statement of financial position. The fee for managing the reserves is recorded in the consolidated profit and loss statement as part of the fee and commission income.

Contingent assets. Contingent assets are assets which may arise as a result of past events, and the arising of which is related to certain future events that might or might not occur, and which are beyond the Group's control. Contingent assets are not recognized in the consolidated statement of the Group's financial position, but are disclosed in the notes to the consolidated financial statements in the event there is a high probability of an influx of economic benefits.

Offsetting. Financial assets and liabilities are offset and the consolidated statement of financial position displays the net current cost only to the extent where there is a legal right to offset the recognized amounts, and the intent either to offset or simultaneously sell the asset and settle the obligation.

Earnings per share. Preferred shares are not mandatory for repurchase and are not voting shares. The earnings per share are calculated by dividing the net profit or loss attributed to the Bank's shareholders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares redeemed from the shareholders.

Salaries and associated deductions. The costs for salaries, contributions to the state pension fund and social insurance fund of the Russian Federation, annual paid vacations and sick leave, premiums and non-cash benefits are accrued in the year when the respective work was performed by the Group's employees.

Statements by segments. The Group distinguishes operating segments based on its organizational structure and geographic areas. The operating segments are presented based on management accounting data provided to the Board of Directors responsible for making managerial decisions. The segments, the profits, financial result or assets of which amount to at least 10% of all segments, are displayed separately.

4 Significant estimates and professional judgments in applying the accounting policy

The Group makes estimates and assumptions affecting the amounts of assets and liabilities recognized in the consolidated financial statements, and the current cost of the assets and liabilities in the next financial year. The estimates and professional judgments are constantly analyzed based on the management's experience and a number of other factors, including expectations regarding future events that, in the management's opinion, are reasonable in view of the current circumstances. While applying the accounting policy, the Group's management also uses professional judgments. The professional judgments having the most significant effect on the amounts recognized in the consolidated financial statements and the estimates which might result in substantial adjustments of the current cost of the assets and liabilities within the next financial year include:

Losses from impairment of loans and advances. The Group regularly analyzes its credit portfolio for impairment. When determining whether the impairment loss should be recognized in profit or loss, the Group applies professional judgments as to the existence of any objective signs evidencing a measurable reduction in the estimated future cash flows for the credit portfolio before a reduction for an individual loan in such portfolio is revealed. Such signs may include data on a negative change in the payment status of the group borrowers or national or local economic conditions related to non-fulfillment of asset obligations within the Group. The management applies estimates based on data about the losses of past years in respect of the assets with credit risk characteristics and objective signs of impairment similar to the assets in the portfolio which were used to forecast future cash flows.

In some cases, the Group's management accounting systems do not allow it to collect the full scope of the required statistical information on the history of losses for some types of loans. In such cases, the management applies professional judgments and statistical information on the history of losses for loans with a similar degree of credit risk. The methodology and professional judgments used when estimating the amounts and periods of future cash flows are regularly analyzed to reduce any discrepancy between the estimated and actual losses.

Financial assets held to maturity. The Group's management applies professional judgments when assessing whether a financial asset may be classified to the category of financial assets held to maturity, in particular (a) based on the intention and ability to hold the asset to maturity and (b) based on whether the asset is quoted on an active market. If the Group can no longer account investments as those held to maturity, except special cases, for example when selling a minor amount or shortly before the redemption date, such investments are to be reclassified to the category of those available for sale. Therefore, such investments will be accounted at fair value, and not at amortized cost. The fair value of the investment securities held to maturity as of December 31, 2010 is provided in Note 34.

The active market for a financial instrument exists if its quotations may be obtained freely and on a regular basis from a stock exchange, dealer, broker, industrial group, price service or regulating authority, and such quotations are the prices of effective regular transactions made on market terms.

Tax laws. Tax, currency and customs laws of the Russian Federation provide for various interpretations. See Note 32.

Recognition of a deferred tax asset. A recognized deferred tax asset is an amount of the income tax that may be set off against future income taxes and is recognized in the statement of financial position. A deferred tax asset is recognized insofar as the respective tax benefit is likely to be used. Determination of future taxable income and the amount of tax benefits likely to arise in future is based on the management's expectations reasonable in the current circumstances.

4 Significant estimates and professional judgments in applying the accounting policy (continued)

Fair value of financial instruments. Fair value is the value a financial instrument may be exchanged for in the course of a related party transaction other than forced sale or liquidation. Market price is the best indicator of the fair value. The Group calculates the fair value of financial instruments based on the available market information, if any, and the appropriate assessment methodologies. However, to interpret the market data in order to calculate the fair value a professional judgment is required. The fair value of financial instruments which are not quoted on active markets is determined using assessment methodologies. Insofar as it is applicable, only the available market information is used in the models; however, some areas require the management's estimates. Changes in the assessment of such factors may affect the fair value presented in the statements. The Russian Federation still has some characteristics of a developing market, and its economic conditions still restrict the scope of operations on financial markets. Market quotations may be outdated or present transactions at their liquidation cost and, thus, sometimes not always display the fair value of financial instruments. The management used all available market information to assess the fair value of the financial instruments.

Related party operations. The main shareholder of the Group is the Bank of Russia (see Note 1). The notes to these consolidated financial statements describe the operations with companies controlled by the government and governmental authorities. Currently, the Government of the Russian Federation does not publish or provide the companies controlled and/or owned by the government with a full official list of organizations owned or controlled, whether directly or indirectly, by the government. To determine the scope of related party operations to be recognized in the consolidated financial statements, the management applies professional judgment. See Notes 35 and 36.

Office real estate revaluation. The Group revalues the fair value of its office real estate on a regular basis to make sure the current cost of the office real estate does not substantially differ from its fair value. The office real estate was revalued at the market cost as of December 31, 2009. The revalued real estate is amortized in accordance with its remaining useful life starting from January 1, 2010. The Group performs revaluation using special evaluation methods and the information on day-to-day operations with real estate on the local market. However, the results obtained while applying the above evaluation methods do not always fully correspond to the prices of actual transactions on the real estate market.

Impairment of equity securities available for sale. The Group determines that the equity investments available for sale have been impaired, if it observes a significant or long-term decrease in their fair value below their acquisition cost. To define what exactly is significant or long-term, professional judgments are required. Forming such professional judgments, the Group assesses, among other factors, whether the share price is subject to acute fluctuations. Furthermore, impairment may take place if there is a sign of technology changes, or signs of a deteriorating financial condition of the investee, industry or sector of the economy, or operating and financial cash flows.

Changes in the presentation of the financial statements. To ensure the income, net of expenses, from operations with derivative financial instruments is presented more accurately and fairly in the consolidated profit and loss statement, the comparable data was adjusted in accordance with the procedure for disclosing the amounts of the current year.

4 Significant estimates and professional judgments in applying the accounting policy (continued)

The effect of regroupings in the consolidated profit and loss statement for the year ended December 31, 2009 is provided below:

(In millions of Russian rubles)	**Amounts recognized earlier**	**Effect of reclassification**	**Adjusted data**
Income, net of expenses, from operations with trading securities 14,078	14,078	(768)	13,310
Income net of expenses, from operations with other derivative financial instruments	-	768	768

To ensure other assets are presented more accurately and fairly, the comparable data was adjusted in accordance with the new disclosure procedure. The effect of regroupings in the disclosure of information on other assets for the year ended December 31, 2009 is provided below:

(In millions of Russian rubles)	**Amounts recognized earlier**	**Effect of reclassification**	**Adjusted data**
Other financial assets			
Trading accounts receivable	-	1,603	1,603
Fees accrued	-	2,153	2,153
Fine and penalty claims	2,434	(2,434)	-
Other financial assets	3,056	281	3,337
Other non-financial assets			
Prepayment on fixed and other assets	21,806	(1,603)	20,203
Investments in associated companies	-	31	31
Other non-financial assets	4,028	(31)	3,997

To ensure fairer and more accurate presentation of other liabilities, the comparable data was adjusted in accordance with the new disclosure procedure. The effect of regroupings in the disclosure of information on other liabilities for the year ended December 31, 2009 is provided below:

(In millions of Russian rubles)	**Amounts recognized earlier**	**Effect of reclassification**	**Adjusted data**
Other financial liabilities			
Deferred income from initial recognition of financial instruments	3,863	3,863)	-
Other non-financial liabilities			
Deferred income from initial recognition of financial instruments	-	3,863	3,863

To ensure the operating expenses are presented more accurately and fairly, the comparable data was adjusted in accordance with the procedure for disclosing the amounts of the current year. The effect of regroupings for the year ended December 31, 2009 is provided below:

(In millions of Russian rubles)	**Amounts recognized earlier**	**Effect of reclassification**	**Adjusted data**
IT service expenses and operating administrative expenses	28,726	(28,726)	-
Other expenses referring to fixed assets	6,220	11,026	17,246
Administrative expenses	-	11,637	11,637
IT service expenses	-	6,063	6,063

5 Transition to new or revised standards and interpretations

Some new standards and interpretations have become mandatory for the Group since January 1, 2010:

IFRIC 17 Distributions of Non-Cash Assets to Owners (takes effect for annual reporting periods starting on or after July 1, 2009). This interpretation explains when and how distribution of non-cash assets as dividends to the owners is to be recognized. The company should assess the obligation for payment of non-cash assets as dividends to the owners at the fair value of the assets subject to distribution. The income and expenses from the disposal of distributed non-cash assets are to be recognized in profit or loss for the year upon completion of settlements for the dividends paid.

Operations Subject to Hedge Accounting – Amendment to IFRS (IAS) 39 Financial Instruments: Recognition and Measurement (takes effect retrospectively for annual reporting periods starting on or after July 1, 2009). This amendment describes how the principles determining the eligibility of hedged risks or cash flows for hedge accounting purposes are to be applied in specific situations.

Cash-Settled Share-Based Payment Transactions – Amendment to IFRS 2 Share-Based Payments (takes effect for annual reporting periods beginning on or after January 1, 2010). The amendment contains clear principles for classifying share-based compensations for the purpose of preparing both consolidated and non-consolidated statements. According to the above amendment, the IFRIC 8 and IFRIC 11 interpretation manuals were included immediately in the standard and the interpretations themselves were revoked. Moreover, the IFRIC 11 interpretation manual was expanded to account for the payment plans which were not previously covered by the interpretation. This amendment also clarifies certain conditions of the Appendix to the standard.

Documents regarding the improvements to the International Financial Reporting Standards (IFRS). In April 2009, the International Accounting Standards Committee issued the second collection of amendments to the standards, mostly with the purpose to eliminate the discrepancies and to specify the standards. Most amendments take effect for annual reporting periods beginning on or after January 1, 2010. Transitional requirements are issued for each standard. The amendments included in the *Documents regarding the improvements to the International Financial Reporting Standards (IFRS)* issued in April 2009 did not have an effect on the Group's financial policy, financial position or performance, save for the following amendments leading to changes in the accounting policy:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* disclosure is required only in respect of the non-current assets held for sale and disposal groups classified as held for sale, as well as discontinued operations listed in IFRS 5. The requirement for disclosure of other standards applies only if it is specifically required for such non-current asset or discontinued operation.
- IFRS 8 *Disclosure of Information on Operating Segments:* assets and liabilities of an operating segment should be presented in the statements only if such information is used by the management to make

managerial decisions. If the Group's management analyzes such information, the Group discloses it in its statements.

- IFRS (IAS) 7 *Statement of Cash Flows:* only the expenses resulting in the recognition of an asset may be accounted as part of the cash flow from the investment activities.
- IFRS (IAS) 36 *Impairment of Assets:* the operating segment created for accounting purposes according to IFRS 8 above is the largest unit the goodwill acquired as a result of a business merger may be allocated to. This amendment did not impact the Group as the impairment test was carried out before grouping the assets by operating segments.

5 Transition to new or revised standards and interpretations (continued)

The above standards and interpretations did not affect the Group's accounting policy, financial position or performance, unless indicated otherwise.

6 New accounting provisions

These new standards and interpretations took effect for the Group's reporting periods beginning on or after January 1, 2011 and were not prematurely adopted by the Group.

Classification of New Share Issues to the Company Shareholders – Amendment to IFRS (IAS) 32 (issued on October 8, 2009; effective for annual periods beginning on or after February 1, 2010). This amendment releases some variants of new share issues to the company shareholders with proceeds denominated in a foreign currency from the necessity to classify the same as derivative financial instruments. The Group's Management does not expect this amendment to have an effect on the Group's future consolidated financial statements.

Disclosure of Related Party Operations – Amendment to IFRS (IAS) 24 (issued in November 2009; effective for annual periods beginning on or after January 1, 2011). IFRS (IAS) 24 was revised in 2009: (a) by means of simplifying the "related party" definition, explaining its meaning and eliminating the inconsistencies; and (b) by providing partial exclusion from the requirements for disclosure of operations with government-related companies. Currently, the Group's Management is assessing the interpretation's effect on its future consolidated financial statements.

Deferred Tax: Recovery of Underlying Assets – Amendment to IFRS (IAS) 12 (issued in December 2010; effective for annual periods beginning on or after January 1, 2012). According to the amendments to IFRS (IAS) 12, deferred tax on investment property accounted by the fair value calculation model under IFRS (IAS) 40 will be determined based on the assumption that the current cost will be recovered by selling the asset. The amendments also contain the requirement for the deferred tax on non-amortized assets accounted by the revaluation model under IFRS (IAS) 16 to be always determined based on the asset's selling price. The Group's Management does not expect such amendments to have a material effect on its future consolidated financial statements, as the Group has already been applying the said principles.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010). This interpretation explains the accounting methods applied where the company revises the terms of debt obligations, as a result of which the obligation is redeemed at the expense of the debtor's issuing its own equity instruments to the creditor. The profit or loss is recognized in profit or loss statements and is the difference between the fair value of equity instruments and the book value of the debt. The Group's Management does not expect this amendment to have a material effect on the Group's future consolidated financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after January 1, 2011). This amendment has a limited effect, as it applies only to the companies obliged to make minimum contributions to finance pension plans with established payments. This amendment revokes unintended consequences of IFRIC 14 relating to voluntary pension plan prepayments where there are minimum funding requirements. The Group's Management does not expect this amendment to have a material effect on the Group's future consolidated financial statements.

6 New accounting provisions (continued)

Financial Instruments Part 1: Classification and Measurement – IFRS 9. IFRS 9 issued in November 2009 replaces the sections of IFRS (IAS) 39 regarding classification and measurement (i) of financial assets. The basic peculiarities of the standard are the following:

- Financial assets should be classified into two measurement categories: those subsequently measured at fair value and those subsequently measured at amortized cost. The classification decision should be made upon initial recognition. Classification depends on the company's business model of financial instrument measurement and on the characteristics of contractual cash flows from the instrument.
- The instrument is subsequently measured at amortized cost only if it is an equity instrument, and (i) the company's business model is focused on holding such asset to obtain contractual cash flows, and simultaneously (ii) contractual cash flows from such asset are only principal and interest payments (that is, the financial instrument has only the "basic loan features"). All other debt instruments should be measured at fair value through profit or loss.
- All equity instruments should be subsequently measured at fair value. Equity instruments held for trading will be measured and recognized at fair value through profit or loss. For other equity investments, a final decision may be made upon initial recognition on recognising unrealized and realized profit or loss from revaluation at fair value in other comprehensive income and not in profit or loss. Income and expenses from revaluation are not transferred to profit or loss. Such decision may be taken individually for each financial instrument. Dividends should be recognized in the consolidated profit and loss statement, as they are returns on investments.

(ii) The main difference is the requirement for the company to disclose the effect of changes in its own credit risk of financial obligations categorized as those recognized at fair value through profit or loss, in other comprehensive income.

Adoption of IFRS 9 is mandatory from January 1, 2013; premature adoption is allowed. Currently, the Group analyzes the consequences of adopting this standard, its impact on the Group and the time limits for the adoption of the standard by the Group.

Disclosures – Transfers of Financial Assets – Amendment to IFRS (IAS) 7 (issued in October 2010 and effective for annual periods beginning on or after July 1, 2011). This amendment requires additional disclosure of the amount of risk arising upon transfer of financial assets. The amendment requires that the information below be disclosed on the classes of financial assets transferred to a counterparty which are on the company's balance: nature, cost, description of risks and benefits related to the asset. Also required is the disclosure enabling the user to understand the scope of the financial obligation related to the asset, and the relation between the financial asset and its related financial obligation. If the asset was derecognized, but the company is still exposed to certain risks and is able to obtain certain benefits related to the transferred asset, additional disclosure is required for the user to understand the amount of such risk. The Group's Management does not expect this amendment to have an effect on the Group's future consolidated financial statements.

6 New accounting provisions (continued)

Improvements to the International Financial Reporting Standards (issued in May 2010 and effective from January 1, 2011). The improvements are a combination of significant changes in and explanations of the following standards and interpretations:

- according to revised IFRS 1 (i) the current cost under the previous GAAPs is used as a conditionally estimated cost of an item of fixed or intangible assets, if such item was used in operations covered by rate regulation, (ii) the revaluation resulting from a certain event may be used as a conditionally estimated cost of fixed assets, even if such revaluation was carried out during the period included in the first financial statements prepared in accordance with IFRS, and (iii) the first-time adopters of IFRS should explain the changes in the accounting policy or exclusions from IFRS 1 introduced between the first interim statements under IRFS and the first financial statements under IRFS;
- according to revised IFRS 3 it is required (i) to measure at fair value (to the extent other IFRSs do not require measurement on any other basis) the non-controlling interest which is not the current interest nor gives its holder the right to a proportionate share of net assets in case of liquidation, (ii) to provide recommendations in respect of payments based on the shares in the acquired company which were not replaced or were voluntary changed as a result of a business merger, and (iii) to specify that the contingent fee in case of a business merger which took place before the effective date of revised IFRS 3 (issued in January 2008) will be recognized in as required by the previous version of IFRS 3;
- revised IFRS 7 specifies some of disclosure requirements, namely (i) special attention should be paid to the relation of qualitative and quantitative disclosures about the nature and degree of financial risks, (ii) the requirement for disclosing the current cost of revised financial assets which would otherwise be overdue or impaired is cancelled, (iii) the requirement for disclosing the fair value of debt security was replaced for a more general requirement for disclosing its financial effect; (iv) it is explained that the company should disclose the amount of debt security subject to recovery as of the reporting date, and not the amount obtained within the reporting period;
- revised IFRS 1 specifies the requirements for disclosing other comprehensive income for each equity component either in the statement of changes in equity or in the notes to the financial statements;
- revised IFRS (IAS) 27 specifies the transitional rules with respect to amendments to IFRS (IAS) 21, 28 and 31 conditioned by the revision of IFRS (IAS) 27 (as amended in January 2008);
- revised IFRS (IAS) 34 contains additional examples of material events and operations subject to disclosure in the abbreviated interim financial statements, including carry-overs between the levels of the fair value hierarchy, changes in the classification of financial assets or changes in the operational environment and economic situation having an impact on the fair value of the company’s financial instruments;
- revised interpretation of IFRIC 13 specifies the method of measuring the fair value of incentive accruals.

The Group’s Management does not expect these amendments to have an effect on the Group's future financial statements.

7 Cash and cash equivalents

(In millions of Russian rubles)	2010	2009
Funds available	297,956	240,641
Balances on accounts with the Bank of Russia (other than reserve for mandatory provisions) Correspondent accounts and deposits, provided for a maximum of 30 days, with the banks of:	77,447	70,007
- the Russian Federation	142,417	280,828
- other countries	167,287	107,467
Balances on reverse repo transactions for a maximum of 30 days	34,494	26,578
Total cash and cash equivalents	**719,601**	**725,521**

As of December 31, 2010, cash and cash equivalents in the amount of RUB 34,494 million (2009: RUB 26,578 million) were secured by the securities received under reverse repos with the fair value of RUB 39,988 million (2009: RUB 31,580 million) which the Group may sell or repledge. None of the securities received under reverse repos were sold or repledged within 2010 and 2009.

Correspondent accounts and deposits with other banks, and transactions with securities acquired under reverse repos placed for a maximum of 30 days are balances on operations with major, widely known foreign banks and leading Russian banks and financial companies. The table below provides the credit quality analysis of balances on counterparty banks and financial companies as of December 31, 2010:

(In millions of Russian rubles)	Investment rating	Speculative rating	No ratings	Total
Correspondent accounts and deposits provided for a maximum of 30 days with the banks of:				
- the Russian Federation	137,890	1,478	3,049	142,417
- other countries	142,242	19,991	5,054	167,287
Balances on reverse repo transactions for a maximum of 30 days	-	1,461	33,033	34,494
Total balances on correspondent accounts and deposits, and on reverse repo transactions for a maximum of 30 days	**280,132**	**22,930**	**41,136**	**344,198**

7 Cash and cash equivalents (continued)

The credit quality analysis of balances on counterparty banks and financial companies as of December 31, 2009 is provided in the table below:

(In millions of Russian rubles)	**Investment rating**	**Speculative rating**	**No ratings**	**Total**
Correspondent accounts and deposits provided for a maximum of 30 days with the banks of:				
- the Russian Federation	275,717	1,500	3,611	280,828
- other countries	101,190	5,788	489	107,467
Balances on reverse repo transactions for a maximum of 30 days	158	17,085	9,335	26,578
Total balances on correspondent accounts and deposits, and on reverse repo transactions for a maximum of 30 days	**377,065**	**24,373**	**13,435**	**414,873**

The credit quality in the tables above is based on the rating scale developed by international rating agencies.

As of December 31, 2010 and December 31, 2009, there are no overdue balances on cash and cash equivalents and no signs of their impairment.

The analysis of cash and cash equivalents by the structure of currencies and the term to maturity is provided in Note 31. Information on related party operations is provided in Notes 35 and 36.

8 Trading securities

(In millions of Russian rubles)	**2010**	**2009**
Federal loan bonds (FLB)	32,037	31,492
Corporate bonds	14,931	18,823
Municipal and sub-federal bonds	11,484	13,882
Eurobonds of the Russian Federation	2,935	24,935

Foreign government bonds	1,994	-
Domestic government currency loan bonds (DGCLB)	16	15
Total debt trading securities	**63,397**	**89,147**
Corporate shares	2,771	1,875
Total trading securities	**66,168**	**91,022**

FLBs are government securities issued by the Ministry of Finance of the Russian Federation with a par value in Russian rubles. FLB in the Group's portfolio mature from January 2011 to February 2036 (2009: from January 2010 to February 2036); the FLB coupon rate is 3% to 12% per annum (2009: 0% to 13% per annum) and their yield to maturity is from 2% to 9% per annum (2009: 5% to 14% per annum), depending on the issue.

8 Trading securities (continued)

Corporate bonds are presented by interest securities with a par value in Russian rubles and foreign currencies issued by major Russian companies. Such bonds mature from February 2011 to September 2028 (2009: from January 2010 to September 2028); their coupon rate is 5% to 18% per annum (2009: 4% to 19% per annum) and their yield to maturity is from 3% to 18% per annum (2009: 3% to 39% per annum), depending on the issue.

Municipal and sub-federal bonds are presented by interest securities with a par value in Russian rubles and Euro issued by municipal authorities and constituent entities of the Russian Federation. Such bonds mature from April 2011 to June 2022 (2009: from March 2010 to June 2017); their coupon rate is 5% to 18% per annum (2009: 6% to 19% per annum) and their yield to maturity is 5% to 9% per annum (2009: 7% to 39% per annum), depending on the issue.

Eurobonds of the Russian Federation are interest securities with a par value in US dollars issued by the Ministry of Finance of the Russian Federation and freely traded on the international market. Eurobonds mature from July 2018 to March 2030 (2009: from July 2018 to March 2030); the Eurobond coupon rate is 5% to 13% per annum (2009: 8% to 13% per annum) and their yield to maturity is 5% to 6% per annum (2009: 5% to 6% per annum), depending on the issue.

Foreign government bonds are presented by securities with a par value in Russian rubles and foreign currency issued by foreign governments and freely traded on the international market. Such securities mature from December 2012 to March 2021. Their coupon rate is 6% to 9% per annum and their yield to maturity is 4% to 19% per annum, depending on the issue.

DGCLBs are interest securities with a par value in US dollars issued by the Ministry of Finance of the Russian Federation. Such bonds mature in May 2011 (2009: in May 2011). Their coupon rate is 3% per annum (2009: 3% per annum), their yield to maturity is 2% per annum (2009: 3% per annum).

As of December 31, 2010, corporate shares are mainly presented by the shares of major Russian metallurgical and oil and gas companies quoted on the organized market. As of December 31, 2009, corporate shares were mainly presented by the shares of oil and gas, metallurgical and transport companies.

The fair value of trading securities is determined based on the quotations and measurement models using market information.

Trading securities are recognized at fair value, which already includes possible impairment conditioned by credit risk. Since trading securities are recognized at fair value determined based on objective market data, the Group does not separately analyze or trace the signs of their impairment.

8 Trading securities (continued)

The table below provides the credit quality analysis of debt trading securities as of December 31, 2010:

(In millions of Russian rubles)	Investment rating	Speculative rating	No ratings	Total
Federal loan bonds (FLB)	32,037	_	_	32,037
Corporate bonds	5,255	7,369	2,307	14,931
Municipal and sub-federal bonds	1042	10,309	133	11484
Eurobonds of the Russian Federation	2,935	-	-	2,935
Foreign government bonds	347	1,647	-	1,994
Domestic government currency loan bonds (DGCLB)	16	-	-	16
Total debt trading securities	**41,632**	**19,325**	**2,440**	**63,397**

As of December 31, 2010, unrated corporate bonds comprise bonds with a 'default' rating with the fair value of RUB 152 million.

The table below provides the credit quality analysis of debt trading securities as of December 31, 2009:

(In millions of Russian rubles)	Investment rating	Speculative rating	No ratings	Total
Federal loan bonds (FLB)	31,492	-	-	31,492
Eurobonds of the Russian Federation	24,935	-	-	24,935
Corporate bonds	8,014	5,536	5,273	18,823
Municipal and sub-federal bonds	1,172	12,509	201	13,882
Domestic government currency loan bonds (DGCLB)	15	-	-	15
Total debt trading securities	**65,628**	**18,045**	**5,474**	**89,147**

The rating values in the tables above are determined based on the rating scale of international rating agencies.

As of December 31, 2010, federal loan bonds (FLB) are recognized as part of trading securities at the fair value of RUB 14,715 million (2009: RUB 18,105 million) blocked on special accounts with the Bank of Russia as a security for inter-bank overnight loans provided to the Group by the Bank of Russian on a regular basis. As of December 31, 2009, Eurobonds of the Russian Federation are recognized in trading securities at the fair value of RUB 6,348 million which are also blocked on special accounts with the Bank of Russia as a security. See Notes 32 and 35.

As of December 31, 2010 and December 31, 2009, the Group had no revised debt trading securities that would otherwise be overdue. Trading debt securities are not secured All trading debt securities are undue.

The analysis of trading securities by the currency structure and the term to maturity is provided in Note 31. The information about trading securities issued by related parties is provided in Note 36.

9 Securities, a change in the fair value of which is recognized through profit or loss

(In millions of Russian rubles)	2010	2009
Federal loan bonds (FLB)	76,698	94,251
Corporate bonds	4,648	7,153
Municipal and sub-federal bonds	1,625	3,880
Total securities, a change in the fair value of which is recognized through profit or loss	**82,971**	**105,284**
Corporate shares	23,904	19,155
Total securities, a change in the fair value of which is recognized through profit or loss	**106,875**	**124,439**

FLBs are government securities issued by the Ministry of Finance of the Russian Federation with a par value in Russian rubles. FLBs in the Group's portfolio mature from January 2011 to November 2021 (2009: from January

2010 to November 2021); the FLB coupon rate is 0% to 8% per annum (2009: 0% to 13% per annum) and their yield to maturity is from 2% to 7% per annum (2009: 5% to 14% per annum), depending on the issue.

Corporate bonds are presented by interest securities with a par value in Russian rubles and foreign currencies issued by major Russian companies. Such bonds mature from February 2011 to December 2011 (2009: from January 2010 to September 2012); their coupon rate is 5% to 9% per annum (2009: 5% to 17% per annum) and their yield to maturity is 1% to 6% per annum (2009: 5% to 28% per annum), depending on the issue.

Municipal and sub-federal bonds are presented by interest securities with a par value in Russian rubles issued by municipal authorities and constituent entities of the Russian Federation. Such bonds mature from August 2011 to June 2015 (2009: from July 2010 to June 2015); their coupon rate is 8% to 12% per annum (2009: 8% to 14% per annum) and their yield to maturity is 7% to 8% per annum (2009: 9% to 22% per annum), depending on the issue.

Corporate shares are presented by quoted and unquoted shares of major Russian companies, the value of which was measured based on professional judgments made by the Group's management and measurement models using the available market information. As of December 31, 2010 and December 31, 2009, corporate shares were mainly presented by the shares of oil and gas and construction companies.

The Group irrevocably classified the above securities not included in its trading portfolio as securities, a change in the fair value of which is recognized through profit or loss. The securities comply with the classification requirements as those revalued at fair value through profit or loss, as the Group’s management measures the efficiency of such investments based on their fair value in accordance with the procedure for classifying the Group’s security portfolios. The fair value of securities, a change in the fair value of which is recognized through profit or loss, is determined based on open market quotations and measurement models using both market data and data not observable on the market.

9 Securities, a change in the fair value of which is recognized through profit or loss, (continued)

Securities, a change in the fair value of which is recognized through profit or loss, are recognized at fair value, which includes possible impairment attributed to credit risk. The table below provides the credit quality analysis of debt securities, a change in the fair value of which is recognized through profit or loss, as of December 31, 2010:

(In millions of Russian rubles)	**Investment rating**	**Speculative rating**	**No ratings**	**Total**
Federal loan bonds (FLB)	76,698	-	-	76,698
Corporate bonds	4,233	-	415	4,648
Municipal and sub-federal bonds	1,386	239	-	1,625
Total securities, a change in the fair value of which is recognized through profit or loss	**82,317**	**239**	**415**	**82,971**

The table below provides the credit quality analysis of debt securities, a change in the fair value of which is recognized through profit or loss, as of December 31, 2010:

(In millions of Russian rubles)	**Investment rating**	**Speculative rating**	**No ratings**	**Total**
Federal loan bonds (FLB)	94,251	-	-	94,251
Corporate bonds	4,644	1,254	1,255	7,153
Municipal and sub-federal bonds	3,325	555	-	3,880
Total securities, a change in the fair value of which is recognized through profit or loss	**102,220**	**1,809**	**1,255**	**105,284**

The rating values in the tables above are determined based on the rating scale of international rating agencies.
As of December 31, 2010, federal loan bonds (FLB) are recognized as part of the securities, a change in the fair value of which is recognized through profit or loss, at the fair value of RUB 31,520 million (2009: RUB 39,658 million) blocked on special accounts with the Bank of Russia as a security for inter-bank overnight loans provided to the Group by the Bank of Russian on a regular basis. See Notes 32 and 35.
As of December 31, 2010 and December 31, 2009, the Group had no revised debt securities, a change in the fair value of which is recognized through profit or loss, that would otherwise be overdue. Debt securities, a change in the fair value of which is recognized through profit or loss, are not secured. All debt securities, a change in the fair value of which is recognized through profit or loss, are undue.
The analysis of securities, a change in the fair value of which is recognized through profit or loss, by the structure and the term to maturity is provided in Note 31. The information about the securities, a change in the fair value of which is recognized through profit or loss, issued by related parties, is provided in Note 36.

10 Loans and advances to customers

The tables below provide the credit quality analysis of the Group's credit portfolio by the classes of loans as of December 31, 2010 and December 31, 2009. For the purpose of these consolidated financial statements, a loan is considered overdue if at least one of its payments is overdue as of the reporting date. In this case, the borrower's total debt for such loan, including the amounts of accrued interest and commission income, is considered overdue.

December 31, 2010:

(In millions of Russian rubles)	**Undue loans**	**Overdue loans**	**Total**
Commercial corporate lending	2,519,062	189,630	2,708,692
Specialized corporate lending	1,900,813	262,673	2,163,486
Consumer and other retail loans	598,304	37,385	635,689
Housing retail lending	572,339	31,439	603,778
Automobile retail lending	76,792	3,473	80,265
Total loans and advances to customers before credit portfolio impairment reserve	**5,667,310**	**524,600**	**6,191,910**
Net of credit portfolio impairment reserve	(276,906)	(425,617)	(702,523)
Total loans and advances to customers, net of credit portfolio	**5,390,404**	**98,983**	**5,489,387**

impairment reserve

December 31, 2009:

(In millions of Russian rubles)	**Undue loans**	**Overdue loans**	**Total**
Commercial corporate lending	2,025,522	180,800	2,206,322
Specialized corporate lending	1,760,286	299,698	2,059,984
Consumer and other retail loans	526,373	37,991	564,364
Housing retail lending	482,445	30,342	512,787
Automobile retail lending	96,649	3,739	100,388
Total loans and advances to customers before credit portfolio impairment reserve	**4,891,275**	**552,570**	**5,443,845**
Net of credit portfolio impairment reserve	(190,956)	(388,858)	(579,814)
Total loans and advances to customers, net of credit portfolio impairment reserve	**4,700,319**	**163,712**	**4,864,031**

10 Loans and advances to customers (continued)

Commercial corporate lending is presented by loans to legal entities, sole traders, constituent entities of the Russian Federation and municipal authorities. Lending is provided for day-to-day purposes (replenishment of current assets, acquisition of movable and immovable property, portfolio investments in securities, business expansion and consolidation, etc.). Most commercial loans are provided for a maximum of 5 years, depending on the assessment of the borrowers' risks. Commercial loans also include overdraft lending and export-import lending. The source of loan repayment is the cash flow from the borrower's day-to-day production and financial activities.

Specialized corporate lending includes financing of investment and construction projects, and loans to developer companies. The periods for which the Group provides loans of this class are generally related to the pay-back periods of investment and construction projects and with the contractual work schedules, and exceed the periods of commercial corporate loans. A loan may be repaid and income may be earned at the stage of investment project operation at the expense of cash flows generated by it.

Consumer and other retail loans are presented by loans issued to natural persons for consumer purposes and current needs not related to acquisition, construction and reconstruction of real estate, as well as automobile loans. Such loans include loans for emergency needs and overdrafts.

Housing retail lending includes loans to natural persons for acquisition, construction and reconstruction of real estate. Such loans are long-term and secured by mortgage.

Automobile loans to retail customers are loans issued to natural persons to purchase a car or any other vehicle. Automobile loans are provided for a maximum of 5 years.

10 Loans and advances to customers (continued)

The table below provides analysis of loans and impairment reserves for 2010:

(In millions of Russian rubles)	Loans before impairment reserve	Impairment reserve	Loans, net of impairment reserve	Reserve to loans before reserve ratio
Commercial corporate lending				
Loans the impairment of which is measured on a collective basis				
Undue loans	2,457,676	(106,849)	2,350,827	4.3%
Loans with payment arrears of up to 30 days	6,895	(2,234)	4,661	32.4%
Loans with payment arrears of 31 to 60 days	4,480	(2,261)	2,219	50.5%
Loans with payment arrears of 61 to 90 days	7,058	(4,552)	2,506	64.5%
Loans with payment arrears of 91 to 180 days	10,398	(6,910)	3,488	66.5%
Loans with payment arrears of over 180 days	124,081	(117,807)	6,274	94.9%
Total loans the impairment of which is measured on a collective basis	**2,610,588**	**(240,613)**	**2,369,975**	**9.2%**
Individually impaired loans				
Undue loans	61,386	(39,929)	21,457	65.0%
Loans with payment arrears of up to 30 days	1,616	(1,378)	238	85.3%
Loans with payment arrears of 31 to 60 days	-	-	-	-
Loans with payment arrears of 61 to 90 days	3,896	(2,688)	1,208	69.0%
Loans with payment arrears of 91 to 180 days	2,861	(2,423)	438	84.7%
Loans with payment arrears of over 180 days	28,345	(25,898)	2,447	91.4%
Total individually impaired loans	**98,104**	**(72,316)**	**25,788**	**73.7%**
Total commercial corporate loans	**2,708,692**	**(312,929)**	**2,395,763**	**11.6%**
Specialized corporate lending				
Loans the impairment of which is measured on a collective basis				
Undue loans	1,835,754	(77,060)	1,758,694	4.2%
Loans with payment arrears of up to 30 days	16,715	(3,805)	12,910	22.8%
Loans with payment arrears of 31 to 60 days	2,043	(897)	1,146	43.9%
Loans with payment arrears of 61 to 90 days	5,827	(3,330)	2,497	57.1%
Loans with payment arrears of 91 to 180 days	3,927	(2,867)	1,060	73.0%
Loans with payment arrears of over 180 days	63,018	(57,148)	5,870	90.7%
Total loans the impairment of which is measured on a collective basis	**1,927,284**	**(145,107)**	**1,782,177**	**7.5%**
Individually impaired loans				
Undue loans	65,059	(36,916)	28,143	56.7%
Loans with payment arrears of up to 30 days	5,086	(5,072)	14	99.7%
Loans with payment arrears of 31 to 60 days	208	(200)	8	96.2%
Loans with payment arrears of 61 to 90 days	689	(689)	-	100.0%
Loans with payment arrears of 91 to 180 days	1,575	(1,453)	122	92.3%
Loans with payment arrears of over 180 days	163,585	(131,345)	32,240	80.3%
Total individually impaired loans	**236,202**	**(175,675)**	**60,527**	**74.4%**
Total specialized corporate loans	2,163,486	(320,782)	1,842,704	14.8%
Total corporate loans	4,872,178	(633,711)	4,238,467	13.0%

10 Loans and advances to customers (continued)

(In millions of Russian rubles)	Loans before impairment reserve	Impairment reserve	Loans, net of impairment reserve	Reserve to loans before reserve ratio
Consumer and other retail loans				
Loans the impairment of which is measured on a collective basis				
Undue loans	598,304	(9,776)	588,528	1.6%
Loans with payment arrears of up to 30 days	6,521	(159)	6,362	2.4%
Loans with payment arrears of 31 to 60 days	2,014	(141)	1,873	7.0%
Loans with payment arrears of 61 to 90 days	1324	(170)	1,154	12.8%
Loans with payment arrears of 91 to 180 days	2,177	(490)	1,687	22.5%
Loans with payment arrears of over 180 days	25,349	(25,349)	-	100.0%
Total consumer and other retail laons	**635,689**	**(36,085)**	**599,604**	**5.7%**
Housing retail lending				
Loans the impairment of which is measured on a collective basis				
Undue loans	572,339	(5,139)	567,200	0.9%
Loans with payment arrears of up to 30 days	3,979	(242)	3,737	6.1%
Loans with payment arrears of 31 to 60 days	1,669	(236)	1,433	14.1%
Loans with payment arrears of 61 to 90 days	1,206	(246)	960	20.4%
Loans with payment arrears of 91 to 180 days	2,060	(891)	1,169	43.3%
Loans with payment arrears of over 180 days	22,525	(22,525)	-	100.0%
Total housing retail loans	**603,778**	**(29,279)**	**574,499**	**4.8%**
Automobile retail lending				
Loans the impairment of which is measured on a collective basis				
Undue loans	76,792	(1,237)	75,555	1.6%
Loans with payment arrears of up to 30 days	682	(20)	662	2.9%
Loans with payment arrears of 31 to 60 days	248	(17)	231	6.9%
Loans with payment arrears of 61 to 90 days	152	(18)	134	11.8%
Loans with payment arrears of 91 to 180 days	300	(65)	235	21.7%
Loans with payment arrears of over 180 days	2,091	(2,091)	-	100.0%
Total automobile retail loans	**80,265**	**(3,448)**	**76,817**	**4.3%**
Total retail loans	**1,319,732**	**(68,812)**	**1,250,920**	**5.2%**
Total loans and advances to customers as of December 31, 2010	**6,191,910**	**(702,523)**	**5,489,387**	**11.3%**

10 Loans and advances to customers (continued)

The table below provides analysis of loans and impairment reserves for 2009:

(Unaudited data) *(In millions of Russian rubles)*	**Loans before impairment reserve**	**Impairment reserve**	**Loans, net of impairment reserve**	**Reserve to loans before reserve ratio**
Commercial corporate lending				
Loans the impairment of which is measured on a collective basis				
Undue loans	1,968,452	(68,724)	1,899,728	3,5%
Loans with payment arrears of up to 30 days	13,910	(4,863)	9,047	35.0%
Loans with payment arrears of 31 to 60 days	7,159	(3,472)	3,687	48.5%
Loans with payment arrears of 61 to 90 days	7,597	(3,897)	3,700	51.3%
Loans with payment arrears of 91 to 180 days	20,011	(12,757)	7,254	63.7%
Loans with payment arrears of over 180 days	95,717	(69,741)	25,976	72.9%
Total loans the impairment of which is measured on a collective basis	**2,112,846**	**(163,454)**	**1,949,392**	**7.7%**
Individually impaired loans				
Undue loans	57,070	(27,562)	29,508	48.3%
Loans with payment arrears of up to 30 days	47	-	47	0.0%
Loans with payment arrears of 31 to 60 days	425	(344)	81	80.9%
Loans with payment arrears of 61 to 90 days	1,684	(1,676)	8	99.5%
Loans with payment arrears of 91 to 180 days	8,291	(5,166)	3,125	62.3%
Loans with payment arrears of over 180 days	25,959	(23,286)	2,673	89.7%
Total individually impaired loans	**93,476**	**(58,034)**	**35,442**	**62.1%**
Total commercial corporate loans	**2,206,322**	**(221,488)**	**1,984,834**	**10.0%**

Specialized corporate lending

Loans the impairment of which is measured on a collective

basis

Undue loans	1,731,758	(67,328)	1,664,430	3.9%
Loans with payment arrears of up to 30 days	16,027	(4,395)	11,632	27.4%
Loans with payment arrears of 31 to 60 days	16,021	(4,395)	11,626	27.4%
Loans with payment arrears of 61 to 90 days	8,133	(4,500)	3,633	55.3%
Loans with payment arrears of 91 to 180 days	6,569	(3,481)	3,088	53.0%
Loans with payment arrears of over 180 days	65,381	(47,809)	17,572	73.1%
Total loans the impairment of which is measured on a collective basis	**1,843,889**	**(131,908)**	**1,711,981**	**7.2%**
Individually impaired loans				
Undue loans	28,528	(12,356)	16,172	43.3%
Loans with payment arrears of up to 30 days	2,052	(1,138)	914	55.5%
Loans with payment arrears of 31 to 60 days	218	(133)	85	61.0%
Loans with payment arrears of 61 to 90 days	2,638	(2,464)	174	93.4%
Loans with payment arrears of 91 to 180 days	22,691	(10,960)	11,731	48.3%
Loans with payment arrears of over 180 days	159,968	(128,100)	31,868	80.1%
Total individually impaired loans	**216,095**	**(155,151)**	**60,944**	**71.8%**
Total specialized corporate loans	**2,059,984**	**(287,059)**	**1,772,925**	**13.9%**
Total corporate loans	**4,266,306**	**(508,547)**	**3,757,759**	**11.9%**

10 Loans and advances to customers (continued)

(Unaudited data) *(In millions of Russian rubles)*	Loans before impairment reserve	Impairment reserve	Loans, net of impairment reserve	Reserve to loans before reserve ratio
Consumer and other retail loans				
Loans the impairment of which is measured on a collective basis				
Undue loans	526,373	(8,926)	517,447	1.7%
Loans with payment arrears for up to 30 days	4,761	(488)	4,273	10.2%
Loans with payment arrears of 31 to 60 days	2,339	(476)	1,863	20.4%
Loans with payment arrears of 61 to 90 days	1506	(446)	1,060	29.6%
Loans with payment arrears of 91 to 180 days	2,923	(1,440)	1,483	49.3%
Loans with payment arrears of over 180 days	26,462	(26,462)	-	100.0%
Total consumer and other retail laons	**564,364**	**(38,238)**	**526,126**	**6.8%**
Housing retail lending				
Loans the impairment of which is measured on a collective basis				
Undue loans	482,445	(4,418)	478,027	0.9%
Loans with payment arrears for up to 30 days	4,014	(725)	3,289	18.1%
Loans with payment arrears of 31 to 60 days	2,373	(803)	1,570	33.8%
Loans with payment arrears of 61 to 90 days	1574	(776)	798	49.3%
Loans with payment arrears of 91 to 180 days	2,866	(2,538)	328	88.6%
Loans with payment arrears of over 180 days	19,515	(19,515)	-	100.0%
Total housing retail loans	**512,787**	**(28,775)**	**484,012**	**5.6%**
Automobile retail lending				
Loans the impairment of which is measured on a collective basis				
Undue loans	96,649	(1,642)	95,007	1.7%
Loans with payment arrears for up to 30 days	718	(120)	598	16.7%
Loans with payment arrears of 31 to 60 days	397	(120)	277	30.2%
Loans with payment arrears of 61 to 90 days	245	(108)	137	44.1%
Loans with payment arrears of 91 to 180 days	436	(321)	115	73.6%
Loans with payment arrears of over 180 days	1,943	(1,943)	-	100.0%
Total automobile retail loans	**100,388**	**(4,254)**	**96,134**	**4.2%**
Total retail loans	**1,177,539**	**(71,267)**	**1,106,272**	**6.1%**
Total loans and advances to customers as of March 31, 2011	**5,443,845**	**(579,814)**	**4,864,031**	**10.7%**

10 Loans and advances to customers (continued)

The table below provides analysis of the quality of the Group's undue loans measured on a collective basis as of December 31, 2010:

(In millions of Russian rubles)	**Group 1**	**Group 2**	**Group 3**	**Total**
Commercial corporate lending	161,500	1,273,414	1,022,762	2,457,676
Specialized corporate lending	80,026	793,995	961733	1,835,754
Consumer and other retail loans	5,685	590,441	2,178	598,304
Housing retail lending	7,214	563,935	1,190	572,339
Automobile retail lending	425	76,258	109	76,792
Total	**254,850**	**3,298,043**	**1,987,972**	**5,540,865**

The table below provides analysis of the quality of the Group's undue loans the impairment of which is measured on a collective basis as of December 31, 2009:

(In millions of Russian rubles)	**Group 1**	**Group 2**	**Group 3**	**Total**
Commercial corporate lending	143,091	998,354	827,007	1,968,452
Specialized corporate lending	55,924	784,784	891,050	1,731,758
Consumer and other retail loans	4,932	518,955	2,486	526,373
Housing retail lending	3,079	476,395	2,971	482,445
Automobile retail lending	-	96,596	53	96,649
Total	**207,026**	**2,875,084**	**1,723,567**	**4,805,677**

For disclosure purposes, all undue corporate loans, the impairment of which is measured on a collective basis, are combined in these consolidated financial statements in three loan quality groups set out in the tables above, where the first group includes loans with the highest loan quality. The first group includes borrowers with high liquidity and profitability, and high capital adequacy ratio. The probability of violation of the loan agreement for such loans is assessed as low. The second group includes borrowers with moderate liquidity and profitability, and moderate capital adequacy ratio. The probability of violation of the loan agreement for such loans is assessed as moderate. The third group includes borrowers with satisfactory liquidity and profitability, and satisfactory capital adequacy ratio. The probability of violation of the loan agreement for such loans is assessed as above average.

For disclosure purposes, all undue retail loans are combined in these consolidated financial statements in three groups, as described in the tables above. The first group comprises retail loans with good debt servicing and excellent financial position of the borrower. The second group includes loans with good/moderate debt servicing and excellent/moderate financial position of the borrower. The third group includes loans with moderate debt servicing and moderate financial position of the borrower.

10 Loans and advances to customers (continued)

As defined by the Group for the purposes of internal assessment of the borrower's credit risk, a loan falls within the category of non-performing loans if a principal and/or interest payment is overdue by over 90 days.

Non-performing loans as of December 31, 2010 are listed below:

(In millions of Russian rubles)	**Loans before impairment reserve**	**Impairment reserve**	**Loans, net of impairment reserve**	**Reserve to loans before reserve ratio**
Commercial corporate lending	165,685	(153,038)	12,647	92.4%
Specialized corporate lending	232,105	(192,813)	39,292	83.1%
Consumer and other retail loans	27,526	(25,839)	1,687	93.9%
Housing retail lending	24,585	(23,416)	1,169	95.2%
Automobile retail lending	2,391	(2,156)	235	90.2%
Total non-performing loans and advances to customers as of December 31, 2010	**452,292**	**(397,262)**	**55,030**	**87.8%**

Non-performing loans as of December 31, 2009 are listed below:

(In millions of Russian rubles)	**Loans before impairment reserve**	**Impairment reserve**	**Loans, net of impairment reserve**	**Reserve to loans before reserve ratio**

Commercial corporate lending	149,978	(110,950)	39,028	74.0%
Specialized corporate lending	254,609	(190,350)	64,259	74.8%
Consumer and other retail loans	29,385	(27,902)	1483	95.0%
Housing retail lending	22,381	(22,053)	328	98.5%
Automobile retail loans	2,379	(2,264)	115	95.2%
Total non-performing loans and advances to customers as of December 31, 2009	**458,732**	**(353,519)**	**105,213**	**77.1%**

10 Loans and advances to customers (continued)

Revised loans. The table below provides information on the loans, the terms of which were revised as of December 31, 2010 and December 31, 2009. The table below contains the current cost of revised loans by classes.

(In millions of Russian rubles)	Commercial corporate lending	Specialized corporate lending	Consumer and other retail loans	Housing retail lending	Automobile retail lending	Total
December 31, 2010:						
Undue loans, the impairment of which is measured on a collective basis	402,606	171,884	6,824	1,958	38	583,310
Other revised loans	96,571	54160	3,299	10,197	184	164,411
Total revised loans (before impairment reserve)	**499,177**	**226,044**	**10,123**	**12,155**	**222**	**747,721**
December 31, 2009:						
Undue loans, the impairment of which is measured on a collective basis	375,723	156,981	917	804	32	534,457
Other revised loans	76,913	27,407	2,093	5,890	22	112,325
Total revised loans (before impairment reserve)	**452,636**	**184,388**	3,010	**6,694**	**54**	**646,782**

Credit portfolio impairment reserve. Below is analysis of changes in the credit portfolio impairment reserve for the year ended December 31, 2010:

(In millions of Russian rubles)	Commercial corporate lending	Specialized corporate lending	Consumer and other retail loans	Housing retail lending	Automobile retail lending	Total
Credit portfolio impairment reserve at January 1, 2010	221,488	287,059	38,238	28,775	4,254	579,814
Net expense on credit portfolio impairment reserve during the year	118,880	35,863	(1,041)	832	(725)	153,809
Loans and advances to customers written off during the year	(27,439)	,(2,140)	(1,112)	(328)	(81)	(31,100)
Credit portfolio impairment reserve at December 1, 2010	**312,929**	**320,782**	**36,085**	**29,279**	**3,448**	**702,523**

10 Loans and advances to customers (continued)

Below is analysis of changes in the credit portfolio impairment reserve for the year ended December 31, 2009:

(In millions of Russian rubles)	Commercial corporate lending	Specialized corporate lending	Consumer and other retail loans	Housing retail lending	Automobile retail lending	Total
Credit portfolio impairment reserve at January 1, 2009	**82,708**	**75,305**	**30,077**	**12,611**	**1,584**	**202,285**
Net expense on credit portfolio impairment reserve during the year	147,089	212,421	10,056	16,587	2,779	388,932
Loans and advances to customers written off during the year	(8,309)	(667)	(1,895)	(423)	(109)	(11,403)
Credit portfolio impairment reserve at December 1, 2009	**221,488**	**287,059**	**38,238**	**28,775**	**4,254**	**579,814**

Loan debt security. The best estimate of the fair value of the security for overdue loans as of December 31, 2010 and December 31, 2009 is provided in the table below:

	2010		2009	
(In millions of Russian rubles)	**Commercial corporate lending**	**Specialized corporate lending**	**Commercial corporate lending**	**Specialized corporate lending**
The best estimate of the fair value of the security for overdue loans, the impairment of which is measured on a collective basis, secured by:				
- real estate items	130,308	77,818	96,410	87,299
- equipment/transport	58,650	33,026	43,175	41,399
- goods in circulation	53,883	1,415	53,006	1,710
- traded securities	-	5,527	-	13,166

- other assets	31,663	118,083	17,360	56,794
The best estimate of the fair value of the security for overdue individually impaired loans secured by:				
- real estate items	292,844	79,458	176,438	322,075
- equipment/transport	27,933	35,219	30,106	37,356
- goods in circulation	8,161	136	1,783	506
- traded securities	2,100	46,769	40,385	45,253
- other assets	12,831	167,062	2,827	98,478
Total	**618,373**	**564,513**	**461,490**	**704,036**

The fair value of the security for overdue loans the impairment of which is measured on a collective basis, and for corporate loans individually determined as impaired as of December 31, 2010 and December 31, 2009, is measured by the Group's credit departments, based on internal methodology. The Group's policy regarding pledge requirements is set out in Note 31.

10 Loans and advances to customers (continued)

The actual net value of pledge realization may differ from the above value due to possible unforeseeable contingencies in collecting such pledge.

Investments in financial leasing. The portfolio of specialized corporate loans includes net investments in financial leasing. Net investments in financial leasing as of December 31, 2010 and December 31, 2009 are analyzed below:

(In millions of Russian rubles)	**2010**	**2009**
Gross investments in financial leasing	72,717	49,965
Net of unearned income from financial leasing	(21,274)	,(14,380)
Net investments in financial leasing before impairment reserve	**51443**	**35,585**
Net of impairment reserve	(1,033)	(1,119)
Net investments in financial leasing after impairment reserve	**50,410**	**34,466**

The term to maturity analysis of net investments in financial leasing as of December 31 is provided in the table below:

(In millions of Russian rubles)	**Net investments in financial leasing before impairment reserve**	**Impairment reserve for investments in financial leasing**	**Net investments in financial leasing after impairment reserve**
Under 1 year	18,567	(325)	18,242
From 1 to 5 years	29,303	(657)	28,646
Over 5 years	3,573	(51)	3,522
Total as of December 31, 2010	**51,443**	**(1,033)**	**50,410**

The term to maturity analysis of net investments in financial leasing as of December 31, 2009 is provided in the table below:

(In millions of Russian rubles)	**Net investments in financial leasing before impairment reserve**	**Impairment reserve for investments in financial leasing**	**Net investments in financial leasing after impairment reserve**
Under 1 year	10,371	(577)	9,794
From 1 to 5 years	22,615	(498)	22,117
Over 5 years	2,599	(44)	2,555
Total as of December 31, 2009	**35,585**	**(1,119)**	**34,466**

10 Loans and advances to customers (continued)

The term to maturity analysis of minimum lease payments receivable as of December 31, 2010 and December 31, 2009 is provided in the table below:

(In millions of Russian rubles)	**December 31, 2010**	**December 31, 2009**
Under 1 year	19,662	13,890
From 1 to 5 years	41,593	32,234
Over 5 years	11,462	3,841
Total	**72,717**	**49,965**

Credit portfolio concentration. Below is the structure of the Group's credit portfolio by sectors of the economy as of December 31, 2010 and December 31, 2009:

	2010		**2009**	
(In millions of Russian rubles)	Amount	%	Amount	%
Retail	1,319,732	21.3	1,177,539	21.7
Trade	1,008,025	16.3	960,385	17.7
Services	1,001,330	16.2	748,240	13.7
Food industry and agriculture	585,394	9.5	511,658	9.4
Building	404,601	6.5	408,307	7.5
Machine building	317,588	5.1	347,222	6.4
Metallurgy	300,806	4.9	273,814	5.0

Chemical industry	216,833	3.5	186,790	3.4
Power engineering	208,797	3.4	172,623	3.2
Oil and gas industry	177,495	2.9	157,078	2.9
Telecommunications	168,042	2.7	164,934	3.0
Governmental and municipal institutions	153,280	2.5	94,004	1.7
Transport, aviation and space industry	147,540	2.4	109,211	2.0
Wood industry	49,609	0.8	43,955	0.8
Other	132,838	2.0	88,085	1.6
Total loans and advances to customers (before credit portfolio impairment reserve)	**6,191,910**	**100.0**	**5,443,845**	**100.0**

The *Services* industry includes loans issued to holding and multibusiness companies.

As of December 31, 2010, the Group had 20 major borrowers with an amount of loans of over RUB 29,300 million per each borrower (December 31, 2009: 20 major borrowers with the amount of loans of over RUB 23,000 million per each borrower). Total loans amounted to RUB 1,401,637 million or 22.6% of the Group's credit portfolio before the impairment reserve deduction (December 31, 2009: RUB 1,240,189 million or 22.8%).

The interest income accrued on individually impaired loans for the year ended December 31, 2010 amounted to RUB 8,322 million (2009: RUB 3,297 million).

The interest income on loans and advances to customers in the consolidated profit and loss statement include the fines and penalties received from the borrowers in the amount of RUB 10,759 million (2009: RUB 5,828 million).

The estimated fair value of loans and advances to customers is disclosed in Note 34. The currency structure and the term to maturity analysis of loans and advances to customers is provided in Note 31. Information on related party operations is provided in Notes 35 and 36.

11 Securities pledged under repurchase agreements

(In millions of Russian rubles)	2010	2009
Trading securities pledged under repurchase agreements		
Eurobonds of the Russian Federation	12,150	-
Investment securities available for sale pledged under repurchase agreements		
Eurobonds of the Russian Federation	47,027	-
Corporate bonds	13,484	583
Corporate shares	8,276	2,116
Foreign government bonds	556	-
Total securities pledged under repurchase agreements	**81,493**	**2,699**

Securities pledged under repurchase agreements are securities provided as a security under direct repos which the counterparty has the right to sell or repledge under the agreement or in accordance with the law. As of December 31, 2010, the funds received by the Group under direct repos are recognized in the *Deposits from corporate customers* item in the amount of RUB 5,986 million (2009: RUB 2,174 million). See Note 17. The funds in the amount of RUB 61,803 million (2009: RUB 111 million) received under direct repos with other banks are recognized in the *Deposits from other banks* item. See Note 16.

Eurobonds of the Russian Federation included in the portfolio of trading securities and investment securities available for sale and pledged under repurchase agreements mature from July 2018 to March 2030; their coupon rate

amounts to 8% to 13% per annum and their yield to maturity amounts to 5% to 6% per annum, depending on the issue.

Corporate bonds included in the portfolio of investment securities available for sale pledged under repos mature from January 2012 to November 2019 (2009: November 2014); their coupon rate is 6% to 10% per annum (2009: 6% to 9% per annum) and their yield to maturity is 2% to 8% per annum (2009: 6% to 8% per annum), depending on the issue.

Foreign government bonds included in the portfolio of investment securities available for sale pledged under repos are represented by interest securities with a par value in a foreign currency issued by foreign governments and freely traded on the international market. These securities mature in October 2012. Their coupon rate amounts to 20% per annum and their yield to maturity is 14% per annum.

As of December 31, 2010, corporate shares pledged under repos are presented by the shares of major Russian oil and gas and metallurgical companies traded on an organised market. As of December 31, 2009, corporate shares are presented by quoted shares of Russian oil and gas companies.

11 Securities pledged under repurchase agreements (continued)

The table below provides the credit quality analysis of securities pledged under repos as of December 31, 2010:

(In millions of Russian rubles)	Investment rating	Speculative rating	Total
Eurobonds of the Russian Federation	59,177	-	59,177
Corporate bonds	7,620	5,864	13,484
Foreign government bonds	-	556	556
Total debt securities pledged under repurchase agreements	**66,797**	**6,420**	**73,217**

The table below provides the credit quality analysis of securities pledged under repos as of December 31, 2009:

(In millions of Russian rubles)	Investment rating	Speculative rating	Total
Corporate bonds	552	31	583
Total debt securities pledged under repurchase agreements	**552**	**31**	**583**

The rating values in the tables above are determined based on the rating scale of international rating agencies.

All corporate bonds pledged under repos are undue. The Group has no revised debt securities pledged under repos.

The currency and the term to maturity analysis of securities pledged under repos is provided in Note 31. Information on related party operations is disclosed in Note 36.

12 Investment securities available for sale

(In millions of Russian rubles)	2010	2009
Bonds of the Bank of Russia	433,585	221,080
Federal loan bonds (FLB)	348,353	213,540
Corporate bonds	275,563	244,142
Municipal and sub-federal bonds	50,219	87,948
Foreign government bonds	17,899	6,979
Eurobonds of the Russian Federation	4,950	54,480
Total debt investment securities available for sale	**1,130,569**	**828,169**
Corporate shares	80,352	17,806
Total investment securities available for sale	**1,210,921**	**845,975**

12 Investment securities available for sale (continued)

The bonds of the Russian Federation are represented by zero-coupon securities with a par value in Russian rubles issued by the Central Bank of Russia and freely traded on the domestic market. These bonds mature in March 2011 (2009: March 2010 and June 2010), their yield to maturity is 4% per annum (2009: 6% to 7% per annum).

FLBs are government securities issued by the Ministry of Finance of the Russian Federation with a par value in Russian rubles. These bonds mature from January 2011 to February 2036 (2009: from January 2010 to February 2036); their coupon rate amounts to 0% to 12% per annum (2009: 0% to 13% per annum) and their yield to maturity amounts to 2% to 10% per annum (2009: 5% to 14% per annum), depending on the issue.

Corporate bonds are represented by interest securities with a par value in Russian rubles and foreign currencies issued by major Russian and CIS companies. Such bonds mature from February 2011 to November 2025 (2009: from January 2010 to August 2037); their coupon rate amounts to 1% to 18% per annum (2009: 4% to 19% per annum) and their yield to maturity is 2% to 34% per annum (2009: 3% to 39% per annum), depending on the issue.

Municipal and sub-federal bonds are represented by interest securities with a par value in Russian rubles and Euro issued by municipal and sub-federal authorities of the Russian Federation. The maturity of municipal and sub-federal bonds is from April 2011 to June 2022 (2009: from March 2010 to June 2017); their coupon rate amounts to 5% to 18% per annum (2009: 5% to 18% per annum) and their yield to maturity amounts to 2% to 9% per annum (2009: 3% to 26% per annum), depending on the issue.

Foreign government bonds are represented by interest and interest-free securities with a par value in Russian rubles and foreign currency issued by foreign governments. These bonds mature from February 2011 to October 2020 (2009: from January 2010 to September 2014); their coupon rate amounts to 4% to 20% per annum (2009: 0% to 20% per annum) and their yield to maturity is from 2% to 20% per annum (2009: 2% to 14% per annum), depending on the issue.

Eurobonds of the Russian Federation are represented by interest securities with a par value in US dollars issued by the Ministry of Finance of the Russian Federation and freely traded on the international market. Eurobonds of the Russian Federation mature from July 2018 to March 2030 (2009: from July 2018 to March 2030); their coupon rate amounts to 8% to 13% per annum (2009: 8% to 13% per annum) and their yield to maturity is from 5% to 6% per annum (2009: 5% to 6% per annum).

Corporate shares are represented by the shares of major Russian and CIS companies both traded and not traded on the organised market. As of December 31, 2010, corporate shares are mainly represented by the shares of oil and gas, power engineering, transport, financial and metallurgical companies. As of December 31, 2010, corporate shares are mainly represented by the shares of oil and gas, metallurgical, communication and transport companies.

12 Investment securities available for sale (continued)

Investment securities available for sale are recognized at fair value, which already includes possible impairment conditioned by credit risk. The fair value of investment securities available for sale is determined based on market quotations and business models using the data observable and non-observable on an open market. According to the Group's estimates, as of December 31, 2010, the loss from impairment of investment securities available for sale amounted to RUB 39 million and was recognized in the profit and loss statement (2009: RUB 2,274 million). Unrealized profits / (losses) from revaluation of investment securities available for sale, which are not the losses from their impairment, are recognized in other components of comprehensive income and in equity in the *Revaluation reserve for investment securities available for sale* item in the amount of profits of RUB 24,431 million as of December 31, 2010 (2009: in the amount of losses of RUB 598 million). As of December 31, 2010, the investment securities available for sale include fully impaired corporate bonds with a par value of RUB 91 million (2009: RUB 0 million). The terms for the investment securities available for sale were not revised.

The table below provides the credit quality analysis of debt securities available for sale as of December 31, 2010:

(In millions of Russian rubles)	**Investment rating**	**Speculative rating**	**No ratings**	**Total**
Bonds of the Bank of Russia	433,585	.	.	433,585
Federal loan bonds (FLB)	348,353	-	-	348,353
Corporate bonds Municipal and sub-federal bonds	140,463	100,485	34,615	275,563
Foreign government	32,769	17,314	136	50,219
bonds	6,377	11448	74	17,899
Eurobonds of the Russian Federation	4,950	-	-	4,950
Total debt investment securities available for sale	**966,497**	**129,247**	**34,825**	**1,130,569**

As of December 31, 2010, unrated corporate bonds comprise bonds with a 'default' rating with the fair value of RUB 287 million.

The table below provides the credit quality analysis of investment securities available for sale as of December 31, 2009:

(In millions of Russian rubles)	**Investment rating**	**Speculative rating**	**No ratings**	**Total**
Corporate bonds	151,227	61,229	31,686	244,142
Bonds of the Bank of Russia	221,080	-	-	221,080
Federal loan bonds (FLB)	213,540	-	-	213,540
Municipal and sub-federal bonds	59,275	28,403	270	87,948
Eurobonds of the Russian Federation	54,480	-	-	54,480
Foreign government bonds	4,148	2,831	-	6,979
Total debt investment securities available for sale	**703,750**	**92,463**	**31,956**	**828,169**

12 Investment securities available for sale (continued)

The rating values in the tables above are determined based on the rating scale of international rating agencies.

Investment securities available for sale include federal loan bonds (FLB) at fair value of RUB 42,498 million (2009: RUB 65,299 million) and Eurobonds of the Russian Federation at fair value of RUB 5 million (2009: RUB 13,768 million) blocked on special accounts with the Bank of Russia as a security for inter-bank overnight loans provided to the Group by the Bank of Russian on a regular basis. See Notes 32 and 35.

The analysis of investment securities available for sale by the currency structure and the term to maturity is provided in Note 31. Information on related party operations is disclosed in Notes 35 and 36.

13 Investment securities held to maturity

(In millions of Russian rubles)	**2010**	**2009**
Federal loan bonds (FLB)	227,328	-
Municipal and sub-federal bonds	86,052	-
Corporate bonds	44,512	-
Foreign government bonds	299	-
Total investment securities held to maturity	**358,191**	**-**

In the second and third quarters of 2010, the Group changed its judgments regarding the part of investments in federal and municipal bonds previously classified as available for sale. In view of such judgments and the Group's ability to hold investment securities to maturity, such investments were reclassified from those available for sale to those held to maturity. The fair value of reclassified securities amounted to RUB 257,809 million as of the reclassification date.

FLBs are government securities issued by the Ministry of Finance of the Russian Federation with a par value in Russian rubles. Such bonds mature from June 2011 to January 2019; their coupon rate is 0% to12% per annum, and their yield to maturity is 4% to 7% per annum, depending on the issue.

Municipal and sub-federal bonds are represented by interest securities with a par value in Russian rubles issued by municipal and sub-federal authorities of the Russian Federation. Such bonds mature from December 2011 to September 2016; their coupon rate is 8% to18% per annum, and their yield to maturity is 6% to 8% per annum, depending on the issue.

Corporate bonds are represented by interest securities with a par value in Russian rubles and foreign currency issued by major Russian and CIS companies. Such bonds mature from February 2011 to November 2017; their coupon rate is 5% to 15% per annum, and their yield to maturity is 2% to 15% per annum, depending on the issue.

13 Investment securities held to maturity (continued)

Foreign government bonds are represented by interest securities with a par value in foreign currency issued by foreign governmental authorities. Such bonds mature from September 2014 to July 2020; their coupon rate is 2% to 11% per annum, depending on the issue, and their yield to maturity is 11% per annum.

The table below provides the credit quality analysis of debt securities held to maturity as of December 31, 2010:

(In millions of Russian rubles)	**Investment rating**	**Speculative rating**	**No ratings**	**Total**
Federal loan bonds (FLB)	227,328	-	-	227,328
Municipal and sub-federal bonds	70,629	15,423	-	86,052
Corporate bonds	14,478	24,514	5,520	44,512
Foreign government bonds	-	225	74	299
Total investment securities held to maturity	**312,435**	**40,162**	**5,594**	**358,191**

The rating values in the tables above are determined based on the rating scale of international rating agencies.

As of December 31, 2010, the investment securities held to maturity include federal loan bonds (FLB) at the current cost of RUB 37,044 million blocked on special accounts with the Bank of Russia as a security for inter-bank overnight loans provided to the Group by the Bank of Russia on a regular basis. See Notes 32 and 35.

As of December 31, 2010, the Group had no revised debt securities held to maturity, which otherwise would be overdue. All debt investment securities held to maturity are undue.

The estimated fair value of investment securities held to maturity is disclosed in Note 34. The currency and the term to maturity analysis of investment securities held to maturity is provided in Note 31. Information on related party operations is disclosed in Note 36.

14 Fixed assets

(In millions of Russian rubles)	Note	Office real estate	Other buildings	Office and computer equipment	Cars and other equipment	Construction in progress	Total
Initial or revalued cost as of January 1, 2009		202,408	-	88,158		9,712	312,972,
Accumulated amortization		-	-	,(54,928)	12,694,(6,566)	-	(61,494)
Residual value as of January 1, 2009		202,408	-	33,230	6,128	9,712	251,478
Acquisitions		6,943	_	25,762	3,541	16,252	52,498
Acquisitions related to acquisitions of companies		2,877	2,462	506	5,930	3,039	14,814
Transfers		13,446	-	-	-	(13,446)	-
Disposals – at initial or revalued cost		(2,106)	.	(3,210)	(1,723)	(1,789)	(8,828)
Disposals of accumulated amortization		38	.	3,203	1,492	.	4,733
Amortization charges	26	(6,935)	(34)	(19,390)	(2,261)	-	(28,620)

Office real estate negative revaluation recognized in the profit and loss statement		(14,996)					(14,996)
Office real estate negative revaluation recognized in comprehensive income		(21,198)					(21,198)
Residual value as of December 31, 2009		180,477	2,428	40,101	13,107	13,768	249,881
Initial or revalued cost as of December 31, 2009		181,065	2,462	111,216	20,442	13,768	328,953
Accumulated amortization		(588)	(34)	(71,115)	(7,335)	-	(79,072)
Acquisitions		12,191	1,585	29,613	2,798	16,895	63,082
Acquisitions related to acquisitions of companies		979	3,531	78	4,147	2,137	10,872
Transfers		7,965	-	-	-	(7,965)	-
Disposals – at initial or revalued cost		(2,300)	(54)	(4,159)	(5,407)	(1,705)	(13,625)
Disposals of accumulated amortization		18	2	4,060	1,825	.	5,905
Amortization charges	26	(5,694)	(34)	(22,852)	(3,779)	-	(32,359)

Residual value as of December 31, 2010	193,636	7,458	46,841	12,691	23,130	283,756
Initial or revalued cost as of December 31, 2010	199,900	7,524	136,748	21,980	23,130	389,282
Accumulated amortization	(6,264)	(66)	(89,907)	(9,289)	-	(105,526)

14 Fixed assets (continued)

Construction in progress is construction and reequipment of the Group's buildings. Upon completion of work, these assets are transferred to the *Office real estate* or *Other buildings* category.

The office real estate was revalued at market value as of December 31, 2009. The fair value of office real estate is determined using the relevant evaluation methodologies and information on transactions on regional real estate markets. If office real estate were recognized at its acquisition cost net of amortization, its current cost would amount to RUB 126,885 million as of December 2010 (2009: RUB 128,663 million). Below, this amount is verified with the current cost of office real estate:

(In millions of Russian rubles)	**2010**	**2009**
Office real estate at revalued cost in the statement of financial position	193,636	180,477
Revaluation reserve presented in equity	(53,648)	(55,540)
Office real estate negative revaluation recognized in the profit and loss statement	-	14,996
Difference between the accumulated amortization based on the initial cost and that based on revalued cost	(13,103)	(11,270)
Office real estate at acquisition cost, net of accumulated amortization	**126,885**	**128,663**

As of December 31, 2010, office and computer equipment includes fully depreciated property for the amount of RUB 27,741 million (2009: RUB 31,821 million); cars and other equipment include fully depreciated property for the amount of RUB 1,120 million (2009: RUB 2,613 million).

15 Other assets

(In millions of Russian rubles)	**2010**	**2009**
Other financial assets		
Outstanding plastic card settlements	91,219	52,324
Derivative financial instruments	9,257	3,965
Conversion operation settlements	6,196	4,645
Trading accounts receivable	5,259	1,603
Fees accrued	2,758	2,153
Receivables	118	1,502
Other financial assets	3,937	3,337
Reserve for impairment of other financial assets	(2,162)	(4,008)
Total other financial assets	**116,582**	**65,521**
Other non-financial assets		
Prepayment on fixed and other assets	39,258	20,203
Precious metals	34,767	37,490
Resources of non-bank subsidiaries	11,589	3,444
Goodwill	8,251	469
Investment property	5,414	2,499
Prepayments on taxes (other than income tax)	4,230	741
Intangible assets acquired as a result of company merger	4,170	2,736
Non-exclusive rights of use	4,091	2,620
Deferred expenses	2,840	3,280
Investments in associated companies	2,479	31
Income tax advance payments	929	5,752
Non-current assets held for sale	402	3,370
Other non-financial assets	8,658	3,997
Reserve for impairment of other non-financial assets	(2,610)	(1,446)
Total other non-financial assets	**124,468**	**85,186**
Total other assets	**241,050**	**150,707**

As of December 31, 2010, outstanding plastic card settlements of RUB 91,219 million (2009: RUB 52,324 million) comprise accounts receivable from plastic card operations of the Group's customers maturing within 30 days.

As of December 31, 2010, Detsky Mir – Center OJSC specializing in the sale of children's products, which was acquired by the Group in 2010, is recognized under the *investments in associated companies* item. The Group acquired 25% plus one share in the authorized capital, and a put option for the sale of such shares at a fixed price within three years. The option is accounted in derivative financial instruments. The option may be exercised prior to its maturity date to the extent a number of contractual terms are met.

As of December 31, 2009, non-current assets held for sale included the assets received by the Group from its borrowers under the settlement agreement which were sold in 2010.

15 Other assets (continued)

The table below provides the analysis of intangible assets acquired as a result of company merger as of December 31, 2010 and December 31, 2009:

(In millions of Russian rubles)	**2010**	**2009**
Oil field development rights	2,598	–
Customer base	1,483	1,872
Long-term land lease rights	-	641
Other	89	223
Total intangible assets acquired as a result of company merger	**4,170**	**2,736**

The table below provides the analysis of changes in the reserve for impairment of other assets throughout 2010:

(In millions of Russian rubles)	**Receivables**	**Other financial assets**	**Prepayment on fixed and other assets**	**Other non-financial assets**	**Total**
Reserve for impairment of other assets at January 1, 2010	385	3,623	1,111	335	5,454
Net expense on reserve for impairment of other assets created during the year	(308)	5,458	(26)	1,313	6,437
Other assets written off as bad during the year	-	(6,996)	(2)	(121)	(7119)
Reserve for impairment of other assets at December 31, 2010	**77**	**2,085**	**1,083**	**1,527**	**4,772**

The table below provides the analysis of changes in the reserve for impairment of other assets throughout 2009:

(In millions of Russian rubles)	**Receivables**	**Other financial assets**	**Prepayment on fixed and other assets**	**Other non-financial assets**	**Total**
Reserve for impairment of other assets at January 1, 2010	545	2,215	114	564	3,438
Net expense on reserve for impairment of other assets created during the year	(160)	1,695	997	(159)	2,373
Other assets written off as bad during the year	-	(287)	-	(70)	(357)
Reserve for impairment of other assets at December 31, 2009	**385**	**3,623**	**1,111**	**335**	**5,454**

The Group recognizes the reserve for the impairment of other assets for the operations made in the course of the Group's day-to-day operations. The impairment reserve is calculated by the Group based on the best estimate of the recoverable value of other assets.

15 Other assets (continued)

The table below provides the analysis of changes in the goodwill resulting from acquisition of subsidiaries.

(In millions of Russian rubles)	Note	2010	2009
Current cost at January 1		469	-
Impairment loss		(917)	469
Goodwill related to acquisition of subsidiaries	37	8,699	
Current cost at December 31		**8,251**	**469**

The estimated fair value of other financial assets is provided in Note 34. The analysis of other assets by the currency structure and the term to maturity is provided in Note 31.

16 Amounts due to other banks

(In millions of Russian rubles)	2010	2009
Term deposits from other banks	87,912	18,215,,
Direct repos with other banks	61,803	111
Correspondent accounts and overnight deposits from other banks	38,716	35,621
Total due to other banks	188,431	53,947

Term deposits from other banks are the funds raised on the inter-bank market.

As of December 31, 2010, liabilities of RUB 61,803 million (2009: RUB 111 million) are included in the amounts due to other banks received under direct repos with other banks. The fair value of securities pledged under such agreements in the amount of RUB 74,550 million (2009: RUB 139 million) is recognized under the *Securities pledged under repurchase agreements* item . See Notes 11 and 32.

The estimated fair value of the amounts due to other banks is disclosed in Note 34. The currency structure and the term to maturity analysis of the amounts due to other banks is provided in Note 31. Information on the related parties is disclosed in Notes 35 and 36.

17 Amounts due to retail and corporate customers

(In millions of Russian rubles)	2010	2009
Retail		
- Current accounts/call accounts	785,750	540,455
- Term deposits	,4,048,709	,3,246,857
Total due retail customers	**4,834,459**	**3,787,312**
Governmental and public organizations		
- Current/settlement accounts	116,827	104,004
- Term deposits	,40,475	,32,900
Total due to governmental and public organisations	**,157,302**	**,136,904**
Other corporate customers		
- Current/settlement accounts	1,082,754	861,028
- Term deposits	,576,616	,653,627
Total due to other corporate customers	**,1,659,370**	**,1,514,655**
Total due to corporate customers	**1,816,672**	**1,651,559**
Total due to retail and corporate customers	**6,651,131**	**5,438,871**

The table below shows the distribution of amounts due to customers by economy industries:

	2010		2009	
(In millions of Russian rubles)	**Amount**	**%**	**Amount**	**%**
Retail	4,834,459	72.7	3,787,312	69.6
Oil and gas industry	266,889	4.0	233,772	4.3
Services	260,559	3.9	241,233	4.5
Trade	254,117	3.8	248,421	4.6
Power engineering	166,905	2.5	153,049	2.8

Building	110,165	1.7	102,209	1.9
Machine building	104,246	1.6	135,648	2.5
Food industry and agriculture	87,854	1.3	51,935	1.0
Governmental and municipal institutions	82,717	1.2	54,014	1.0
Metallurgy	79,381	1.2	73,195	1.3
Chemical industry	44,269	0.7	51,589	0.9
Other	359,570	5.4	306,494	5.6
Total due to retail and corporate customers	**6,651,131**	**100.0**	**5,438,871**	**100.0**

As of December 31, 2010, term deposits from corporate customers include funds in the amount of RUB 5,968 million (Decmeber 31, 2009: RUB 2,174 million) received under direct repos with legal entities. The fair value of securities pledged under such agreements in the amount of RUB 6,943 million (December 31, 2009: RUB 2,560 million) is recognized under the *Securities pledged under repurchase agreements* item . See Notes 11 and 32.

As of December 31, 2010, the amounts due to corporate customers include deposits of RUB 78,749 million (December 31, 2009: RUB 82,68 million) which are a security for irrevocable obligations for import letters of credit. See Note 32.

As of December 31, 2010, the Group had 20 major customers with balances of over RUB 7,450 million (December 31, 2009: 20 major customers with balances of over RUB 7,500 million). The total balance of the amounts due to such customers reached RUB 561,760 million (December 31, 2009: RUB 456,986 million) or 8.4% (December 31, 2009: 8.4%) of the total amounts due to retail and corporate customers.

17 Amounts due to retail and corporate customers (continued)

The estimated fair value of the amounts due to retail and corporate customers is presented in Note 34. The currency structure and the term to maturity analysis of the amounts due to retail and corporate customers is provided in Note 31. Information on related-party operations is disclosed in Notes 35 and 36.

18 Debt securities issued

(In millions of Russian rubles)	**2010**	**2009**
Bills	96,505	101,294
Savings certificates	13,102	17,844
Certificates of deposit	1,889	5,461
Other debt securities issued	7,930	-
Total debt securities issued	**119,426**	**124,599**

Bills are interest or discount securities issued by the Group with the par value in Russian rubles, US dollars and Euro, and the maturity from at sight to December 2013 (2009: from at sight to December 2012). The interest or discount rate for bills issued by the Group varies from 0.3% to 10.4% per annum (2009: from 0.3% to 10.1% per annum). Bills are freely traded on the Russian financial market.

Savings certificates and certificates of deposit are interest securities issued by the Group with the par value in Russian and Belarusian rubles, and the maturity from at sight to December 2013 (2009: from at sight to December 2012). The interest rate on such securities varies from 0.03% to 18.0% per annum (2009: from 5.6% to 8.8% per annum).

Other debt securities are interest securities issued by the Group. They are denominated in Belarusian rubles, Kazakhstan tenge, US dollars and Euros and mature from at sight to 2019. Their interest rates are 4.0% to 16.5% per annum.

The estimated fair value of debt securities issued is presented in Note 34. Debt securities issued are analyzed by the currency structure and the term to maturity in Note 31.

19 Other borrowings

(In millions of Russian rubles)	**2010**	**2009**
Loan participation notes issued under the MTN Program	153,273	46,149
Syndicated loans received	96,904	58,703
Other long-term borrowings	20,588	10,361
Total other borrowings	**270,765**	**115,213**

As of December 31, 2010, loan participation notes issued under the MTN Program include loan participation notes issued by the Group under the Medium-Term Note Program for the total amount of USD 10,000 million. In May 2006, the Group made the first issue of loan participation notes under this program for the total amount of USD 500 million (its ruble equivalent amounted to RUB 13,472 million as of the issue date). As of December 31, 2010, the notes are recognized at amortized cost of RUB 15,539 million (2009: RUB 13,624 million). They mature in May 2013; the contractual fixed interest rate is 6.5% per annum. As of December 31, 2010, the effective interest rate on such obligations amounted to 6.6% per annum (2009: 6.6% per annum).

19 Other borrowings (continued)

In November 2006, the Group made the second issue of loan participation notes under the MTN Program of USD 750 million which amounted to RUB 19,965 million in ruble equivalent as of the issue date). As of December 31, 2010, the notes are recognized at amortized cost of RUB 23,098 million (2009: RUB 20,648 million). They mature in November 2011; the contractual fixed interest rate is 5.9% per annum. As of December 31, 2010, the effective interest rate on such obligations amounted to 6.0% per annum (2009: 6.0% per annum).

In May 2008, the Group made the third issue of loan participation notes under the MTN Program for the total amount of USD 500 million (its ruble equivalent was RUB 11,734 million as of the issue date). As of December 31,

2010, the notes are recognized at amortized cost of RUB 15,843 million (2009: RUB 11,877 million). They mature in July 2013; the contractual fixed interest rate is 6.5% per annum. As of December 31, 2010, the effective interest rate on such obligations amounted to 6.6% per annum (2009: 6.6% per annum).

The syndicated loans received include a syndicated loan of USD 1,200 million (its ruble equivalent amounted to RUB 32,375 million as of the issue date) which the Group received from the consortium of foreign banks in October 2008. As of December 31, 2010, the loan is recognized at amortized cost of RUB 36,513 million (2009: RUB 36,069 million). This loan matures in October 2011; its contractual floating interest rate is three-month LIBOR + 0.85%. As of December 31, 2010, the effective interest rate amounted to 1.6% per annum (2009: 1.6% per annum).

In July 2010, the Group made the fourth issue of loan participation notes under the MTN Program of USD 1,000 million which amounted to RUB 31,112 million in ruble equivalent as of the issue date. This loan matures in July 2015; its contractual fixed interest rate is 5.5% per annum. In August 2010, the Group issued additional loan participation notes at premium for the amount of USD 500 million or RUB 15,093 million as of the funds raising date. The additional loan participation notes constitute a single issue and have the same coupon rate and maturity period. As of December 31, 2010, these notes are recognized at amortized cost of RUB 47,124 million. The effective interest rate amounted to 5.4% per annum.

In September 2010, the Group made the fifth issue of loan participation notes under the MTN Program of USD 1,000 million which amounted to RUB 31,003 million in ruble equivalent as of the funds raising date. They mature in March 2017; the contractual fixed interest rate is 5.4% per annum. In October 2010, the Group made an additional borrowing for the amount of USD 250 million at premium (its ruble equivalent amounted to RUB 7,631 million as of the issue date). The initial and additional tranches constitute a single issue and have the same coupon rate and maturity period. As of December 31, 2010, the loan participation notes are recognized at amortized cost of RUB 38,681 million. The effective interest rate amounted to 5.4% per annum.

In November 2010, the Group made the sixth issue of loan participation notes under the MTN Program of CHF 400 million which amounted to RUB 12,577 million in ruble equivalent as of the funds raising date. This loan matures in November 2014; its contractual fixed interest rate is 3.5% per annum. As of December 31, 2010, the loan participation notes were recognized at amortized cost of RUB 12,988 million. The effective interest rate amounted to 3.6% per annum.

19 Other borrowings (continued)

In December 2010, the Group raised a syndicated loan of USD 2,000 million from the consortium of foreign banks (its ruble equivalent amounted to RUB 61,506 million as of the funds raising date). As of December 31, 2010, the loan is recognized at amortized cost of RUB 60,391 million. The loan matures in December 2013; its contractual floating interest rate is six-month LIBOR + 1.5% per annum. As of December 31, 2010, the effective interest rate amounted to 2.3% per annum.

During the year ended December 31, 2010 the Group bought out part of loan participation notes from the market; their amortized cost was RUB 2,123 million. This operation was effected as a buyout of loan participation notes from the market. As a result of this operation, the Group recognized net expense of RUB 87 million (for the year ended December 31, 2009: net income of RUB 627 million) presented in the consolidated profit and loss statement. In 2010, the Group sold part of previously bought-out loan participation notes. Several transactions were made as part of the sale. The amortized cost of newly recognized obligations amounted to RUB 9,392 million as of December 31, 2010. The effective interest rates varied from 2.5% to 4.3% per annum.

Other long-term borrowings are presented by loans raised by the Group from foreign export agencies with the mediation of foreign banks. These funds were designated for direct lending of Russian companies in accordance with the contractual terms. As of December 31, 2010, the amortized cost of other long-term borrowings amounted to RUB 20,588 million (December 31, 2009: RUB 10,361 million), their interest rates vary from 0.1% to 9.1% per annum (December 31, 2009: from 1.0% to 6.8% per annum), their maturities are from January 2011 to June 2019 (December 31, 2009: from February 2010 to January 2016).

The estimated fair value of other borrowings is disclosed in Note 34. The analysis of other borrowings by the currency structure and the terms to maturity is provided in Note 31.

20 Other liabilities

(In millions of Russian rubles)	**2010**	**2009**
Other financial liabilities		
Outstanding plastic card settlements	25,425	13,170
Trade accounts payable	9,318	2,970
Receivables	5,071	1,579
Contributions to the state deposit insurance system payable	4,476	3,449
Derivative financial instruments	1,553	10,589
Deferred fee and commission income from guarantees issued	1,222	799
Other	2,109	562
Total other financial liabilities	**49,174**	**33,118**
Other non-financial liabilities		
Accrued employee benefit expenses	15,709	11,781
Taxes payable (other than income tax)	8,573	5,606
Income tax payable	7,761	10,195
Advances received	5,648	2,523
Deferred income from initial recognition of financial instruments	4,108	3,863
Other	1,200	2,755
Total other non-financial liabilities	**42,999**	**36,723**
Total other liabilities	**92,173**	**69,841**

20 Other liabilities (continued)

The flows of deferred income from initial recognition of financial instruments as of December 31, 2010 and December 31, 2009 are shown below:

(In millions of Russian rubles)	**Deferred income from initial recognition of financial instruments**
Current cost as of January 1, 2009	**-**
Receipts	4,266

Depreciation carried over to profit or loss	(403)
Current cost as of December 31, 2009	**3,863**
Receipts	1,104
Depreciation carried over to profit or loss	(859)
Current cost as of December 31, 2010	**4,108**

Group's pension plan with fixed payments. The Group applies IFRS 19 *Employee Benefits* to account for pension obligations. The Group applies the plan with defined payments and assumes a direct obligation to ensure pension payments defined in the Group's pension programs. As of December 31, 2010, the Group has 19 pension programs developed individually for each of the Bank's regional offices and headquarters. Pension programs cover 230,696 full-time employees of the Group (2009: 246,033 full-time employees).

Pension programs apply to 29,435 pensioners (2009: 27,818 pensioners) as it pertains to constant additional payments to pensions, and to 36,184 pensioners (2009: 31,105 pensioners) as it pertains to non-recurring payments (lump-sum retirement remuneration, burial cost compensation, etc.). The amount of payments under the majority of programs is determined by the employee's work record for the Group as of his/her retirement date. As of December 31, 2010, the Group's pension obligations amounted to RUB 7,842 million (2009: RUB 5,871 million). The costs for pension obligations for 2010 amounted to RUB 1,898 million (for 2009: RUB 1,516 million) and were recognized under the personnel expenses item in operating expenses.

The estimated fair value of other financial liabilities is disclosed in Note 34. The analysis of other liabilities by the currency structure and the term to maturity is provided in Note 31.

21 Subordinated loans

(In millions of Russian rubles)	**2010**	**2009**
Subordinated loan raised from the Bank of Russia	303,299	504,346
Subordinated loans raised on international financial markets	-	14,504
Other subordinated loans	214	211
Total subordinated loans	**303,513**	**519,061**

21 Subordinated loans (continued)

In February 2005, the Group raised a subordinated loan. This fund raising operation was organized by the UBS Luxemburg S.A. investment bank as an issue of loan participation notes to finance the ten-year subordinated loan in favour of the Group. The par value of the loan notes issued amounted to USD 1,000 million with the maturity in February 2015 and the interest rate of 6.2% per annum. As of December 31, 2009, the subordinated loan was recognized at amortized cost of RUB 14,504 million; the loan's effective interest rate amounted to 6.4% per annum. In February 2010, the Group repaid the subordinated loan in full.

In December 2008, the Group received a subordinated loan from the Bank of Russia of RUB 500,000 million at a fixed interest rate of 8.0% per annum. The loan was issued in three tranches. In May 2010, the Group repaid part of the subordinated loan in the amount of RUB 200,000 million. The remaining part of this loan matures in December 2019. On July 30, 2010, the interest rate was reduced to 6.5% per annum resulting from an additional agreement made with the Bank of Russia. As of December 31, 2010, the subordinated loan was recognized at amortized cost of RUB 303,299 million; the loan's effective interest rate amounted to 6.5% per annum.

Should the Bank be liquidated, the creditors of such loans will be the last the debt is repaid to.

The estimated fair value of the subordinated loans is disclosed in Note 34. The currency structure and the term to maturity analysis of the subordinated loans is provided in Note 31. Information on related party operations is presented in Note 35.

22 Share capital

	2010			2009		
(In millions of Russian rubles, save for the number of shares	**Number of shares, in thousands**	**Par value**	**Amount adjusted subject to inflation**	**Number of shares, in thousands**	**Par value**	**Amount adjusted subject to inflation**
Ordinary shares	21,586,948	64,761	83,337	21,586,948	64,761	83,337
Preferred shares	1,000,000	3,000	4,405	1,000,000	3,000	4,405
Net of treasury shares redeemed from shareholders:						
- Ordinary shares	(5)	-	-	(5)	-	-

Total share capital	**22,586,943**	**67,761**	**87,742**	**22,586,943**	**67,761**	**87,742**

The changes in the number of ordinary shares for the years ended December 31, 2010 and December 31, 2009 are shown in the following table:

(In millions of Russian rubles)	**2010**	**2009**
Number of ordinary shares at January 1	**21,586,943**	**21,584,936**
Sale of treasury shares redeemed from shareholders	-	2,007
Number of ordinary shares at December 31	**21,586,943**	**21,586,943**

22 Share capital (continued)

As of December 31, 2010, all ordinary shares have the par value of RUB 3 per share and have equal rights. Each ordinary share gives one vote. All ordinary shares issued are fully paid. Preferred shares have the par value of RUB 3 per share, give no right of vote, but have a priority over the ordinary shares in case of the Bank's liquidation. Preferred shares are not mandatory for redemption from the shareholders. The dividend payment procedure is determined by the Bank. If dividends are paid, the floor for the preferred shares is 15% of their par value and is to be approved by the annual shareholders' meeting. If dividends are not paid on the preferred shares, the holders of the preferred shares are given the votes similar to the holders of ordinary shares until dividends are paid. In 2010, dividends on the preferred shares are established in the amount of 15.0% of their par value as of the year ended December 31, 2009 (2009: 21.0% of the par value as of the year ended December 31, 2008). Dividends on the preferred shares have a payment priority over the dividends on ordinary shares.
At the Bank's Annual General Shareholders' Meeting held on June 26, 2009 it was resolved to increase the Bank's share capital by placing ordinary shares through public subscription within the amount of shares declared (15 billion pieces). As of December 31, 2010, there was no additional issue.

23 Interest income and expenses

(In millions of Russian rubles)	**2010**	**2009**
Interest income		
Interest income from financial assets accounted at amortized cost, and from financial assets held for sale:		
- Loans and advances to customers	682,010	752,647
- Debt investment securities available for sale	83,219	40,190
- Debt investment securities held to maturity	9101	-
- Amounts due from other banks	7,955	7,433
- Correspondent accounts with other banks	118	708
	782,403	**800,978**
Interest income from financial assets, a change in the fair value of which is recognized through profit or loss:		
- Debt trading securities	7,503	6,654
- Debt securities, a change in the fair value of which is recognized through profit or loss	5,740	7,330
	13,243	**13,984**
Total interest income	795,646	814,962
Interest expenses		
Term retail deposits	(213,384)	(186,400)
Term corporate deposits	(29,747)	(46,199)
Subordinated loan	(28,219)	(41,289)
Current / settlement corporate accounts	(9,089)	(11,439)
Debt securities issued	(8,776)	(9,184)
Other borrowings	(5,950)	(5,408)
Current / call retail accounts	(2,628)	(1,369)
Term deposits from other banks	(1,640)	(10,416)
Correspondent accounts of other banks	(392)	(541)
Total interest income	(299,825)	(312,245)
Net interest income	495,821	502,717

24 Fee and commission income and expenses

(In millions of Russian rubles)	**2010**	**2009**
Fee and commission income		
Retail cash management services	41,845	34,416
Corporate cash management services	40,623	36,922
Plastic card operations	23,639	17,684

Agency fee received upon sale of insurance contracts	9,448	550
Foreign currency operations	5,858	7,889
Cash collection services	4,445	4,145
Guarantees issued	2,717	1,863
Operations with securities	1,116	1,403
Other	1,258	851
Total fee and commission income	**130,949**	**105,723**
Fee and commission expenses		
Settlement operations	(5,373)	(3,758)
Cash collection services	(254)	(166)
Foreign currency operations	(101)	(182)
Other	(1,647)	(528)
Total fee and commission expenses	**(7,375)**	**(4,634)**
Net fee and commission income	**123,574**	**101,089**

25 Income, net of expenses, from operations with foreign currency and currency derivative instruments, and income, net of expenses, from foreign currency revaluation

(In millions of Russian rubles)	**2010**	**2009**
Income, net of expenses, from operations with foreign currency	8,081	13,058
Income, net of expenses, from foreign currency revaluation	15,166	15,305
Expenses, net of income, on operations with currency derivative instruments	(9,175)	(12,135)
Total income, net of expenses, from operations with foreign currency and currency derivative instruments, income, net of expenses, from foreign currency revaluation	**14,072**	**16,228**

Net income from foreign currency revaluation includes losses resulting from operations with securities, a change in the fair value of which is recognized through profit or loss in the amount of RUB 287 million (2009: profits of RUB 339 million).

Trade operations with foreign currency, and operations with currency derivative instruments include both the operations performed by the customers' order and the Group's own operations made for liquidity management purposes. The Group's own operations are mainly presented by currency swap operations.

26 Operating expenses

(In millions of Russian rubles)	Note	2010	2009
Personnel costs		161,180	128,624
Depreciation of fixed assets	14	32,359	28,620
Other expenses related to fixed assets		19,789	17,246
Contributions to the state deposit insurance system		16,718	13,047
Administrative expenses		14,227	11,637
Taxes, other than income tax		12,586	10,282
Expenses on operating lease of fixed assets		8,644	6,972
IT service expenses		8,187	6,063
Promotion and marketing		2,867	2,187
Consulting and audit expenses		1,760	1400
Other		4,302	3,199
Total operating expenses		**282,619**	**229,277**

Personnel costs include statutory mandatory insurance deductions to extra-budgetary funds in the amounts of RUB 21,758 million (2009: RUB 20,026 million).

27 Income tax

Income tax expenses include the following components:

(In millions of Russian rubles)	2010	2009
Current income tax expenses	50,622	17,559
Deferred taxation	4,062	(8,207)
Net of deferred taxation recognized in other comprehensive income components	(6,197)	(3,884)
Income tax expenses for the year	**48,487**	**5,468**

The current income tax rate applied to the majority of the Group's income for 2010 amounts to 20% (2009: 20%).

Below is a comparison of theoretical and actual tax expenses:

(In millions of Russian rubles)	2010	2009
Income under IFRS before taxation	**230,135**	**29,864**
Theoretical tax deductions at the statutory rate (2010: 20%; 2009: 20%)	46,027	5,973
Tax effect of the income from state securities taxable at other rates	(2,367)	(1,497)
Tax effect of income or expenses neither increasing nor decreasing the taxable base.		
- Personnel costs not reducing the taxable base	790	235
- Unrecognized tax asset of subsidiaries	1,300	-
- Cession expenses not reducing the taxable base	1,184	-
- Other non-temporary differences	1,553	757
Income tax expenses for the year	**48,487**	**5,468**

27 Income tax (continued)

The differences between IFRS and Russian tax laws lead to temporary differences arising between the current cost of assets and liabilities for the purpose of preparing the financial statements and for tax purposes. Tax consequences of such temporary difference flows are detailed below and are recognized at the rate of 20% (2009: 20%), save for the income from state, municipal and some other securities taxable at the rate of 15%, 9% and 0% (2009: 15%, 9% and 0%), and from dividends taxable at the standard tax rate of 9% (2009: 9%).

(In millions of Russian rubles)	December 31, 2009	Acquisition of companies	Replaced/ (allocated) to profit or loss	Recognized in comprehensive income	December 31, 2010
Tax effect of temporary differences reducing the taxable base					
Deferred commission income	6,298		(547)		5,751
Accrued expenses on personnel benefit payments	2,446	_	(2,406)	_	40
Write-off of materials to expenses	1,163	-	167	-	1,330
Accrued interest income on loans	3,978	_	2,660	_	6,638
Fair value revaluation of trade securities and securities, a change in the fair value of which is recognized through profit or loss	(2,980)		7,143		4,163
Total deferred tax asset	**10,905**	**-**	**7,017**	**-**	**17,922**
Tax effect of temporary differences increasing the taxable base					
Credit portfolio impairment reserve	3,361		(464)		2,897
Fixed assets	15,611	335	1943	(39)	17,850
Fair value revaluation of investment securities available for sale	(1869)		1,154	6,236	5,521
Other	(1,600)	(592)	2,249	-	57
Total deferred tax liability	**15,503**	**(257)**	**4,882**	**6197**	**26,325**
Net deferred tax asset / (liability)	**(4,598)**	**257**	**2,135**	**(6,197)**	**(8,403)**

27 Income tax (continued)

(In millions of Russian rubles)	December 31, 2008	Acquisition of companies	Replaced/ (allocated) to profit or loss	Recognized in comprehensive income	December 31, 2009
Tax effect of temporary differences reducing the taxable base					
Deferred commission income	5,782		516		6,298
Accrued expenses on personnel benefit payments	2,164	–	282	–	2,446
Write-off of materials to expenses	1,131	-	32	-	1,163
Accrued interest income on loans	–	.	3,978	–	3,978
Fair value revaluation of trade securities and securities a change in the fair value of which is recognized through profit or loss	9,550		460	(8,141)	1,869
Total deferred tax asset	**397**	**(316)**	**1,519**	**-**	**1,600**
Tax effect of temporary differences increasing the taxable base					
Credit portfolio impairment reserve	19,024	(316)	6,787	(8,141)	17,354
Fixed assets	6,493		(3,132)		3,361
Fair value revaluation of investment securities available for sale	20,277	1973	(2,382)	(4,257)	15,611
Other	2,770		210		2,980
Total deferred tax liability	**29,540**	**1,973**	**(5,304)**	**(4,257)**	**21,952**
Net deferred tax asset / (liability)	**(10,516)**	**(2,289)**	**12,091**	**(3,884)**	**(4,598)**

As of December 31, 2010, the excess amount of the investments in subsidiaries in the parent company's statement of financial position for tax purposes over the net assets of the Bank's subsidiaries for IFRS purposes is RUB 27,037 million (2009: RUB 8,602 million). In accordance with IFRS 12 *Income Tax*, the respective deferred tax asset of RUB 5,407 million (2009: the respective deferred tax liability of RUB 1,720 million) was not recognized in the Group's statements.

28 Earnings per share

The basic earnings per share are calculated by dividing the profits owned by the Bank's shareholders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares redeemed from shareholders. The Bank has no ordinary shares potentially diluting the earnings per share. Accordingly, the diluted earnings per share equal the basic earnings per share.

(In millions of Russian rubles)	2010	2009
Earnings for the year owned by the Bank's shareholders	182,131	24,396
Net of dividends declared on preferred shares	,(450)	,(630)
Earnings owned by the Bank's shareholders holding ordinary shares	**181,681**	**23,766**
Weighted average number of ordinary shares outstanding (in millions of pieces)	21,587	21,585
Basic and diluted earnings per ordinary share (in rubles per share)	**8.42**	**1.10**

29 Dividends

	2010		2009	
(In millions of Russian rubles)	**On ordinary shares**	**On preferred shares**	**On ordinary shares**	**On preferred shares**
Dividends payable at January 1	92	30	113	29
Dividends declared during the year ended December 31	1,727	450	10,362	630
Dividends paid during the year ended December 31	(1,754)	(451)	(10,383)	(629)
Dividends payable at December 31	**65**	**29**	**92**	**30**
Dividends per share declared during the year (in rubles per share)	**0.08**	**0.45**	**0.48**	**0.63**

All dividends were declared and paid in Russian rubles.

30 Segment analysis

For management purposes, the Group is divided into operating business segments, namely the Headquarters, 17 regional banks and subsidiaries distinguished based on the Group's organisational structure and geographic location. The core activity of all operating segments is bank operations. For presentation in the consolidated financial statements, the operating segments are combined into the following reporting segments:

- **Moscow**

This segment includes:

— The Group's Headquarters;

— Moscow regional bank;

— The Group's subsidiaries located in this region.

- **Central and Northern regions of European Russia**

This segment includes: Regional banks:

— Northern Bank (Yaroslavl);

— North-Western Bank (Saint Petersburg);

— Central Chernozemye Bank (Voronezh);

— Srednerussky Bank (Moscow);

The Group's subsidiaries located in this region.

- **Volga Region and the South of the European Russia**

This segment includes: Regional banks:

— Volgo-Vyatsky Bank (Nizhny Novgorod);

— Povolzhye Bank (Samara);

— North Caucasus Bank (Stavropol);

— South-Western Bank (Rostov-on-Don);

The Group's subsidiaries located in this region.

- **Urals, Siberia and Russian Far East**

This segment includes:

Regional banks:

— West-Ural Bank (Perm);

— Ural Bank (Yekaterinburg);

— Siberia Bank (Novosibirsk);

— West-Siberian Bank (Tyumen);

— North-Eastern Bank (Magadan);

— Far East Bank (Khabarovsk);

— East-Siberian Bank (Krasnoyarsk);

— Baikal Bank (Irkutsk);

The Group's subsidiaries located in this region.

30 Segment analysis (continued)

- **Other countries**

This segment includes:

— The Group's subsidiaries located in Ukraine;

— The Group's subsidiaries located in Kazakhstan;

— The Group's subsidiaries located in the Republic of Belarus;

— Division located in India.

The Group's management analyzes the operating results of each business segment to make decisions on distributing resources and to assess their performance. The segments' statements and performance reported to the management for analysis are prepared in accordance with the Russian accounting standards, except the statements of the subsidiaries' segments prepared in accordance with International Financial Reporting Standards.

The operations between the segments are performed at the internal transfer pricing rates established, approved and revised by the Group's management on a regular basis.

The activities of the subsidiaries are controlled in general at the Group's level.

The table below provides the information on distribution of the Group's assets and liabilities by its segments as of December 31, 2010:

(Unaudited data) *(In millions of Russian rubles)*	Moscow	Central and Northern regions of the European Russia	Volga Region and the South of the European Russia	Urals, Siberia and Russian Far East	Other countries	Total
TOTAL ASSETS	**4,318,256**	**1,445,164**	**1163,282**	**1,548,746**	**185,817**	**8,661,265**
TOTAL LIABILITIES	**2,885,376**	**1,776,676**	**1,270,092**	**1,549,502**	**146,145**	**7,627,791**

The table below provides information on distribution of the Group's assets and liabilities by its segments as of December 31, 2009:

(Unaudited data) *(In millions of Russian rubles)*	Moscow	Central and Northern regions of the European Russia	Volga Region and the South of the European Russia	Urals, Siberia and Russian Far East	Other countries	Total
TOTAL ASSETS	**3,339,279**	**1,269,638**	**1,037,696**	**1,438,970**	**110,590**	**7,196,173**
TOTAL LIABILITIES	**2,497,326**	**1,455,172**	**1,024,070**	**1,276,215**	**85,934**	**6,338,717**

30 Segment analysis (continued)

In the table below, the assets and liabilities by the reportable segments are reconciled with the assets and liabilities under IFRS as of December 31, 2010 and December 31, 2009:

	Total assets		Total liabilities	
(In millions of Russian rubles)	**2010**	**2009**	**2010**	**2009**
Total by reportable segments	**8,661,265**	**7,196,173**	**7,627,791**	**6,338,717**
Adjustment of reserves	55,642	23,660	(19,765)	(25,441)
Additional accrual of interest income on loans to customers	1,889	6,510	(924)	-
Recognition of deferred fee and commission income on loans	(28,753)	(30,696)	388	“
Recognition of deferred fee and commission income on guarantees			1,135	796
Recognition of derivative financial instruments at fair value	4,749	619	3,867	10,576

Adjustment of amortization and initial or revalued cost of fixed assets, including the effect of deferred taxation	(68,145)	(64,013)	(952)	
Accrual of personnel costs (premiums, vacations, pension obligations)	184	155	14,831	12,383
Adjustment of amortized cost and partial repayment of other borrowings and subordinated loans	(115)	(24,324)	(292)	(24,866)
Income tax adjustment	-	(668)	7,018	12,924
Other adjustments	1,811	(2,350)	8,263	1041
Total under IFRS	**8,628,527**	**7,105,066**	**7,641,360**	**6,326,130**

30 Segment analysis (continued)

The table below provides segment information on distribution of the Group's income and expenses for the year ended December 31, 2010:

(In millions of Russian rubles)	Moscow	Central and Northern regions of the European Russia	Volga Region and the South of the European Russia	Urals, Siberia and Russian Far East	Other countries	Total
Interest income	296,580	153,262	132,496	179,334	14,935	776,607
Interest expenses	(117,168)	(69,627)	(48,327)	(58,576)	(6,706)	(300,404)
Inter-segment income and (expenses)	(46,536)	31,180	9,875	5,481	-	-
Fee and commission income	23,975	35,992	27,727	38,840	3,927	130,461
Fee and commission expenses	(2,584)	(1,404)	(1,027)	(2,160)	(680)	(7,855)
Income, net of expenses, from operations with securities	21,553	6	-	-	84	21,643

(Expenses, net of income) / income, net of expenses, from operations with foreign currency and currency derivative instruments, income, net of expenses / (expenses, net of income) from foreign currency revaluation	(780)	3,237	1,858	2,464	1,847	8,626
(Expenses, net of income) / income, net of expenses, from operations with precious metals	(1,767)	624	524	901	(314)	(32)
Other operating (expenses, net of income) / income, net of expenses	6,162	256	(7,551)	(1,604)	282	(2,455)
Operating income before credit portfolio impairment reserve	179,435	153,526	115,575	164,680	13,375	626,591
Net expense on credit portfolio impairment reserve	(36,570)	(43,466)	(42,907)	(32,413)	(3,709)	(159,065)
Operating income	142,865	110,060	72,668	132,267	9,666	467,526
Operating expenses	(63,996)	(64,780)	(56,640)	(78,154)	(6,596)	(270,166)

Profits before tax (segment result)	78,869	45,280	16,028	54113	3,070	197,360
Additional information						
Capital expenses (acquisition of fixed assets)	9,884	17,133	11,010	14,970	1,588	54,585
Amortization deductions on fixed assets	(3,809)	(6,384)	(4,944)	(7,234)	(474)	(22,845)

30 Segment analysis (continued)

The table below provides segment information on distribution of the Group's income and expenses for the year ended December 31, 2009:

(In millions of Russian rubles)	Moscow	Central and Northern regions of the European Russia	Volga Region and the South of the European Russia	Urals, Siberia and Russian Far East	Other countries	Total
Interest income	283,307	158,189	136,779	193,338	4,906	776,519
Interest expenses	(147,947)	(62,517)	(44,436)	(56,394)	(1,925)	(313,219)
Inter-segment income and (expenses)	19,159	13,491	(9,411)	(23,239)	-	-
Fee and commission income	35,219	37,867	31,121	42,990	1,118	148,315
Fee and commission expenses	(3,377)	(196)	(341)	(371)	(164)	(4,449)
Income, net of expenses, from operations with securities	17,389	_	_	_	6	17,395
Income, net of expenses, from operations with foreign currency and currency derivative instruments, income, net of expenses, from foreign currency revaluation	13,313	4,278	3,342	2,580	726	24,239

(Expenses, net of income) / income, net of expenses, from operations with precious metals	(535)	847	691	1,223		2,226
Impairment of assets	(3,062)	-	-	-	-	(3,062)
Other operating (expenses, net of income) / income, net of expenses	(13,803)	(506)	(501)	(306)	947	(14,169)
Operating income before credit portfolio impairment reserve	199,663	151,453	117,244	159,821	5,614	633,795
Credit portfolio impairment reserve	(129,957)	(65,653)	(70,918)	(93,263)	(6,798)	(366,589)
Operating income / (expenses)	69,706	85,800	46,326	66,558	(1184)	267,206
Operating expenses	(61,458)	(50,932)	(47,242)	(64,170)	(2,123)	(225,925)
Profits / (loss) before tax (segment result)	8,248	34,868	(916)	2,388	(3,307)	41,281
Additional information						
Capital expenses (acquisition of fixed assets)	9,403	10,623	9,551	12,483	1,325	43,385

Amortization deductions on fixed assets	(3,494)	(4,775)	(4,283)	(6,742)	(466)	(19,760)

30 Segment analysis (continued)

In the table below, profits before tax, interest income and expenses, fee and commission income, income from operations with securities, and income from operations with foreign currency by the reportable segments are reconciled with the items of the profit and loss statements under IFRS for the year ended December 31, 2010:

(In millions of Russian rubles)	Profits before tax	Interest income	Interest expenses	Fee and commission income	Net income / (expenses) from operations with securities	Net income from operations with foreign currency and currency derivative instruments, net income from foreign currency revaluation
Total by reportable segments	197,360	776,607	(300,404)	130,461	21,643	8,626
Adjustment of reserves	28,789	-	-	-	-	-
Accrual of personnel costs (premiums, vacations, pension obligations)	(3,024)	-	-	-	-	-
Result of differences in presentation of fee and commission income and expenses	1,516	17,589	-	347	-	(5,536)
Result of differences in classification of securities	3,413	1,202	-	-	2,176	35
Recognition of derivative financial instruments at fair value	13,549	-	-	-	-	11,224

Additional accrual of interest income on loans to customers	(4,620)	1,094	-	-	-	-
Adjustment of amortization and initial or revalued cost of fixed assets	(4,434)	-	-	-	-	-
Adjustment of amortized cost and partial repayment of other borrowings	(456)	(675)	482	(378)	218	49
Other adjustments	(1,958)	(171)	97	519	(67)	(326)
Total under IFRS	230,135	795,646	(299,825)	130,949	23,970	14,072

30 Segment analysis (continued)

In the table below, profits before tax, interest income and expenses, fee and commission income, income from operations with securities, and income from operations with foreign currency by the reportable segments are reconciled with the items of the profit and loss statements under IFRS for the year ended December 31, 2009:

(In millions of Russian rubles)	Profits before tax	Interest income	Interest expenses	Fee and commission income	Net income / (expenses) from operations with securities	Net income from operations with foreign currency and currency derivative instruments, net income from foreign currency revaluation
Total by reportable segments	41,281	776,519	(313,219)	148,315	17,395	24,239
Adjustment of reserves	1,274	-	-	-	-	-
Accrual of personnel costs (premiums, vacations, pension obligations)	(1,407)	-	-	-	-	-
Result of differences in presentation of fee and commission income and expenses	18,946	351			19,011	(585)
Result of differences in classification of securities	(8,376)	-	-	-	-	(7,294)
Recognition of derivative financial instruments at fair value	(394)	(394)	-	-	-	-

Additional accrual of interest income on loans to customers	(2,584)	39,726	-	(42,310)	-	-
Adjustment of amortization and initial or revalued cost of fixed assets	(17,485)	-	-	-	-	-
Adjustment of amortized cost and partial repayment of other borrowings	697	(1595)	720	-	-	(118)
Other adjustments	(2,088)	355	254	(282)	57	(14)
Total under IFRS	29,864	814,962	(312,245)	105,723	36,463	16,228

The above differences arise both due to classification differences and due to accounting policy differences.

The reserves are adjusted due to the differences between the evaluation methodology used to estimate the impairment reserves under the Russian accounting standards, being the basis for drawing up the Bank's management statements, and the methodology used to measure the reserves under the International Financial Reporting Standards (IFRS).

The differences in the classification of securities refer to the income / (expenses) from revaluation of securities which are classified in the IFRS-based statements as securities a change in the fair value of which is recognized through profit or loss. According to Russian accounting standards, being the basis for preparing the Bank's management statements, such securities were allocated to the portfolio of securities available for sale.

For the year ended December 31, 2010, the proceeds from operations with customers within the Russian Federation amounted to RUB 960,441 million (for the year ended December 31, 2009: RUB 979,859 million). The proceeds from operations with customers within all foreign countries where the Group operates amounted to RUB 20,954 million for the year ended December 31, 2010 (for the year ended December 31, 2009: RUB 7,703 million).

30 Segment analysis (continued)

As of December 31, 2010, the current cost of fixed assets located within the Russian Federation amounted to RUB 276,827 million (2009: RUB 243,752 million). The current cost of fixed assets located within foreign countries amounted to RUB 6,929 million (2009: RUB 6,129 million).

During 2009 and 2010, there was no external customer or counterparty, operations with which resulted in the proceeds exceeding 10% of the Group's gross proceeds.

31 Management of financial risks

The Group's risk management covers the following main types of risks: credit risk, market risk, liquidity risk and operating risk. The market risk includes interest, stock market and currency risks. The Group's risk management policies are aimed at determining and analyzing the above risks, establishing respective risk limits and controls, and further risk monitoring and ensuring the established limits are met. Operating risk management should ensure proper compliance with internal regulations and procedures in order to minimize such risks.

Within the scope of its authorities vested by the Shareholders' Meeting, the Group's Management Board approves both the general policy of the Group's risk management and management policies for each of material risks. The Bank's Assets and Liabilities Management Committee (ALMC) and the Loans and Investments Committee (LIC) establish the limits for operations exposed to risk in accordance with the principles determined by the Group's risk management policies. The proposals on the limits for the review by the said Committees are prepared by the units responsible for risk monitoring and control. The units responsible for risk control operate independently of the customer service units.

The Group conducts stress testing in respect of all material risks at least once a year. The results of stress testing are considered and discussed by the Group's Management Board.

Information on all main types of risks is submitted to the Bank's Supervisory Board on a quarterly basis.

Credit risk. The Group assumes credit risk, namely the risk that a counterparty might fail to repay its debt, whether in whole or in part, within the established time limits. The Group manages its credit risk in accordance with its internal regulations and procedures, which are subject to revision or updating on a regular basis or as may be required. Credit risk management, as the main constituent of the general risk management system, is aimed at ensuring the Group's sustainable development. The maximum level of the Group's credit risk is recognized in the value of financial assets in the consolidated statement of financial position. For credit guarantees and commitments, the maximum level of credit risk equals the commitment amount. See Note 32.

The Group's credit policy is targeted at improving the quality and profitability of the credit portfolio, optimizing the regional, product and industry structure, and minimizing and diversifying credit risks. To minimize credit risks on a branch level, the Bank's Loans and Investments Committee establishes the limits on the authority for regional banks to approve transactions. In turn, regional banks distribute such limits among their subordinate divisions and internal business units. Transactions associated with credit risk, the amount of which exceeds the established limits, should be agreed upon with the Bank's Loans and Investments Committee.

31 Management of financial risks (continued)

The Group distinguishes the following stages of credit risk management:

- identification of credit risks;
- analysis and assessment of credit risks;
- development and implementation of measures for risk restriction, reduction and prevention;
- monitoring the Group's credit risk level, and controlling compliance with the established credit risk assessment procedures;
- preparation of reports on the Group's credit risks for the Management;

- monitoring and optimizing the identification and assessment procedures, reduction methods, restriction and control of credit risks in the course of the Group's activities.

When extending loans, the Group usually requires security and/or sureties. Loans may be secured by real estate, securities, transport and production equipment, inventories, precious metals, contractual rights and personal property. The Group accepts sureties from the shareholders owning the controlling interest, public enterprises, banks, other solvent legal entities and natural persons. To restrict the credit risk, several types of security may be simultaneously taken in pledge. The guarantor is assessed in the same way as the borrower.

The Group assesses the value of the pledge based on the internal expert review by the Group's specialists, independent appraisers' review or based on the pledge value indicated in the borrower's financial statements with a discount. According to the Group's policy, the pledge value or the guarantee amount for corporate loans must cover the loan and interest charged for a minimum of three months.

Individual credit risks of corporate customers, sole traders, banks, Russian governmental authorities and insurance companies are assessed based on the system of internal credit ratings, determination of the counterparties' creditworthiness classes, and by building the models of forecast cash flows or other indicators.

The system of internal credit ratings involves classification of counterparties into certain credit risk categories, depending on the assessed external and internal credit risk factors (group of factors) and the degree of their impact on a counterparty's ability to service and redeem the obligations assumed. To cover its credit risk, the Group structures its credit products accordingly, including by establishing specific requirements for security, interest rates and the possibility to control the sources of loan repayment. When making a credit decision, the Group applies the principle of an independent credit risk inspection by the units responsible for credit risk management.

Risk limits. The principle of risk minimization is exercised by creating a system of risk limits, differentiation of powers for the establishment of risk limits and performance of operations subject to credit risk. To manage its credit risk, the Group subdivides its counterparties into credit risk groups reflecting the probability of such counterparties' default. Risk limits are established for the counterparties referring to any of the credit risk groups. The Group has developed the procedures for calculating and monitoring the credit risk limits for the following categories of borrowers: corporate customers, constituent entities of the Russian Federation, municipal units, resident and non-resident banks, and natural persons. Credit risk limits are also established for foreign countries, individual borrowers or a group of related borrowers, and for bank operations subject to credit risk.

31 Management of financial risks (continued)

Credit risk limits for corporate customers are established based on the analysis of their property structure, goodwill, credit history, financial position, financial forecasts, financial management qualification, counterparty transparency, position in the industry and the region, and the level of production equipment. Based on the analysis of such factors, corporate customers are classified into credit risk categories, and long-term and short-term risk limits are established.

Credit risk for the constituent entities of the Russian Federation and municipal units is assessed based on analysis of their financial condition and the level of the region's development. The financial position is assessed subject to the credit history, debt load, dependence on the higher budget and other budget implementation quality indicators. The level of the region's development is determined based on the indicators of the gross regional product dynamics, the tax base quality and other indicators of social and economic development. The risk limits for the constituent entities of the Russian Federation and municipal units are calculated based on the budget indicators subject to the legal framework of borrowings.

Risk limits for counterparty banks are established based on the analysis of their financial position, their position among the banks with similar characteristics, transparency of their asset and liability structure and banking operations, credit history, goodwill and relations with the Group.

The volume of a retail loan is limited to the amount established for each individual product, and the solvency which is calculated individually for each customer based on its income, subject to the debt on the loans previously extended and the sureties provided. The volume of a retail credit also depends on the amount of security executed. The amount of a retail credit is calculated subject to the natural person's income and other social and demographic data.

In 2010, the new retail Loan Factory technology was implemented for three main product groups (consumer loans, automobile loans and credit cards). The above technology provides for a complex analysis of information on the transaction participants obtained from various information sources, centralization of analysis and decision making functions, and a high level of automation of the pre-loan processing procedure.

Risk concentration. In order to minimize and diversify its credit risk, the Group monitors the concentration of credit risk, establishes risk limits for individual borrowers and groups of related borrowers lower than the limits established for such categories of borrowers by the standards of the Bank of Russia, and approves the limits for the loans and bank guarantees issued to the Group's related parties. Risk concentration and limits for major loan operations, groups of related borrowers and high risk operations should be approved at the level of the Bank’s Headquarters.

Monitoring. The Group is constantly monitoring its credit risks and risk limits for various counterparties. Risk limits for corporate customers are revised at least twice a year based on the customers' financial statements as of the end of the year and interim financial information. Risk limits for the constituent entities of the Russian Federation and municipal units are revised twice a year based on the budget implementation analysis, and the volume and structure of debt. The limits for resident banks are revised on a monthly basis, and at least once a year for non-resident banks and foreign countries. Risk limits may also be revised in an unscheduled manner, if so required.

The Group monitors its actual and expected losses from operations subject to credit risk, and their coverage at the expense of the provision for possible losses. The Group controls the level of the counterparties’ credit risk by monitoring their financial position and by assessing their solvency throughout the term of the limit and/or other credit product covenants.

31 Management of financial risks (continued)

To monitor credit risk, the employees of the Group’s credit units draw up regular reports based on the structured analysis of the Group’s business and financial indicators. All information about the risks arising in respect of the customers with a deteriorating credit quality is brought to the notice of, and analyzed by, the Group's Management. The Group uses formalized internal credit ratings to monitor its credit risk. The Group’s Management exerts further control over the overdue balances.

Credit risk on financial instruments not recognized in the Statement of Financial Position is determined as a probability of losses due to failure by the other participant of the transaction with such financial instrument to meet the contractual terms. The Group applies the same credit policy with respect to contingent obligations as with respect to the financial instruments recognized in the Statement of Financial Position based on the procedures for transaction approval, establishment of risk reduction limits and monitoring procedures.

Market risk is a probability for the Group to incur financial losses resulting from unfavorable changes in foreign currency rates, quotations of equity securities, interest rates and prices for precious metals. Market risk is managed

in accordance with the Bank's Market Risk Management Policy. The primary objective of market risk management is optimizing the risk to profitability ratio, minimizing losses in the event of unfavorable events and reducing the difference between the actual financial result and the expected one.

The Group divides market risk into the following constituents:

- interest,
- stock market, and
- currency risks.

Market risk management involves management of security portfolios and control over the open positions for currencies, interest rates and derivative financial instruments. For these purposes, ALMC establishes the limits for security portfolios, open positions, stop loss limits and other restrictions. Market risk limits are revised at least once a year and are constantly controlled. ALMC develops the methodology of market risk management and establishes the limits on specific operations for the Bank's Headquarters and regional banks. Each regional bank has an Assets and Liabilities Management Committee (regional bank's ALMC) created, which approves the limits for the regional bank's operations in accordance with the methodology and limits approved by the ALMC of the Bank's Headquarters). A regional bank may, if required, develop its own methodology of market risk management based on the methodology of the Bank's Headquarters. Subsidiary banks and companies manage their market risk themselves based on the principles established by the Bank's Headquarters.

Market risk limits are established based on the value-at-risk analysis, scenario analysis, stress testing, and subject to the Bank of Russia's mandatory requirements.

The Group assesses the market risk both by its constituents and in the aggregate, as well as by determining the effect of diversification.

Market risk is controlled by means of monitoring the transactions made by the trade division of the Bank's Department of Treasury Operations and Financial Markets (Treasury) on the currency and securities markets. Credit risk is monitored by departments independent of the divisions that make transactions. The process of risk monitoring involves continuous control over trade operations at all the stages of the operating process.

31 Management of financial risks (continued)

Interest risk. The Group assumes the risk related to the effect of market interest rate fluctuations on the value of debt securities and cash flows.
The Group distinguishes two types of interest risk:

1. Interest risk on the portfolios of debt securities, a change in the fair value of which is recognized through profit or loss or through other comprehensive income.

The Group is subject to interest risk on investments in debt securities where a change in interest rates leads to changes in the fair value of bonds. Trade operations with bonds are performed only by the Bank's Headquarters.

According to the Market Risk Management Policy, in order to manage and restrict the interest risk on the portfolio of debt securities, ALMC establishes the following limits and restrictions: total limits on investments by the types of bonds and currencies; restriction on the volume of investments in one issue of one issuer; limits on losses from trade operations; restrictions on the bond redemption term structure; minimum return on investments; restrictions on direct and reverse repo transactions.

This type of interest risk is assessed by the Value-at-Risk method (VaR) described below.

The Group also calculates the amount of interest risk by the types of bonds: in the aggregate for the portfolio of interest securities measured at fair value through profit or loss, and for the portfolio of interest securities available for sale.

2. Interest risk resulting from a maturity mismatch (interest rate revision) for assets and liabilities, a sensitivity to changes in interest rates (interest risk on non-trade positions).

The Group assumes the market interest risk associated with the effect of market interest rate fluctuations on cash flows. Interest risk on non-trade positions results from unfavorable changes in interest rates and includes:

- risk of a parallel shift, a change in the slope and form of the profitability curve resulting from a maturity mismatch (interest rate revision) for assets and liabilities, and a sensitivity to changes in interest rates;
- basic risk resulting from a mismatch between the degree of changes in interest rates for the assets and liabilities sensitive to interest rate changes and the similar term to maturity (interest rate revision term); and
- risk of early repayment (revision of interest rates) of assets and liabilities sensitive to interest rate changes.

If interest rates grow, the value of funds raised by the Group may increase more quickly and substantially than the returns on the funds placed, which will lead to a poorer financial result and reduced interest margin, and vice versa, if the rates reduce, the returns on performing assets may decrease more quickly and substantially than the value of the funds raised.

31 Management of financial risks (continued)

The objective of managing this type of market risk is to reduce the effect of market interest rates on the net interest income. To manage interest risk, ALMC establishes maximum interest rates on raising corporate funds, and minimum rates on placing resources in loans to legal entities, minimum returns on investments in securities, and restrictions on long-term credit operations, i.e. operations associated with the greatest interest risk. The Group's Management establishes fixed interest rates on retail deposits and loans for the Bank's Headquarters and regional banks, which are preliminarily approved by ALMC. Interest rates on retail deposits and loans generally depend on the loan or deposit term to maturity, its amount and customer category.

ALMC of each regional bank approves the interest rates on operations with legal entities, subject to the regional situation and the efficiency of credit and debit operations of the respective regional bank and subject to the marginal rates of raising/placement of corporate resources approved by the ALMC of the Bank's Headquarters.

To assess this type of interest risk a scenario analysis is used. Possible changes in interest rates are predicted for the ruble position individually and for the currency position in the aggregate. The indicative interest rate on three-month loans of the Moscow inter-bank market (MOSPRIME 3M), as well as LIBOR 3M and EURIBOR 3M for the currency position are used as the basic rate to assess the ruble position volatility.

The table below shows the effect of the growth and decline of interest rates on profits before tax as of December 31, 2010:

Changes in profits before tax as of December 31, 2010 *(in millions of Russian rubles)*	**Positions denominated in rubles**	**Positions denominated in foreign currency**	**Total**
Interest rate reduction by 330 basic points	4,943	-	4,943
Interest rate growth by 410 basic points	(8,887)	-	(8,887)
Interest rate reduction by 20 basic points	-	299	299
Interest rate growth by 30 basic points	-	(672)	(672)

The table below shows the effect of the growth and decline of interest rates on profits before tax as of December 31, 2009:

Changes in profits before tax as of December 31, 2009 *(in millions of Russian rubles)*	**Positions denominated in rubles**	**Positions denominated in foreign currency**	**Total**
Interest rate reduction by 330 basic points	(2,956)	-	(2,956)
Interest rate growth by 410 basic points	3,673	-	3,673
Interest rate reduction by 20 basic points	-	580	580
Interest rate growth by 30 basic points	-	(870)	(870)

31 Management of financial risks (continued)

The above sensitivity analysis demonstrates the changes in profits before tax with a parallel shift of the profitability curve for all positions sensitive to interest rate changes, i.e. interest rates for all the terms to maturity change by one and the same value. Moreover, interest risk assessment has the following simplifications: the calculation is made without regard to possible early repayment and demand of instruments.

Stock market risk. The Group assumes stock market risk resulting from the changes in the fair value of corporate issuers' shares owned by the Group in case of changes in their market quotations. To restrict stock market risk, ALMC restricts the list of issuers in whose shares investments are possible (such list includes blue chips only), establishes limits on the total volume of investments in shares, limits on investments in shares of an individual issuer, stop loss limits on the aggregate trade portfolio. Regional banks do not perform trade operations with shares.

Stock market risk is assessed based on the VaR method described below.

Currency risk. Currency risk arises as a result of changes in foreign currency rates. The Group is subject to currency risk resulting from open positions (mainly in US dollars and Euros against the Russian ruble).

In the context of currency risk management, the Group has established sub-limits on the open currency position for regional banks. Moreover, the Group has a system of limits and restrictions on conversion arbitration operations made by the Treasury, including limits on the open position in foreign currency, limits on operations on the internal and external markets, and stop loss limits.

Every day, the Bank’s Treasury consolidates the total open currency position of the Group and takes measures to maintain the amount of the Group's open currency position on the minimum level. As basic instruments of currency risk management, the Group uses swap operations, forward contracts, and US dollar futures contracts traded on MICEX.

31 Management of financial risks (continued)

The table below presents analysis of the Group's currency risk in respect of monetary assets and liabilities, and net positions for derivative financial instruments in currencies and precious metals as of December 31, 2010. The currency risk on forward and futures contracts is represented by nominal positions for the respective currencies. Currency options are recognized in the amount representing the theoretical sensitivity of their fair value to currency rate changes.

(In millions of Russian rubles)	**Rubles**	**US Dollars**	**Euros**	**Other currencies**	**Total**
Assets					
Cash and cash equivalents	519,447	111,079	41,781	47,294	719,601
Mandatory reserves on accounts with central banks	50,532	792	93	261	51,678
Debt trading securities	52,516	9,354	1,510	17	63,397
Debt securities, a change in the fair value of which is recognized through profit or loss	78,738		4,233		82,971
Amounts due from other banks	2,086	8,452	2,484	13	13,035
Loans and advances to customers	4,322,771	954,172	123,606	88,838	5,489,387
Debt securities pledged under repurchase agreements	15	72,646		556	73,217
Debt investment securities available for sale	1,020,150	55,075	38,179	17,165	1,130,569
Debt investment securities held to maturity	352,996	4,478	298	419	358,191
Other financial assets (net of the fair value of derivative financial instruments)	98,217	6,657	1,195	110	106,179
Total monetary assets	6,497,468	1,222,705	213,379	154,673	8,088,225
Liabilities					
Due to other banks	63,932	64,811	2,053	3,872	134,668
Due to retail customers	4,214,842	262,845	267,768	89,004	4,834,459
Due to corporate customers	1,265,948	407,369	88,167	55,188	1,816,672
Debt securities issued	110,350	141,627	2,236	18,486	272,699
Other borrowings	-	163,883	7,332	40	171,255
Other financial liabilities (net of the fair value of derivative financial instruments)	44,018	1,752	720	1,131	47,621
Subordinated loans	303,299	214	-	-	303,513
Total monetary liabilities	6,002,389	1,042,501	368,276	167,721	7,580,887
Net monetary assets / (liabilities)	495,079	180,204	(154,897)	(13,048)	507,338
Currency derivative financial instruments	63,914	(215,079)	128,121	13,573	(9,471)
Credit-related commitments (Note 32)	621,754	561,599	107,667	35,122	1,326,142

31 Management of financial risks (continued)

The table below presents analysis of the Group's currency risk in respect of monetary assets and liabilities, and net positions for derivative financial instruments in currencies and precious metals as of December 31, 2009.

(In millions of Russian rubles)	**Rubles**	**US Dollars**	**Euros**	**Other currencies**	**Total**
Assets					
Cash and cash equivalents	585,295	63,753	50,270	26,203	725,521
Mandatory reserves on accounts with central banks	40,572	-	-	-	40,572
Debt trading securities	61,716	26,357	1,074	-	89,147
Debt securities, a change in the fair value of which is recognized through profit or loss	100,640	-	4,644	-	105,284
Amounts due from other banks	7,014	125	-	3,080	10,219
Loans and advances to customers	4,021,182	695,047	111,750	36,052	4,864,031
Debt securities pledged under repurchase agreements		583			583
Debt investment securities available for sale	662,264	113,643	42,074	10,188	828,169
Other financial assets (net of the fair value of derivative financial instruments)	55,496	4,395	1,306	359	61,556
Total monetary assets	5,534,179	903,903	211,118	75,882	6,725,082
Liabilities					
Amounts due to other banks	40,601	6,151	2,080	5,115	53,947
Due to retail customers	3,152,717	253,309	318,294	62,992	3,787,312
Due to corporate customers	1,137,729	335,422	139,555	38,853	1,651,559
Debt securities issued	117,408	3,131	2,733	1,327	124,599
Other borrowings	-	108,686	6,522	5	115,213
Other financial liabilities (net of the fair value of derivative financial instruments)	21,956	250	198	125	22,529
Subordinated loans	504,346	14,715	-	-	519,061
Total monetary liabilities	4,974,757	721,664	469,382	108,417	6,274,220
Net monetary assets / (liabilities)	559,422	182,239	(258,264)	(32,535)	450,862
Currency derivative financial instruments	34,289	(302,897)	242,940	16,203	(9,465)
Credit-related commitments (Note 32)	430,229	383,716	117,288	25,409	956,642

The Group provides loans and advances to customers in foreign currency. Changes in foreign currency exchange rates may have a negative effect on the borrower's ability to repay loans, which, in turn, increases the probability of losses on loans.

The Group assesses its currency risk using the VaR method described below.

31 Management of financial risks (continued)

Value-at-Risk (VaR). The VaR method is one of the main methods of the Group's market risk assessment. VaR makes it possible to assess the maximum amount of expected financial losses over a certain period of time with a given level of confidence probability. The Group makes VaR measurements using a method of historic modeling. This method allows the Group to assess probable scenarios of future price changes based on past changes. In this case, the Group factors in the interrelations between the financial market indicators (for example, interest rates and exchange rates).

VaR measurement is made based on the following assumptions:

- historical data about changes in the financial market indicators is used for the period of over 500 selling days preceding the reporting date;
- foreign currency rates and prices for bonds, shares and precious metals are used as the financial market indicators;
- changes in the financial market indicators are estimated for a period of 10 days, that is for the period during which there is an average probability of closing (or hedging) of the Group's positions subject to market risk; and
- 99% level of one-sided confidence probability is used, which means that the Group expects losses in the amount exceeding VaR once every 100 selling days or five times in 2 years at the most.

To assess the adequacy of the applied VaR measurement model, the Group regularly conducts back testing by comparing the modeled losses with actual ones.

Though VaR makes it possible to make a risk assessment, this method has some defects to be factored in, namely:

- since past price changes are used, it is not possible to estimate possible future price fluctuations in full;
- estimation of the financial market price indicators for the period of 10 days implies that all the Group's positions might be closed (or hedged) during this period. This estimate might inaccurately present the amount of market risk during the periods of reduced market liquidity when the term of closing (or hedging) of the Group's positions may increase;
- using a 99% level of one-sided confidence probability does not make it possible to assess the volume of losses expected with a probability of less than 1%; and
- VaR is calculated based on the Group's positions subject to market risk as of the end of the day and it might fail to reflect the risk assumed by the Group during the day.

In view of VaR defects, to obtain more exhaustive information on the amount of market risk, the Group supplements VaR measurements with market risk estimates using the methods of scenario analysis and stress testing.

To measure the interest risk on non-trade positions, the Group does not apply the VaR method, but makes measurements by means of the scenario analysis.

31 Management of financial risks (continued)

The results of interest, stock market and currency risk estimates using the VaR method as of December 31, 2010 are provided in the table below:

(In millions of Russian rubles)	Value as of December 31, 2010	Average for 2010	Maximum for 2010	Minimum for 2010	Effect on equity	Effect on net profits
Interest risk on						
debt securities	40,074	48,428	56,852	33,768	3.23%	23.0%
Stock market risk	9,439	13,165	20,675	5,252	0.76%	5.4%
Currency risk	1910	2,431	3,064	1359	0.15%	1.1%
Market risk (subject to						

diversification)	46,621	56,140	67,639	38,572	3.75%	26.8%
Effect of diversification	4,802	7,884	17,832	3,146	0.39%	2.8%

The results of interest, stock market and currency risk estimates using the VaR method as of December 31, 2009 are provided in the table below:

(In millions of Russian rubles)	**Value as of December 31, 2009**	**Average for 2009**	**Maximum for 2009**	**Minimum for 2009**	**Effect on equity**	**Effect on net profits**
Interest risk on						
debt securities	45,589	29,200	49,851	19,566	3.75%	137.0%
Stock market risk	5,507	4,492	5,775	2,679	0.42%	15.2%
Currency risk	1560	1437	2,414	37	0.12%	4.3%
Market risk (subject to diversification)	52,845	31,158	53,393	20,223	3.99%	146.0%
Effect of diversification	3,811	3,972	11526	1243	0.29%	10.5%

The above data is calculated subject to the Bank's internal management reports based on the financial statements prepared in accordance with Russian laws.

Liquidity risk. The liquidity risk is a risk of mismatch between the maturity of claims under credit operations with the maturity of liabilities. The Group is subject to risk associated with the necessity of using the available cash daily to make settlements on inter-bank overnight deposits, customer accounts or term deposits, to issue loans and to make payments on guarantees and derivative financial instruments which are settled in cash. The Group does not accumulate cash for a one-time fulfillment of all of the above obligations, as according to the accumulated historical data, the amount of cash required for the fulfillment of such obligations can be predicted with a sufficient assurance. The liquidity risk management is the responsibility of ALMC.

The Group manages its liquidity risk in order to ensure timely and complete performance of its obligations with minimum costs. To this end, the Group:

- maintains a stable and diversified structure of liabilities, which comprises both the resources attracted for a definite period and demand funds;
- is able to raise funds on financial markets within a short period of time; and
- makes investments in high liquidity assets diversified by currency types and maturities to cover any unexpected liquidity gaps promptly and efficiently.

31 Management of financial risks (continued)

Policy and procedures. Together with the Finance Department, the Department of Treasury Operations and Financial Markets (hereinafter the Treasury) analyzes, forecasts and develops proposals on regulating the Group's current and short-term liquidity. The analysis, forecast and development of proposals on regulating the Bank's mid-term and long-term liquidity are the responsibility of the Finance Department. The control over the liquidity condition and fulfillment of resolutions on liquidity management falls within the competence of ALMC. Liquidity risk is assessed, managed and controlled based on the methodology developed in accordance with the Bank's Policy on Liquidity Management and Control, and the recommendations provided by the Bank of Russia and the Basel Committee on Banking Supervision.

The provisions of the Policy constitute the basis for organizing the liquidity management operations in regional banks. The regional bank's management is responsible for efficient management of, and control over, the regional bank's liquidity, and compliance with the limits and restrictions established by the Group's internal regulatory documents. Regional banks select, subject to the established limits and restrictions, as well as the requirements and policies, the assessment methods and the required liquidity level, work out and implement measures aimed at ensuring liquidity. Should there be any liquidity shortage, the Treasury provides the regional bank with the required volume of resources under the prescribed procedure.

Liquidity risk management involves the following procedures:

- forecasting payment flows by the main currencies in order to determine the required volume of resources to cover the liquidity shortage;
- predicting the structure of assets and liabilities based on the scenario analysis in order to control the required level of liquid assets in a mid-term and long-term prospects;
- forecasting and monitoring the liquidity ratios for their compliance with the mandatory requirements and provisions of the internal policy;
- controlling liquidity reserves to assess the bank's maximum capacity to raise resources from various sources in different currencies;
- diversifying the sources of resources in various currencies (subject to the maximum volumes, value and terms of fundraising); and
- conducting stress testing and planning the actions to recover the required liquidity in case of unfavorable conditions or during a crisis.

The tables below demonstrate distributed non-discounted contractual amounts of cash flows (including future interest payments) on the Group's obligations for the contractual term to maturity.

31 Management of financial risks (continued)

(In millions of Russian rubles)	On demand and up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	Over 3 years	Total
Liabilities						
Due to other banks	69,865	57,329	60,927	787	2,648	191,556
Due to retail customers	1,157,004	1,302,046	891,456	1,475,067	256,027	5,081,600
Due to corporate customers	1,442,153	124,428	92,195	173,099	2,003	1,833,878
Debt securities issued	35,994	50,175	36,200	3,251	3,691	129,311
Other borrowings	1,771	4,885	66,624	108,214	116,639	298,133
Other financial liabilities (including the fair value of derivative financial instruments)	44,069	5,785	302	1,329	253	51,738
Subordinated loans	2	8	19,509	39,223	420,392	479,134
Total liabilities	**2,750,858**	**1,544,656**	**1,167,213**	**1,800,970**	**801,653**	**8,065,350**
Credit-related commitments	**1,326,142**	**-**	**-**	**-**	**-**	**1,326,142**

The table below presents the analysis of the Group's non-discounted cash flows subject to the contractual maturity of liabilities as of December 2009:

(In millions of Russian rubles)	On demand and up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	Over 3 years	Total
Liabilities						
Due to other banks	49,619	628	2,342	370	1,997	54,956
Due to retail customers	794,755	834,616	1,092,847	1,130,781	178,910	4,031,909
Due to corporate customers	1,255,098	238,998	77,489	92,868	83	1,664,536
Debt securities issued	35,905	45,711	43,731	7,067	9	132,423
Other borrowings	1,771	4,885	66,624	108,214	116,639	298,133
Other financial liabilities (including the fair value of derivative financial instruments)	19,439	10,659	1,234	1520	306	33,158
Subordinated loans	-	442	24,442	81,780	812,738	919,402
Total liabilities	**2,155,387**	**1,133,566**	**1,245,727**	**1,403,434**	**1,023,728**	**6,961,842**
Credit-related commitments	**956,642**	**-**	**-**	**-**	**-**	**956,642**

31 Management of financial risks (continued)

When preparing the analysis, non-discounted cash flows from the Group's liabilities were used, subject to all future payments (including future interest payments throughout the whole term of the respective liability). The liabilities were included in the time intervals starting from the earliest date when a claim may be raised against the Group for their redemption. For example:

- financial demand liabilities (including demand deposits) are included in the earliest time interval; and
- guarantees provided are included in the earliest period when they might be claimed.

In this case, according to the Civil Code of the Russian Federation, natural persons are entitled to withdraw funds from any accounts (including term deposits) before maturity, forfeiting their right to accrued interest. The Group has ample possibilities to maintain its own liquidity on the level sufficient for timely fulfillment of its current and predicted financial liabilities by selling or raising liquid assets.

Derivative financial instruments recognized in the Group's statements may be both estimated and deliverable. If an instrument is redeemed by delivering a basic asset, the funds inflow and outflow simultaneously.

The table below presents the assets and liabilities by the expected term to maturity. The principles underlying the liquidity analysis, and the Group's liquidity risk management are based on the legislative initiatives of the Central Bank of the Russian Federation and the methodologies worked out by the Bank. Such principles involve the following:

- Cash and cash equivalents are highly liquid assets and are classified to the *On demand and up to 30 days* category;
- Trading securities, securities, a change in the fair value of which is recognized through profit or loss, securities pledged and repurchase agreements, and the most liquid share of securities available for sale are considered liquid assets as such securities may be easily converted into cash within a short period of time. Such financial instruments are presented in the table of liquidity gap analysis in the *On demand and up to 30 days* category;
- Investment securities available for sale which are less liquid are included in the tables of liquidity analysis based on the expected contractual maturities (for debt instruments) or in the *With an indefinite term* category (for equity instruments);
- Investment securities held to maturity are included in the tables of liquidity analysis based on the expected contractual term to maturity;
- Loans and advances to customers, amounts due from other banks, other assets, debt securities issued, amounts due to other banks, other borrowings and other liabilities are included in the tables of liquidity analysis based on the expected contractual maturities;
- Diversification of customer deposits by the number and type of depositors and the experience of the Group's Management show that such accounts and deposits are long-term and are a stable source of financing. As a result, in the table of liquidity analysis such funds are distributed in accordance with the expected term of funds outflow, which are determined based on the statistical information accumulated by the Group during the past periods, and on the assumptions as to the minimum balances on the customers' current accounts.

31 Management of financial risks (continued)

Below is the Group's liquidity position as of December 31, 2010:

(In millions of Russian rubles)	On demand and up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	Over 3 years	With an indefinite term	Total
Assets							
Cash and cash equivalents	719,601						719,601
Mandatory reserves on accounts with the Bank of Russia	10,880	8,987	6,089	20,949	3,627		50,532
Trading securities	66,168	-	-	-	-	-	66,168
Securities, a change in the fair	106,875						106,875

value of which is recognized through profit or loss							
Amounts due from other banks	150	9,998	2,111	345	431	-	13,035
Loans and advances to customers	186,302	745,278	998,398	1,960,855	1,598,554	-	5,489,387
Securities pledged under repurchase agreements	81,493	_	_	_	_	_	81,493
Investment securities available for sale	1,183,231	1,460	2,404	13,748	7,543	2,535	1,210,921
Investment securities held to maturity	.	13,069	5,541	177,661	161,920	.	358,191
Deferred tax asset	-	-	-	-	-	7,518	7,518
Fixed assets	-	-	-	-	-	283,756	283,756
Other assets	122,498	14,745	20,080	8,733	21,395	53,599	241,050
Total assets	**2,477,198**	**793,537**	**1,034,623**	**2,182,291**	**1,793,470**	**347,408**	**8,628,527**
Liabilities							
Due to other banks	68,222	57,730	59,116	1,555	1,808		188,431
Due to retail customers	1,040,936	859,810	582,571	2,004,184	346,958	-	4,834,459
Due to corporate customers	861,805	34,828	18,788	897,122	4,129	-	1,816,672
Debt securities issued	34,706	44,831	33,077	4,572	2,240		119,426
Other borrowings	83	2,060	63,446	99,414	105,762	-	270,765
Deferred tax liability						15,921	15,921
Other liabilities	45,165	23,870	10,513	4,179	492	7,954	92,173
Subordinated loans	-	-	-	214	303,299	-	303,513
Total liabilities	**2,050,917**	**1,023,129**	**767,511**	**3,011,240**	**764,688**	**23,875**	**7,641,360**
Net liquidity gap	**426,281**	**(229,592)**	**267,112**	**(828,949)**	**1,028,782**	**323,533**	**987,167**
Total liquidity gap as of December 31, 2010	**426,281**	**196,689**	**463,801**	**(365,148)**	**663,634**	**987,167**	**-**

31 Management of financial risks (continued)

Below is the Group's liquidity position as of December 31, 2009:

(In millions of Russian rubles)	On demand and up to 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	Over 3 years	With an indefinite term	Total
Assets							
Cash and cash equivalents	725,521						725,521
Mandatory reserves on accounts with the Bank of Russia	10,669	4,175	5,343	17,977	2,408		40,572
Trading securities	91,022	-	-	-	-	-	91,022
Securities, a change in the fair value of which is recognized through profit or loss	124,439						124,439
Amounts due from other banks	4,065	3,706	68	1,693	687	-	10,219
Loans and advances to customers	205,924	730,974	968,615	1,539,964	1,418,554	-	4,864,031
Securities pledged under repurchase agreements	2,699	_	_	_	_	_	2,699
Investment securities available for sale	835,937			64		9,974	845,975
Fixed assets	-	-	-	-	-	249,881	249,881
Other assets	72,525	8,949	2,912	1,167	21,289	43,865	150,707
Total assets	**2,072,801**	**747,804**	**976,938**	**1,560,865**	**1,442,938**	**303,720**	**7,105,066**
Liabilities							
Due to other banks	49,570	574	2,177	281	1,345		53,947
Due to retail customers	356,084	513,251	697,007	1,901,545	319,425	-	3,787,312
Due to corporate customers	1,088,570	52,884	19,588	490,270	247	-	1,651,559
Debt securities issued	35,603	43,841	38,910	6,245			124,599
Other borrowings	88	395	1,308	83,762	29,660	-	115,213
Deferred tax liability						4,598	4,598
Other liabilities	32,060	9,414	7,067	1,392	2,215	17,693	69,841
Subordinated loans	-	14,504	-	-	504,557	-	519,061
Total liabilities	**1,561,975**	**634,863**	**766,057**	**2,483,495**	**857,449**	**22,291**	**6,326,130**
Net liquidity gap	**510,826**	**112,941**	**210,881**	**(922,630)**	**585,489**	**281,429**	**778,936**
Total liquidity gap as of December 31, 2010	**510,826**	**623,767**	**834,648**	**(87,982)**	**497,507**	**778,936**	**-**

31 Management of financial risks (continued)

A match and/or a controlled mismatch of maturities of, and interest rates on, assets and liabilities is fundamental for successful management of the Group. Banks generally do not have full matches for the said positions, as their operations often have indefinite maturities and may diverge from the contractual terms. A maturity mismatch potentially increases the returns, but it may also increase the risk of losses. The maturity of assets and liabilities and the possibility to replace interest obligations at an acceptable cost as they mature are important factors for the assessment of the Group's liquidity and risks in case of changes in interest rates and currency exchange rates.

Operating risk. The operating risk is a risk of losses resulting from any defects in the organization of the Bank's operations, technologies used, functioning of IT systems, unauthorized actions or errors of staff, as well from any external events.

The Group manages its operating risk as part of the general risk management system and in compliance with the Policy in this area, aimed at preventing and/or reducing operating risks.

The objectives of the Group's Operating Risk Management Policy are attained through the existing power distribution system and comprehensive regulation of business processes and internal procedures; by building a system of internal control over the limit discipline; by means of the established rules and procedures for making operations and transactions, a complex of information security measures, continuity and recovery of operations in case of extraordinary circumstances; constant professional development of employees on all structural levels.

The Group's operating risks are managed subject to the scale of operations effected, multi-branch organizational structure and diversity of information systems used.

The Bank systematically tracks the information on its operating risks, collects, analyzes and systematizes the data on the losses incurred, and monitors the level of losses from the operating risk.

32 Contingent assets and liabilities

Legal proceedings. At times, claims against the Group are submitted to judicial authorities in the course of the Group's day-to-day activities. Based on its own assessment and recommendations of internal professional advisers, the Group's Management believes that proceedings thereon will not lead to significant losses for the Group, and, accordingly, does not make any provision for possible losses following such proceedings in these consolidated financial statements.

Tax laws. The Group performs it core activities within the Russian Federation. Tax, currency and customs laws of the Russian Federation do not allow for various interpretations and are subject to frequent amendments which are adopted promptly and may be applied retrospectively. The Management's interpretation of the laws applied in respect of the Group's operations and activities may be disputed by the relevant regional and federal authorities. Tax authorities may take a tougher position in interpreting the laws and in carrying out tax audits. Operations and activities not challenged before may be disputed in future. In this case, additional significant taxes, fines and penalties may be charged. Tax periods remain open for audit and investigation of tax payments by the relevant bodies within three calendar years preceding the year when the audit decision is made. In individual cases, tax audits may cover a longer period.

32 Contingent assets and liabilities (continued)

Russian transfer pricing laws entitle tax authorities to make adjustments and charges in respect of all controlled transactions (save for the transactions made at the prices and rates regulated by the government), if their price increases or decreases by over 20% of the market price. Controlled transactions include transactions between the parties which are considered interdependent under the Tax Code of the Russian Federation, all foreign-trade transactions (regardless of whether the parties thereto are recognized interdependent or not), transactions between independent counterparties, which are characterized by significant price fluctuations (meaning a 20% price increase or decrease against the prices applied to similar transactions within a short period of time), as well as barter deals. Special transfer pricing rules are applied with respect to transactions with securities and derivative financial instruments (derivatives). The current transfer pricing rules are formulated vaguely, and hence tax authorities and courts may in practice interpret them rather widely.

Presently, Russian transfer pricing rules are planned to be substantially amended. The draft new law leading to extensive transfer pricing reforms was adopted in the first reading by the Parliament of Russia on February 2010. The second and third reading were proposed to be held in December 2010, but they were postponed for 2011. For now, it is not possible to predict whether the draft law on transfer pricing will or will not be adopted, what provisions it will include, and what effect it will have on taxpayers, including the Group.

Capital commitments. As of December 31, 2010, the Group had contractual capital commitments for reconstruction of buildings and acquisition of equipment for a total of RUB 12,546 million (2009: RUB 7,394 million) and for acquisition of computer equipment for the total of RUB 406 million (2009: RUB 635 million). The Group has already allocated the resources required to cover such commitments. The Group is certain that its future net income and the volume of financing will be enough to cover these or similar obligations.

Operating lease obligations. The table below presents the minimum future rents for operating lease (with and without the right of termination) where the Group is a lessee:

	2010		2009	
(In millions of Russian rubles)	**For contracts with a right of termination**	**For contracts without a right of termination**	**For contracts with a right of termination**	**For contracts without a right of termination**
Under 1 year	6,413	1,069	4,261	785
From 1 to 5 years	10,527	3,327	7,943	1242
Over 5 years	6,626	1,689	6,784	982
Total operating lease obligations	**23,566**	**6,085**	**18,988**	**3,009**

Compliance with special terms. The Group must comply with certain special terms, which are mainly related to borrowings. Failure to comply with such special terms may have negative consequences for the Group. As of December 31, 2010 and December 31, 2009, the Group complied with all special terms.

32 Contingent assets and liabilities (continued)

Credit-related commitments. The main objective of credit-related commitments is to ensure that funds are provided to the customers as they are required. The guarantees and stand-by letters of credit, which are the Group's irrevocable payment obligations in the event a customer fails to meet its obligations to any third parties, have the same degree of credit risk as loans. Documentary and commercial letters of credit, which are the Group's written obligations to make payments on behalf of its customers within the agreed amount provided certain terms are met, are secured by the respective supplies of goods or monetary deposits and, accordingly, have the lower degree of risk than direct lending. Loan commitments include unused part of lending amounts. In respect of loan commitments, the Group is potentially exposed to the risk of losses in an amount equal to the total amount of unused obligations. However, the probable amount of losses is less than the total amount of unused obligations, as the most part of loan commitments depends on the customers' compliance with certain creditworthiness requirements. The Group controls the term left to the maturity of credit-related commitments, as longer-term obligations usually have a higher degree of credit risk than short-term ones. The Group's credit-related commitments amount to:

(In millions of Russian rubles)	**2010**	**2009**
Loan commitments	488,029	328,013
Export letters of credit	353,366	264,196
Unused credit lines	182,220	108,448
Guarantees issued	159,158	137,522
Import letters of credit and letters of credit for internal settlements	143,369	118,463
Total credit-related commitments	**1,326,142**	**956,642**

RUB 749 million (December 31, 2009: RUB 82,68 million) which are a security for irrevocable obligations for import letters of credit. See Note 17.

The total contractual debt for unused credit lines, letters of credit and guarantees does not necessarily include future monetary requirements, as the said obligations may expire or be revoked without providing the funds to the customer.

Assets in safekeeping. These assets are not recognized in the Consolidated Statement of Financial Position, as they are not the Group's assets. The par value below usually differs from the fair value of the respective securities. The assets in safekeeping include the following categories:

(In millions of Russian rubles)	**2010 Par value**	**2009 Par value**
State savings bonds and FLBs	315,649	269,324
Shares of companies	196,605	179,261
Bonds of the Bank of Russia	31,197	-
Bills	17,930	23,119
Corporate bonds	8,281	3,586
Eurobonds of the Russian Federation	1,406	796
Debentures of municipal authorities and constituent entities of the Russian Federation	636	620
Domestic government currency loan bonds (DGCLB)	31	31
Other securities	205	468

32 Contingent assets and liabilities (continued)

Assets in management. In December 2010, Sberbank Management Company, a member of Sberbank of Russia Group, created three unit investment funds. The company was established in June 2010 to provide professional asset management services to a wide range of customers.

As of December 31, 2010, the net assets of each of the unit investment funds amounted to:

(In millions of Russian rubles)	Amount of net assets
Mutual unit investment fund *Sberbank – Equity Fund*	73
Mutual blend unit investment fund *Sberbank – Balanced Fund*	49
Mutual unit investment fund *Sberbank – Bond Fund*	18
Total	**140**

Pledged assets and assets with use restrictions. As of December 31, 2010, federal loan bonds (FLB) and Eurobonds of the Russian Federation were blocked on special accounts with the Bank of Russia as a security for inter-bank overnight loans provided to the Group by the Bank of Russia on a regular basis. The current value of pledged assets amounted to:

(In millions of Russian rubles)	Note	2010	2009
Trading securities	8		
- Federal loan bonds (FLB)		14,715	18,105
- Eurobonds of the Russian Federation		-	,6,348
Securities, a change in the fair value of which is recognized through profit or loss	9		
- Federal loan bonds (FLB)		31,520	39,658
Investment securities available for sale	12		
- Federal loan bonds (FLB)		42,498	65,299
- Eurobonds of the Russian Federation		,5	,13,768
Investment securities held to maturity	13		
- Federal loan bonds (FLB)		37,044	-
Total		**125,782**	**136,830**

Mandatory reserves on accounts with the Bank of Russia of RUB 50,532 million (2009: RUB 40,572 million) are the funds deposited with the Bank of Russia and not intended for financing the Group's daily operations.

32 Contingent assets and liabilities (continued)

The Group has assets pledged as a security under direct repo transactions with other banks and corporate customers with the following current value:

		2010		2009	
(In millions of Russian rubles)	**Note**	**Assets pledged**	**Related liability**	**Assets pledged**	**Related liability**
Securities pledged under repurchase agreements	11	81,493	67,323	2,699	2,285
Total		**81,493**	**67,323**	**2,699**	**2,285**

See Note 11 for more detailed information on securities pledged under direct repos.

33 Derivative financial instruments

Current and other derivative financial instruments used by the Group in its operations are generally traded on the over-the-counter market with professional participants. Derivative financial instruments have either potentially profitable terms (assets) or potentially unprofitable terms (liabilities) resulting from fluctuations of interest rates, currency exchange rates or other variable factors related to such instruments. The fair value of derivative financial instruments may change substantially over time.

The fair value of forward contracts is calculated as a difference between the present value of claims and obligations thereunder. To build a model of discounted cash flows, the quotations of forward exchange rates and internal rates of return on forward contracts are used. Such instruments refer to the second level of the fair value hierarchy of financial instruments. See Note 34.

The fair value of option contracts is determined using the Black-Scholes model. Adjustments for credit risk are applied only to the extent required. Such model is based on the current market prices and volatility. Where such information may be obtained on an open market, the current cost of such instruments refers to the second level of

the fair value hierarchy of financial instruments. In all other cases, the current cost of such instruments refers to the third level of hierarchy. See Note 34.

33 Derivative financial instruments (continued)

The table includes contracts with a settlement date after the respective reporting date, the amounts under such transactions are shown in detail to the mutual set off of items (and payments) for each counterparty. Such transactions are short-term.

	Russian counterparties				Foreign counterparties			
As of December 31, 2010: *(in millions of Russian rubles)*	**Fair value of acquired assets**	**Fair value of sold assets**	**Positive fair value**	**Negative fair value**	**Fair value of acquired assets**	**Fair value of sold assets**	**Positive fair value**	**Negative fair value**
Forward transactions								
Foreign currency								
- Purchase of Euros / sale of Swiss francs	-	-	-	-	2,040	(2,461)	-	(421)
- Purchase of Euros / sale of rubles	286	(283)	3	-	-	-	-	-
- Purchase of Euros / sale of US Dollars	194	(197)	-	(3)	146,888	(145,614)	1,613	(339)
- Purchase of rubles / sale of US Dollars	9,952	(9,872)	96	(16)	95,008	(94,062)	1,119	(173)
- Purchase of US dollars / sale of rubles	14,932	(15,061)	20	(149)	24,740	(25,065)	10	(335)
- Purchase of US dollars / sale of Belorussian rubles	-	-	-	-	2,867	(2,862)	59	(54)
- Purchase of Ukrainian hryvnas / sale of US dollars	-	-	-	-	1,723	(1,725)	-	(2)
- Purchase of US dollars / sale of Ukrainian hryvnas	-	-	-	-	305	(305)	-	-
- Purchase of Belorussian rubles / sale of US Dollars	-	-	-	-	124	(122)	2	-
Precious metals								
- Purchase of precious metals / sale of rubles	255	(253)	2	-	-	-	-	-
- Purchase of precious metals / sale of US Dollars	-	-	-	-	19,173	(18,361)	814	(2)
- Purchase of US dollars / sale of precious metals	-	-	-	-	1,584	(1,575)	9	-

33 Derivative financial instruments (continued)

As of December 31, 2010: *(in millions of Russian rubles)*	Russian counterparties				Foreign counterparties			
	Fair value of acquired assets	Fair value of sold assets	Positive fair value	Negative fair value	Fair value of acquired assets	Fair value of sold assets	Positive fair value	Negative fair value
Acquired options								
Foreign currency								
Purchase of Euros / sale of rubles	242	(250)	5	-	403	(415)	3	-
- Purchase of rubles / sale of Euros	-	-	-	-	415	(403)	10	-
- Purchase of rubles / sale of US dollars	-	-	-	-	534	(518)	16	-
- Purchase of US dollars / sale of rubles	152	(158)	2	-	1,432	(1,534)	6	-
Shares								
- Purchase of shares / sale of rubles	-	-	-	-	1,277	(2,323)	81	-
- Purchase of shares / sale of US dollars	-	-	-	-	1,048	(660)	400	-
- Purchase of rubles / sale of shares	7,227	(4,265)	7,227	(4,265)	-	-	-	-
- Purchase of US dollars / sale of shares	10,179	(6,430)	10,179	(6,430)	-	-	-	-
Sold options								
Foreign currency								
- Purchase of Euros / sale of rubles	-	-	-	-	403	(432)	-	(2)
- Purchase of rubles / sale of Euros	-	-	-	-	402	(403)	-	(4)
- Purchase of rubles / sale of US dollars	-	-	-	-	1,966	(1,981)	-	(24)
- Purchase of US dollars / sale of rubles	9	(9)	-	(15)	1,067	(1,115)	-	(6)
Interest rate swap transactions								
- Acquisition of fixed rate / payment of floating rate	494	(480)	14	-	27	(28)	-	(1)
- Acquisition of floating rate / payment of fixed rate	-	-	-	-	432	(439)	-	(7)
Total	**43,922**	**(37,258)**	**5,115**	**(183)**	**303,858**	**(302,403)**	**4,142**	**(1,370)**

33 Derivative financial instruments (continued)

As of December 31, 2009: *(in millions of Russian rubles)*	Russian counterparties				Foreign counterparties			
	Fair value of acquired assets	Fair value of sold assets	Positive fair value	Negative fair value	Fair value of acquired assets	Fair value of sold assets	Positive fair value	Negative fair value
Forward transactions								
Foreign currency								
- Purchase of Euros / sale of Swiss francs	-	-	-	-	2,126	(2,198)	-	(72)
- Purchase of Euros / sale of rubles	217	(217)	-	-	-	-	-	-
- Purchase of Euros / sale of US Dollars	-	-	-	-	242,352	(251,734)	79	(9,461)
- Purchase of Japanese yens / sale of US dollars	-	-	-	-	63	(64)	-	(1)
- Purchase of rubles / sale of Euros	237	(237)	-	-	-	-	-	-
- Purchase of rubles / sale of US Dollars	7,384	(7,484)	-	(100)	32,317	(32,441)	265	(389)
- Purchase of US dollars / sale of Euros	-	-	-	-	1,410	(1,406)	4	-
- Purchase of US dollars / sale of rubles	1,849	(1,837)	39	(27)	3,637	(3,507)	131	-
- Purchase of Euros / sale of Belorussian rubles	-	-	-	-	1,615	(1,241)	375	-
- Purchase of US dollars / sale of Belorussian rubles	-	-	-	-	1,600	(1,572)	29	-
Precious metals								
Purchase of precious metals / sale of US Dollars	-	-	-	-	18,272	(18,609)	-	(337)
- Purchase of US dollars / sale of precious metals	-	-	-	-	335	(337)	-	(2)
Acquired options								
Foreign currency								
- Purchase of US dollars / sale of rubles	-	-	-	-	302	(311)	15	-
Shares								
- Purchase of shares / sale of rubles	-	-	-	-	818	(2,323)	97	-
- Purchase of shares / sale of US dollars	-	-	-	-	1,474	(3,115)	691	-
- Purchase of US dollars / sale of shares	-	-	-	-	5,824	(381)	2,240	-
Sold options								
Foreign currency								
- Purchase of rubles / sale of US dollars	-	-	-	-	2,430	(2,420)	-	(200)
- Purchase of rubles / sale of Euros	70	(65)	-	-	-	-	-	-
Total	**9,757**	**(9,840)**	**39**	**(127)**	**314,575**	**(321,659)**	**3,926**	**(10,462)**

33 Derivative financial instruments (continued)

During 2010, the Group incurred a net loss from futures transactions with foreign currency of RUB 9,175 million (2009: net loss of RUB 12,135 million) and received net income from futures transactions with precious metals of RUB 679 million (2009: net income of RUB 1,082 million) recognized in the consolidated profit and loss statement under the items *Income, net of expenses, from operations with foreign currency and currency derivative instruments; income, net of expenses, from foreign currency revaluation* and *Income, net of expenses from operations with precious metals and from futures transactions with precious metals,* respectively.

34 Fair value of financial instruments

Fair value is the amount an asset may be exchanged for or an obligation may be settled by when making a transaction on market terms between well-informed independent parties acting on a voluntary basis.

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments, depending on the assessment methods:

- Level 1: quoted (unadjusted) prices on active markets for identical assets and liabilities;
- Level 2: methodologies where all input data having a material effect on the fair value is directly or indirectly observable on an open market; and
- Level 3: methodologies using input data having a material effect on the fair value, which is not based on the data observed on an open market; and

The tables below provide the analysis of financial instruments, which are recognized in the statements at their fair value, by the levels of evaluation hierarchy:

December 31, 2010:	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Trading securities	65,704	464	-	66,168
Securities, a change in the fair value of which is recognized through profit or loss	81,486	21,945	3,444	106,875
Securities pledged under repurchase agreements	81,493	-	-	81,493
Investment securities available for sale	1,193,158	5,866	11,897	1,210,921
Derivative financial instruments	-	4,285	4,972	9,257
Total financial assets accounted at fair value	**1,421,841**	**32,560**	**20,313**	**1,474,714**
Financial liabilities				
Derivative financial instruments	-	1,553	-	1,553
Total financial liabilities accounted at fair value	**-**	**1,553**	**-**	**1,553**

34 Fair value of financial instruments (continued)

December 31, 2009:	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Trading securities	90,507	515	-	91,022
Securities, a change in the fair value of which is recognized through profit or loss	103,673	4,776	15,990	124,439
Securities pledged under repurchase agreements	2,699	-	-	2,699
Investment securities available for sale	833,084	2,982	9,909	845,975
Derivative financial instruments	-	3,965	-	3,965
Total financial assets accounted at fair value	**1,029,963**	**12,238**	**25,899**	**1,068,100**
Financial liabilities				
Derivative financial instruments	-	10,589	-	10,589
Total financial liabilities accounted at fair value	**-**	**10,589**	**-**	**10,589**

Financial instruments allocated to the second level of the fair value hierarchy include debt securities of prime-rated borrowers not traded on an active market. The fair value of such securities was determined using the methodologies where all input data having a material effect on the fair value is observed on an active market. The characteristics of comparable financial instruments actively traded on the market were used as the input data for the evaluation model.

Corporate bonds, accounted in the trading portfolio and the portfolio of investment securities available for sale, with the fair value of RUB 858 million were transferred from Level 1 to Level 2 during the year ended December 31, 2010. During the year ended December 31, 2009, there was no transfer between Levels 1 and 2.

The table below reconciles the incoming and outgoing balances of financial assets and liabilities referred to Level 3 of the fair value hierarchy as of December 31, 2010:

	As of January 1, 2010	Income recognized in profit or loss	Income recognized in comprehensive income	Acquisitions	Transfers from Level 3	Transfers to Level 3	As of December 31, 2010
Financial assets							
Securities, a change in the fair value of which is recognized through profit or loss	15,990	678		159	(13,383)		3,444
Investment securities available for sale	9,909	212	4,472	252	(2,948)		11,897
Derivative financial instruments	-	601	-	2,131	-	2,240	4,972

Total for Level 3	**25,899**	**1,491**	**4,472**	**2,542**	**(16,331)**	**2,240**	**20,313**

34 Fair value of financial instruments (continued)

Some financial instruments were transferred from Level 3 to Level 2 during the year ended December 31, 2010, as additional observable market data became available.

For the year ended December 31, 2010, the income from Level 3 financial assets recognized in the profit and loss statement, and in the statement of comprehensive income was not realized.

The income in the table above, recognized in profit or loss, from securities, a change in the fair value of which is recognized through profit or loss, is recognized in the profit and loss statement under the *Income, net of expenses, from operations with securities, a change in the fair value of which is recognized through profit or loss*, item.

The income in the table above, recognized in profit or loss, from securities available for sale is recognized in the profit and loss statement in the *Income, net or expenses, from operations with investment securities available for sale* item.

The income in the table above, recognized in profit or loss, from derivative financial instruments is recognized in the profit and loss statement under the *Income, net of expenses, from operations with other derivative financial instruments* item.

Investments in the shares of the building company in the amount of RUB 3,340 million, revalued at fair value through profit or loss using the evaluation methods based on the information not observable on the market

The fair value of investments in the associated company was determined based on the model of discounted cash flow evaluation using the following assumptions: the type of the weighted average cost of capital (WACC) and the volume of construction of residential properties and hotel complexes, the term of construction and subsequent sale, the selling prices and the prime cost of construction of 1 square meter of residential properties, and the hotel room rate.

When determining the realizable value of 1 square meter of residential properties and the hotel room rate, the Group used the comparable analogues and the annual price escalation.

If WACC applied by the Group in the evaluation model increases / decreases by 1%, the book value of the financial instrument will decrease by RUB 229 million / increase by RUB 247 million.

Investments in the shares of the machine building company in the amount of RUB 104 million, revalued at fair value through profit or loss using the evaluation methods based on the information not observable on the market

The fair value of investments was determined based on the fair value of the company's net assets as of the reporting date. The Group applied the ownership ratio to the fair value of assets, thus, arriving at the fair value of shares.

Evaluation of the building company's shares available for sale in the amount of RUB 731 million, using the evaluation methods based on the information not observable on the market

The Group defines the fair value of such investments based on the cash flow discounting model with the following material assumptions: measurement of the fair value of the company's assets and liabilities.

34 Fair value of financial instruments (continued)

If the value of the company's net assets used by the Group in the evaluation model increases / decreases by 5%, the cost of the financial instrument will increase / decrease by RUB 37 million.

Evaluation of the stock exchange's shares available for sale in the amount of RUB 4,683 million, using the evaluation methods based on the information not observable on the market

The fair value of investments was determined based on the model of discounted cash flow evaluation using the following basic assumptions: WACC type and expected cash flows from operations.

If WACC applied by the Group in the evaluation model increases / decreases by 1%, the book value of the financial instrument will decrease by RUB 336 million / increase by RUB 395 million.

Evaluation of the transport company's shares available for sale in the amount of RUB 6,442 million, using the evaluation methods based on the information not observable on the market

Basic assumptions used in respect of the fair value are related to the weighted average cost of capital (WACC), the fee for transshipment/storage of goods, the annual volume of services rendered and capacity utilization.

Below is information on the basic assumptions and the effect of reasonably possible changes in such assumptions on the fair value, with all other variables taken as constant values:

- The fee for transshipment/storage of goods may change from -1.5% to +2%.
- The annual volume of services rendered will increase by 10%.
- The capacity utilization ratio is from 60% to 70%.

As of December 31, 2010, the estimated value of WACC used for cash flow discounting, denominated in US dollars, amounted to 11.13%.

If WACC applied by the Group in the evaluation model increases / decreases by 1%, the book value of the financial instrument will decrease by RUB 586 million / increase by RUB 703 million.

Evaluation of the venture company's shares available for sale in the amount of RUB 41 million, using the evaluation methods based on the information not observable on the market

The fair value of investments in the ventures company was determined based on the model of discounted cash flow evaluation using the following basic assumptions: the selected discount rate, the volumes and prime cost of the manufacture of finished products, their sale schedule and prices, and development costs.

As of December 31, 2010, the estimated value of the selected discount rate expressed as the required rate of return on investments in ventures companies, amounted to 41.96%. If the selected discount rate applied by the Group in the evaluation model increases / decreases by 1%, the book value of the financial instrument will decrease by RUB 3 million / increase by RUB 3 million.

34 Fair value of financial instruments (continued)

Evaluation of the put option for the retail company's unquoted shares in the amount of RUB 1,189 million, using the evaluation methods based on the information not observable on the market

The fair value of the option is determined using the Black-Scholes model. The initial data for the evaluation model is: the current cost of shares, their historical volatility, the price of exercising the option and risk-free market interest rate, with the price for shares taken as the basic initial parameter.

As of December, 31, 2010, the fair value of shares was determined based on the cash flow discounting method and amounted to RUB 10,663 million. If the estimated value of shares increases / decreases by 1%, the book value of the financial instrument will decrease / increase by RUB 23 million.

Evaluation of the put option for the shares of RUB 2,187 million, using the evaluation methods based on information not observable on the market

The fair value of the option is determined using the Black-Scholes model. The initial data for the evaluation model is: the current cost of shares, the shares' cost volatility and risk-free market interest rate.

If the shares' cost volatility applied by the group in the put option evaluation model increases / decreases by 1%, the book value of the financial instrument will decrease / increase by RUB 19 million.

Evaluation of the put/call option for the shares of RUB 1,596 million, using the evaluation methods based on the information not observable on the market

The fair value of the option is determined using the Black-Scholes model. The initial data for the evaluation model is: volatility of the cost of shares of similar companies which are freely traded on an open market, the evaluation of shares applying the cash flow discounting model and risk-free market interest rate.

If the estimated value of shares applied by the Group in the put/call option evaluation model increases / decreases by 1%, the book value of the financial instrument will decrease / increase by RUB 16 million.

The table below provides a reconciliation of incoming and outgoing balances of financial assets and liabilities referred to Level 3 of the fair value hierarchy as of December 31, 2010:

	As of December 31, 2008	Income/(expenses) recognized in profit or loss	Income recognized in comprehensive income	Acquisitions	As of December 31, 2009
Financial assets					
Securities, a change in the fair value of which is recognized through profit or loss		63	-	15,927	15,990
Investment securities available for sale	4,545	(864)	49	6,179	9,909
Total for Level 3	**4,545**	**(801),**	**49**	**22,106**	**25,899**

For the year ended December 31, 2009, the income from Level 3 financial assets recognized in the profit and loss statement and in the statement of comprehensive income was not realized.

34 Fair value of financial instruments (continued)

Investments in the building company's shares, a change in the fair value of which is recognized through profit or loss, in the amount of RUB 608 million, using the evaluation method based on the information not observable on the market

The Group defines the fair value of such investments based on the cash flow discounting model, using the following material assumptions when measuring the fair value: the type and volume of residential properties and hotels owned by the company; the terms of construction and subsequent sale; the expected price of residential properties per one square meter and the respective prime cost, and the hotel room rate.

When determining the selling prices for one square meter of a residential property and the hotel room rate, the Group uses the market comparables and factors in the annual price escalation.

If WACC applied by the Group in the evaluation model increases / decreases by 1%, the value of the financial instrument will decrease by RUB 237 million / increase by RUB 258 million.

Investments in the oil and gas company's shares, a change in the fair value of which is recognized through profit or loss, in the amount of RUB 13,383 million, using the evaluation method based on the information not observable on the market

The Group's Management applied the comparison approach using the ratios for the comparable companies, the shares of which are traded on the stock exchange.

The basic assumption used when calculating the fair value of the company was that the ratios of companies operating in the same industry (extraction and production of oil products), the shares of which are traded on the stock exchange, ensure the best basis for determining the fair value of the asset.

To calculate the fair value, the Group's Management applied the economic value (EV) ratios per the reserves and discount in respect of the obtained fair value of the asset in the amount of 20% due to the low liquidity of the asset.

If the weighted ratios and discount rates applied by the Group in the evaluation model increase / decrease by 1%, the book value of the financial instrument will decrease by RUB 21 million / increase by RUB 16 million.

Evaluation of the building company's shares available for sale in the amount of RUB 731 million, using the evaluation methods based on the information not observable on the market

The Group defines the fair value of such investments based on the cash flow discounting model with the following material assumptions: measurement of the fair value of the company's assets and liabilities.

If the value of the company's net assets used by the Group in the evaluation model increases / decreases by 5%, the cost of the financial instrument will increase / decrease by RUB 37 million.

Evaluation of the oil and gas company's shares available for sale in the amount of RUB 166 million, using the evaluation methods based on the information not observable on the market

The Group's Management applied the comparison approach using the ratios for the comparable companies the shares of which are traded on the stock exchange.

34 Fair value of financial instruments (continued)

The basic assumption used when calculating the fair value of the company was that the ratios of the publicly trading companies of the same industry (extraction and production of oil products) operating within CIS ensure the best basis for determining the fair value of the asset.

To calculate the fair value, the Group's Management applied the economic value (EV) ratios per the reserves and discount in respect of the obtained fair value of the asset in the amount of 20% due to the low liquidity of the asset.

If the weighted ratios applied by the Group in the evaluation model increase / decrease by 1%, the value of the financial instrument will increase by RUB 3 million / decrease by RUB 4 million.

Evaluation of the transport company's shares available for sale in the amount of RUB 6,230 million, using the evaluation methods based on the information not observable on the market

The basic assumptions used when calculating the fair value are related to the fee for transshipment/storage of goods, the volume of production and utilization of capacities.

The basic assumptions are described below:

- The fee for transshipment/storage of goods may vary from -1.5% to +2%.
- The annual production volume may increase by 10%.
- The capacity utilization ratio may vary from 80% to 100%.

If WACC applied by the Group in the evaluation model increases / decreases by 1%, the value of the financial instrument will decrease by RUB 609 million / increase by RUB 736 million.

Evaluation of the telecommunications company's shares available for sale in the amount of RUB 2,753 million, using evaluation methods based on the information not observable on the market

The Group's Management applied the comparison approach using the ratios for the comparable companies, the shares of which are traded on the stock exchange.

The basic assumption used when calculating the fair value of the company was that the ratios of companies operating in the same industry, the shares of which are traded on the stock exchange, ensure the best basis for determining the fair value of the asset.

To calculate the fair value, the Group's Management used two types of ratios:

- EV/EBITDA ratio (business value / profits, net of interest, taxes and amortization charges) was used to account income generation; and
- EV / number of customers ratio was used to account the impact of the economy sectors.

To calculate the fair value, the Group's Management applied the weighted EV/EBITDA (30%) and EV/number of customers (70%) ratios and the discount in respect of the obtained fair value of the asset in the amount of 20% due to the low liquidity of the asset.

If the weighted ratios applied by the Group in the evaluation model increase / decrease by 1%, the value of the financial instrument will decrease by RUB 3 million / increase by RUB 4 million.

34 Fair value of financial instruments (continued)

The fair value of financial assets is shown in the table below:

	2010		2009	
(In millions of Russian rubles)	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets recognized at amortized cost				
Cash and cash equivalents:				
- Funds available	297,956	297,956	240,641	240,641
- Balances on accounts with the Bank of Russia (other than the mandatory reserve provision)	77,447	77,447	70,007	70,007
- Correspondent accounts and deposits, provided for a maximum of 30 days, with banks	309,704	309,704	388,295	388,295
- Surplus balances on reverse repo transactions for a maximum of 30 days	34,494	34,494	26,578	26,578
Mandatory reserves on accounts with the Bank of Russia	50,532	50,532	40,572	40,572
Due from other banks	13,035	13,035	10,219	10,219
Loans and advances to customers:				
- Commercial corporate lending	2,395,763	2,409,594	1,984,834	2,028,298
- Specialized corporate lending	1,842,704	1,875,248	1,772,925	1,702,977
- Consumer and other retail loans	599,604	621,434	526,126	526,126
- Housing retail lending	574,499	599,206	484,012	484,012
- Automobile retail loans	76,817	76,993	96,134	96,134
Investment securities held to maturity	358,191	357,060	-	-
Other financial assets recognized at amortized cost:				
- Outstanding plastic card settlements	91,219	91,219	52,324	52,324
- Conversion operation settlements	6,196	6,196	4,645	4,645
- Trading accounts receivable	5,259	5,259	1,603	1,603
- Fees accrued	1,164	1,164	1,153	1,153
- Receivables	41	41	1,117	1,117
- Other financial assets recognized at amortized cost	3,446	3,446	714	714
Financial assets recognized at fair value				
Trading securities	66,168	66,168	91,022	91,022
Securities, a change in the fair value of which is recognized through profit or loss	106,875	106,875	124,439	124,439
Securities pledged under repurchase agreements	81,493	81,493	2,699	2,699
Investment securities available for sale	1,210,921	1,210,921	845,975	845,975
Other financial assets recognized at fair value	9,257	9,257	3,965	3,965
Total financial assets	**8,212,785**	**8,304,742**	**6,769,999**	**6,743,515**

34 Fair value of financial instruments (continued)

The fair value of financial liabilities is shown in the table below:

	2010		2009	
(In millions of Russian rubles)	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets recognized at amortized cost				
Due to other banks:				
- Correspondent accounts and overnight deposits of other banks	38,716	38,716	35,621	35,621
- Term deposits from other banks	87,912	87,912	18,215	18,215
- Direct repos with other banks	61,803	61,803	111	111
Due to retail customers:				
- Current accounts/call accounts	785,750	785,750	540,455	540,455
- Term deposits	4,048,709	4,075,185	3,246,857	3,228,747
Due to corporate customers:				
- Current/settlement accounts of state and public organizations	116,827	116,827	104,004	104,004
- Term deposits of state and public organizations	40,475	40,691	32,900	33,152
- Current/settlement accounts of other corporate customers	1,082,754	1,082,754	861,028	861,028
- Term deposits of other corporate customers	576,616	610,231	653,627	657,858
Debt securities issued:				
- Bills	96,505	94,615	101,294	95,996
- Savings certificates	13,102	13,102	17,844	17,844
- Certificates of deposit	1,889	1,889	5,461	5,461
- Other debt securities issued	7,930	8,081	-	-
Other borrowings:				
- Loan participation notes issued under MTN Program	153,273	153,968	46,149	48,484
- Syndicated loans received	96,904	96,947	58,703	58,703
- Other long-term borrowings	20,588	20,588	10,361	10,361
Other financial liabilities recognized at amortized cost:				
- Outstanding plastic card settlements	25,425	25,425	13,170	13,170
- Trade accounts payable	9,318	9,318	2,970	2,970
- Receivables	5,071	5,071	1,579	1,579
- Contributions to the state insurance system of deposits payable	4,476	4,476	3,449	3,449
- Deferred fee and commission income from guarantees issued	1,222	1,222	799	799
- Other financial liabilities recognized at amortized cost	2,109	2,109	562	562

34 Fair value of financial instruments (continued)

(In millions of Russian rubles)	2010 Book value	2010 Fair value	2009 Book value	2009 Fair value
Financial liabilities recognized at amortized cost				
Subordinated loans:				
- Subordinated loan raised by the Group form the Bank of Russia	303,299	303,299	504,346	504,346
Subordinated loans received by the Group on international financial markets	-	-	14,504	14,562
Subordinated loans received by subsidiaries	214	213	211	200
Financial liabilities recognized at fair value				
Other financial liabilities recognized at fair value	1,553	1,553	10,589	10,589
Total financial liabilities	7,582,440	7,641,745	6,284,809	6,268,266

Financial instruments recognized at fair value. Trading securities, other assets, a change in the fair value of which is recognized through profit or loss, derivative financial instruments and financial assets available for sale are accounted at fair value in the consolidated statement of financial position.

Cash and cash equivalents are recognized at amortized cost, which approximately equals their current fair value.

The Group's accounting policy for recognizing the financial instruments accounted at fair value is disclosed in Note 3.

Loans and accounts receivable recognized at amortized cost. As a rule, the fair value of instruments with a floating interest rate equals their current cost. If market situation changes substantially, the interest rates on loans to customers and amounts due from other banks provided at a fixed interest rate may be revised. As a result, the interest rates on loans issued not long before the reporting date do not materially differ from the effective interest rates for new instruments with similar credit risk and similar term to maturity. If, according to the Group's estimates, the rates on previously issued loans differ substantially from the rates on similar instruments effective as of the reporting date, the estimated fair value of such loans is determined. The estimate is based on the discounted cash flow method using the applicable interest rates for new instruments with similar credit risk and similar term to maturity. The discount rates used depend on the currency, maturity of the instrument and the counterparty's credit risk.

The analysis of contractual interest rates on loans and advances to customers and amounts due from other banks, effective as of December 31, 2010 and December 31, 2009, is provided below:

	2010	2009
Amounts due from other banks	2.5%–10.0% per year	8.0%–9.2% per year
Loans and advances to customers:		

Corporate loans	5.4%-18.0% per year	6.2%-15.8% per year
Retail loans	9.0%–20.5% per year	11.2%-15.0% per year

34 Fair value of financial instruments (continued)

The estimated fair value of other financial assets, including the accounts receivable from trade and business operations, equals their amortized cost, considering the short-term character of such assets.

Liabilities recognized at amortized cost. The estimated fair value of these liabilities is based on market prices, if any. The estimated fair value of instruments with a fixed interest rate and established maturity, having no market price, is based on discounted cash flows, applying interest rates for new instruments with similar credit risk and similar maturity. The fair value of liabilities payable upon demand or after a prior notice (liabilities payable on demand) is calculated as an amount payable upon demand and discounted from the first date of the potential demand for the repayment of the liability. The discount rates used depend on the Group's credit risk and on the currency and maturity of the instrument and vary from 0.03% to 18.0% per annum (2009: from 0.04% to 10.2% per annum).

Derivative financial instruments. All derivative financial instruments are recognized at fair value as assets, if their fair value is positive, and as liabilities, if their fair value is negative. See Note 33.

35 Related party operations

For the purpose of these consolidated financial statements, the parties are considered related if one of them is in a position to control, or is under joint control with, the other one, or may have a material influence on the other party's financial and operating decisions. When considering the relations with all related parties, the economic content, not only the legal form, of such relations is taken into account.

The main shareholder of the Group is the Bank of Russia (see Note 1). The other related parties in the table below include the members of the key management and their close relatives, as well as the Group's associated companies.

Note 36 provides information on the operations with public institutions and state-controlled companies.

35 Related party operations (continued)

The balances on the operations with the Bank of Russia and other related parties as of December 31, 2010 and December 31, 2009 are provided below:

		2010		2009	
(In millions of Russian rubles)	**Note**	**Bank of Russia**	**Other related parties**	**Bank of Russia**	**Other related parties**
Assets					
Cash and cash equivalents (contractual interest rate: 3.0%)		212,451	-	345,035	-
Mandatory reserves on accounts with the Bank of Russia		50,532	-	40,572	-
Bonds of the Bank of Russia (yield to maturity: 4.0%)	12	433,585	-	221,080	-
Loans and advances to customers before the impairment reserve (contractual interest rates: from 9.5% to 20.0%)		-	528	-	-
Credit portfolio impairment reserve		-	(7)	-	-
Other assets		-	-	45	-
Liabilities					
Due to corporate customers (contractual interest rate: 0.01%-3.44%)		-	1,163	-	-
Subordinated loan (effective interest rate: 6.5%)	21	303,299	-	504,346	-

As of December 31, 2010, federal loan bonds (FLB) and Eurobonds of the Russian Federation were blocked on special accounts with the Bank of Russia as a security for inter-bank overnight loans provided to the Group by the Bank of Russia on a regular basis. See Notes 8, 9, 12, 13 and 32. The current cost of pledged assets amounted to:

(In millions of Russian rubles)	**Note**	**2010**	**2009**
Trading securities			
- Federal loan bonds (FLB)	8	14,715	18,105
- Eurobonds of the Russian Federation		-	,6,348
Securities, a change in the fair value of which is recognized through profit or loss	9		
- Federal loan bonds (FLB)		31,520	39,658
Investment securities available for sale			
- Federal loan bonds (FLB)	12	42,498	65,299
- Eurobonds of the Russian Federation		,5	,13,768
Investment securities held to maturity	13		
- Federal loan bonds (FLB)		37,044	-
Total		**125,782**	**136,830**

35 Related party operations (continued)

The table below presents the items of income and expenses from the operations with the Bank of Russia and other related parties for the year ended December 31, 2010 and the year ended December 31, 2009:

	2010		2009	
(In millions of Russian rubles)	**Bank of Russia**	**Other related parties**	**Bank of Russia**	**Other related parties**
Interest income	32,158	59	2,640	–
Interested income from subordinated debt	(27,851)		(39,989)	
Interest expenses, other than interest expenses from subordinated debt	(343)	(8)	(8,292)	-
Net expense on credit portfolio impairment reserve	-	(7)	-	-
Income, net of expenses, from operations with trading securities	8			
Income, net of expenses, from operations with investment securities available for sale	570	-	-	-
Operating income	-	6	-	-
Operating expenses	(1,005)	(12)	(848)	

For the year ended December 31, 2010, the total fees paid to the Group's key management, including salaries, premiums and other payments related to labor remuneration, amounted to RUB 1,043 million (for the year ended December 31, 2009: RUB 506 million).

36 Operations with public institutions and state-controlled companies

Governmental authorities of the Russian Federation do not publish or provide the companies controlled and/or owned by the state with a full official list of organizations owned or controlled, whether directly or indirectly, by the state. In view of the above, the Group's management presented herein only the information, which the Group's existing accounting and management system allows it to obtain in respect of operations with state-controlled organizations which the Group considers as such based on the available data. The consolidated financial statements disclose the information on operations with public institutions and organizations in which the government has a share of 50 and more percent. For state-controlled organizations, the Group's management analyzed the operations with major customers and defined the balances on operations with the following groups of companies: 1) 100% state-owned companies and public institutions; 2) major companies in which the government controls over 50% of their share capital. The Group performs all operations with public institutions and state-controlled companies in the course of its day-to-day operations on market terms.

36 Operations with public institutions and state-controlled companies (continued)

Below are the balances on operations with public institutions and state-controlled companies as of December 31, 2010 and December 31, 2009:

	2010		2009	
(In millions of Russian rubles)	100% state-owned companies and public institutions	Companies, in which the government controls over 50% of their share capital	100% state-owned companies and public institutions	Companies, in which the government controls over 50% of their share capital
Cash and cash equivalents (contractual interest rate: 0.5%)	2,001	8		1,747
Trading securities (yield to maturity: from 2.0% to 18.0%)	48,213	4,634	72,642	6,876
Securities, a change in the fair value of which is recognized through profit or loss (yield to maturity: from 1.0% to 8.0%)	78,323	4,871	98,131	5,383
Amounts due from other banks (contractual interest rates: from 2.5% to 10.0%)	_	10,198	4,073	2,516
Loans and advances to customer before impairment reserve (contractual interest rates: from 5.5% to 16.8%)	326,359	114,872	247,522	197,813
Credit portfolio impairment reserve	(12,036)	(7,281)	(4,675)	(4,402)
Securities pledged under repurchase agreements (yield to maturity: from 1.3% to 1.7%)	59,224	3,747	_	31
Investment securities available for sale (yield to maturity: from 1.5% to 14.0%)	457,975	92,499	416,665	65,883
Investment securities held to maturity (yield to maturity: from 4.0% to 8.6%)	313,380	18,070		
Amounts due to other banks (contractual interest rates: from 0.4% to 3.3%)	472	5,988	.	205
Amounts due to corporate customers (contractual interest rates: from 0.3% to 10.8%)	187,240	94,990	152,369	90,693
Other liabilities	-	-	3,449	-
Guarantees issued	**76,458**	**4,138**	**9,633**	**2,662**

36 Operations with public institutions and state-controlled companies (continued)

The table below presents the items of income and expenses from the operations with pubic institutions and state-controlled companies for the year ended December 31, 2010 and the year ended December 31, 2009:

	2010		2009	
(In millions of Russian rubles)	**100% state-owned companies and public institutions**	**Companies, in which the government controls over 50% of their share capital**	**100% state-owned companies and public institutions**	**Companies, in which the government controls over 50% of their share capital**
Interest income from loans	27,995	13,491	40,510	28,215
Interest income from securities	52,688	5,637	37,191	1,858
Interest expenses	(4,116)	(1,902)	(12,829)	(7,516)
Net expense on credit portfolio impairment reserve	(7,361)	(2,879)	(443)	(2,182)
Income, net of expenses / (expenses, net of income), from operations with trading securities	4,399	(165)	10,254	781
Income, net of expenses / (expenses, net of income) from operations with securities, a change in the fair value of which is recognized through profit or loss	5,514	(356)	5,316	1,782
Income, net of expenses, from operations with investment securities available for sale	3,288	3,649	9,138	5,407
Income, net of expenses, from operations with investment securities held to maturity	5	-	-	-
Fee and commission income	5,938	2,057	4,242	837
Contributions to the state deposit insurance system	16,255	-	13,047	-

The amounts referring to operations with the government include tax settlements. For the year ended December 31, 2010, the income tax from operations subject to taxation within the Russian Federation amounted to RUB 46,763 million (for the year ended December 31, 2009: RUB 4,113 million).

37 Main subsidiaries

The table below contains information on the Bank's subsidiaries as of December 31, 2010:

Name	Type of activities	Share of ownership	Country of registration
Subsidiaries:			
OJSC Belpromstroy Bank (BPS Bank)	bank activities	97.91%	Republic of Belarus
SB Sberbank JSC	bank activities	100.00%	Kazakhstan
Sberbank of Russia JSC	bank activities	100.00%	Ukraine

CJSC Sberbank Leasing	leasing	100.00%	Russia
Sberbank Capital LLC	financial services	100.00%	Russia
Sberbank Investments LLC	financial services	100.00%	Russia
Sberbank Management Company LLC	asset management services	100.00%	Russia
CJSC Holding Company GVSU Center	construction	97.03%	Russia
CJSC Oil Company Dulisma	oil company	100.00%	Russia
Crystal Towers LLC	construction	50.01%	Russia
OJSC Pavlovsk Ceramics	construction materials	93.44%	Russia
Pavlovo-Posad			
Mining Association LLC	construction materials	93.44%	Russia
CJSC GOTEK Group Management Company	packing materials	60.00%	Russia

Vester Retail N.V.	retail trade	51.00%	Netherlands

37 Main subsidiaries (continued)

In December 2009, the Bank acquired 93.3% of BPS Bank's share capital previously controlled by the Republic of Belarus. During the year ended December 31, 2010, the Group purchased an additional 4.61% share of BPS Bank's share capital. The non-controlling interest share acquired during 2010 amounted to RUB 367 million.

In January 2010, as a result of debt settlement, the borrower ceded 50.01% of the share capital of Crystal Towers, a company holding a single asset, to the Group. This asset of the company is a construction in progress of a business center in Moscow.

In April 2010, as a result of debt settlement, the borrowers ceded 93.44% of OJSC Pavlovsk Ceramics' shares and 93.44% of shares in the share capital of Pavlovo-Posad Mining Association LLC to the Group. The companies are engaged in the production and sale of construction materials. Moreover, during 2010, as a result of debt settlements, borrowers ceded 51.0% of shares in Vester Retail N.V, the group's holding company specializing in retail trade and operating mainly within the Russian Federation, and controlling interests in a number of other companies to the Group. The Group plans to develop the activities of its subsidiaries to realize them in the foreseeable future.

The table below presents information on the fair value of net assets of OJSC Pavlovsk Ceramics, Pavlovo-Posad Mining Association LLC, Vester Retail N.V. and other companies acquired for the year ended December 31, 2010, and on the goodwill arising as a result of such acquisition:

(In millions of Russian rubles)	**Fair value**
Fair value of subsidiaries' net assets	**1,587**
Total acquisition cost	**6,914**
Proportionate share of non-controlling interest in net assets acquired	49

Total acquisition cost and non-controlling participatory interest	**6,963**
(Income from acquisition at the price below the market price)	**(511)**
Goodwill related to acquisition	**5,887**

In April 2010, as a result of debt settlement, borrowers ceded 60.0% of shares in CJSC GOTEK Group Management Company to the Group. GOTEK Group Management Company is the group's holding company for the production of packing materials. The Group plans to develop the activities of its subsidiary to realize it in the foreseeable future.

37 Main subsidiaries (continued)

The table below presents information on the fair value of net assets of CJSC GOTEK Group Management Company acquired for the year ended December 31, 2010, and on the goodwill arising as a result of such acquisition:

(In millions of Russian rubles)	**Fair value**
Fair value of the subsidiary's net assets	4,941
Total acquisition cost	5,777
Fair value of non-controlling participatory interest	1,977
Total acquisition cost and fair value of non-controlling participatory interest	7,754
Goodwill related to acquisition	2,812

As of December 31, 2010, the share of the Bank's subsidiaries in the Group's consolidated assets amounted to 4.2% (as of December 31, 2009: 3.3%).

38 Capital adequacy ratio

The Group's capital management has the following objectives: (i) compliance with the capital requirements established by the Bank of Russia's standards, and (ii) ensuring the Group's ability to function as a going concern. The Group also monitors the capital adequacy in accordance with the Basel Agreement to maintain it at the level of at least 8%.

According to the current requirements of the Bank of Russia, banks should maintain the ratio of regulatory capital to assets weighted according to the risk level (equity adequacy ratio) above the minimum prescribed level. According to the requirements of the Bank of Russia, the equity (capital) adequacy ratio of a bank should be maintained on the level of at least 10%. The Bank's Assets and Liabilities Management Committee (ALMC) established the minimum regulatory capital adequacy ratio of 11%. This value exceeds both the standard established by the Bank of Russia (10%) and the capital adequacy ratio established by the Basel Agreement (8%), which enables the Bank to participate in the state deposit insurance system established by Federal Law No. 177-FZ *On insurance of household deposits in banks of the Russian Federation*, dated December 23, 2003. As of December 31, 2010, the regulatory capital adequacy ratio amounted to 17.7% (December 31, 2009: 21.5%). The compliance with the regulatory capital

adequacy ratio established by the Bank of Russia is controlled by means of quarterly reports containing respective calculations, which are sent to the Bank of Russia. As of December 31, 2010, the regulatory capital calculated based on the data contained in the reports in accordance with the provisions of the Bank of Russia amounted to RUB 1,241,876 million (2009: RUB 1,317,771 million).

38 Capital adequacy ratio (continued)

Below is the calculation of the Bank's capital adequacy ratio as of December 31, 2010, and December 31, 2009, made by the Bank in accordance with the Basel Capital Agreement, as determined in the International Convergence of Capital Measurement and Capital Standards (adopted in July 1998 and revised in November 2005) and in the Addendum to the Basel Capital Agreement, which introduced market risk consideration (updated in November 2005) and which is usually referred to as Basel 1:

(In millions of Russian rubles)	**2010**	**2009**
Level 1 capital		
Share capital	87,742	87,742
Share premium	232,553	232,553
Undistributed profits	585,819	403,934
Net of goodwill	(8,251)	(469)
Total Level 1 capital (basic capital)	**897,863**	**723,760**
Level 2 capital		
Buildings revaluation reserve	53,648	55,540
Reserve for revaluation of investment securities available for sale	13,437	(329)
Foreign currency revaluation reserve	(1,136)	(1,009)
Subordinated capital	303,513	362,115
Net of investments in associated companies	(2,479)	(31)
Total Level 2 capital	**366,983**	**416,286**
Total capital	**1,264,846**	**1140,046**
Assets weighted subject to risk		
Credit risk	7,327,090	6,005,088
Market risk	199,883	298,725
Total assets weighted subject to risk	7,526,973	6,303,813
Basic capital adequacy ratio (Level 1 capital to the assets weighted subject to risk)	**11.9%**	**11.5%**
Total capital adequacy ratio (Total capital to the assets weighted subject to risk)	**16.8%**	**18.1%**

39 Events after the balance sheet date

In January 2011, the Group received the facilities of Capital Group in the amount of RUB 10,788 million in discharge of its debt on the compensation and co-investment agreement.

In January 2011, the Group started to issue interest bonds denominated in Ukrainian hryvnas, with the par value of RUB 2,871 million and the maturity in January 2013. Their coupon rate amounts to 12.75% with quarterly coupon payments. On March 21, 2011, the Group placed the bonds with the par value of RUB 1,651 million resulting in cash proceeds of RUB 1,655 million.

In February 2011, the Group acquired 25% plus one share in the share capital of Nitol Solar Limited, specializing in application of solar energy technologies.

In February 2011, the Group acquired 5.6% of shares in RTS Stock Exchange JSC.

39 Events after the balance sheet date (continued)

In March 2011, the Group signed an agreement of intent to acquire 100% of shares in Troika Dialog – a leading Russian investment bank and asset management company. According to the agreement, the Group will acquire the shares for USD 1 billion by the end of 2011. The additional amount payable in 2013 will depend on Troika Dialog's net profits for the period from 2011 to 2013. The transaction is to be approved by the regulating authorities in the Russian Federation and other jurisdictions.