Open joint stock company "BANK URALSIB"
Consolidated Financial Statements
Year ended December 31, 2010

Together with Independent Auditors' Report

CONTENTS

The Supervisory Board and the Management Board of Open joint stock company "BANK URALSIB" were appointed in accordance with the legislation of Russia and consist of the following members as at December 31, 2010:

The Supervisory Board

Name	Position
Nikolay A. Tsvetkov	Chairman of the Supervisory Board, Chairman of Financial Corporation "URALSIB"
Douglas W. Gardner	Member of the Board of Directors of Financial Corporation "URALSIB"
Airat R. Gaskarov	Deputy Prime Minister of the Republic of Bashkortostan Government – Minister of Finance of the Republic of Bashkortostan
Denis I. Korobkov	Chairman of the Board of LLC "Management Company Evolution"
Ildar R. Muslimov	Chairman of the Management Board - CEO
Rail S. Sarbaev	Prime Minister of the Republic of Bashkortostan Government
Ludmila A Shabalkina	Deputy Chairman of Financial Corporation "URALSIB"
Dmitri G. Shmelev	Head of Corporate Governance, General Counsel of Open Joint Stock Company "BANK URALSIB"
Natalia I. Zvereva	Senior Adviser to the Chairman of Open Joint Stock Company "BANK URALSIB"

The Management Board

Name	Position
Ildar R. Muslimov	Chairman of the Management Board - CEO
Alexander V. Dementiev	Deputy Chairman of the Management Board
Alexei V. Sazonov	Deputy Chairman of the Management Board
Evgeny A. Guryev	Deputy Chairman of the Management Board
Ilia V. Filatov	Deputy Chairman of the Management Board
Svetlana B. Bastrykina	Member of the Management Board
Yury V. Petukhov	Member of the Management Board
Lidiya E. Plytnik	Member of the Management Board

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Independent Auditors' Report

To the Shareholders and the Board of Directors

Open Joint Stock Company "BANK URALSIB"

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

ZAO KPMG

ZAO KPMG

April 22, 2011

Consolidated statement of financial position

as of December 31, 2010

(Millions of Russian Rubles)

	Notes	*2010*	*2009 (Restated)**	*2008 (Restated)**
Assets				
Cash and cash equivalents	5	84,004	60,574	77,811
Obligatory reserves with the Central Bank		3,097	3,063	653
Amounts due from credit institutions	6	5,442	4,043	4,453
Trading and designated at fair value through profit or loss securities	7	5,177	11,394	25,271
Available-for-sale securities	8	39,652	33,818	10,040
Held-to-maturity securities	9	1,113	3,145	6,216
Derivative financial assets	10	123	93	104
Assets held for sale	11	-	8,764	-
Loans to customers	12	206,788	216,373	277,218
Net investments in finance leases	13	12,866	20,962	32,371
Investment property	14	20,794	19,255	6,334
Property and equipment	15	12,210	12,087	10,862
Goodwill	16	4,527	4,527	4,527
Other assets	18	20,571	17,166	14,415
Total assets		**416,364**	**415,264**	**470,275**
Liabilities				
Derivative financial liabilities	10	-	20	143
Amounts due to credit institutions	20	47,702	46,478	139,833
Amounts due to customers	21	285,870	281,140	246,185
Promissory notes and certificates of deposit issued	22	7,354	11,589	9,170
Other borrowed funds	23	14,975	10,823	17,434
Other liabilities	18	3,344	4,804	4,923
Total liabilities		**359,245**	**354,854**	**417,688**
Equity	24			
Share capital, net of treasury shares		40,970	40,898	34,808
Additional paid-in capital		2,074	4,174	5,926
Revaluation reserve for available-for-sale securities		(474)	276	(1,617)
Revaluation surplus for buildings		3,034	2,946	3,706
Retained earnings		8,777	10,122	8,906
Total equity attributable to shareholders of the Parent		**54,381**	**58,416**	**51,729**
Non-controlling interests		2,738	1,994	858
Total equity		**57,119**	**60,410**	**52,587**
Total equity and liabilities		**416,364**	**415,264**	**470,275**

Signed and authorised for release on behalf of the Management Board of the Bank

Ildar R. Muslimov — Chairman of the Management Board

Yury V. Petukhov — Chief Accountant

April 22, 2011

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

* Refer to Note 1 "Principal activities" (Combination of entities under common control)

Consolidated income statement

For the year ended December 31, 2010

(Millions of Russian Rubles)

	Notes	*2010*	*2009 (Restated)**
Interest income			
Loans to customers		28,484	38,259
Net investment in finance leases		3,048	6,073
Securities		2,657	3,629
Amounts due from credit institutions		1,039	1,440
		35,228	**49,401**
Interest expense			
Amounts due to customers		(15,793)	(18,664)
Amounts due to credit institutions		(1,940)	(7,849)
Other borrowed funds		(1,961)	(1,927)
Promissory notes and certificates of deposit issued		(668)	(703)
		(20,362)	**(29,143)**
Net interest income		**14,866**	**20,258**
Recovery of (charge for) impairment of interest earning assets	6, 8, 12, 13	161	(13,126)
Net interest income after impairment of interest earning assets		**15,027**	**7,132**
Fee and commission income		7,309	7,208
Fee and commission expense		(2,755)	(2,208)
Net fee and commission income	26	**4,554**	**5,000**
Net gains from trading and designated at fair value through profit or loss securities	27	538	6,477
Net realized losses from available-for-sale securities	27	(346)	(1,373)
Net gains from derivatives		410	604
Net gains from foreign currencies	28	368	319
Net losses from operations with precious metals		(32)	(395)
Net losses from revaluation of assets held for sale	11	(753)	-
Net (losses) gains from revaluation of buildings, impairment of other property and equipment and revaluation and disposal of investment property		(387)	1,299
Net (losses) gains from revaluation and disposal of inventory		(1,576)	690
Other income	29	2,743	1,612
Other non interest income		**965**	**9,233**
Personnel expenses	30	(9,079)	(8,523)
Administrative and operating expenses	30	(7,716)	(7,992)
Depreciation and amortisation		(1,123)	(1,222)
Impairment of other assets	18	(1,489)	(1,172)
Other non interest expense		**(19,407)**	**(18,909)**
Profit before income tax expense		**1,139**	**2,456**
Income tax expense	17	(296)	(728)
Profit for the year		**843**	**1,728**
Attributable to:			
- shareholders of the Parent		1,025	1,648
- non-controlling interests		(182)	80
		843	**1,728**
Earnings per share (in Rubles):			
Basic and diluted		**0.0030**	**0.0065**

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

* Refer to Note 1 "Principal activities" (Combination of entities under common control)

Consolidated statement of comprehensive income

For the year ended December 31, 2010

(Millions of Russian Rubles)

	2010	*2009 (Restated)**
Profit for the year	**843**	**1,728**
Other comprehensive income		
Revaluation reserve for available-for-sale securities:		
- Net change in fair value of available-for-sale securities, net of tax	(1,023)	861
- Net change in fair value of available-for-sale securities transferred to profit or loss, net of tax	273	1,032
Revaluation of buildings, net of tax	256	(692)
Total other comprehensive (loss) income, net of tax	**(494)**	**1,201**
Total comprehensive income	**349**	**2,929**
Attributable to:		
- shareholders of the Parent	531	2,849
- non-controlling interests	(182)	80
Total comprehensive income	**349**	**2,929**

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

* Refer to Note 1 "Principal activities" (Combination of entities under common control)

Consolidated statement of changes in equity

For the year ended December 31, 2010

(Millions of Russian Rubles)

	Attributable to equity holders of the Parent							
	Share capital, net of treasury shares	**Additional paid-in capital**	**Revaluation reserve for available-for-sale securities**	**Revaluation surplus for buildings**	**Retained earnings**	**Total equity attributable to shareholders of the Parent**	**Non-controlling interests**	**Total equity**
Balance as at January 1, 2010	**40,898**	**4,174**	**276**	**2,946**	**10,122**	**58,416**	**1,994**	**60,410**
Total comprehensive income								
Profit for the year	-	-	-	-	1,025	**1,025**	(182)	**843**
Other comprehensive income								
Net change in fair value of available-for-sale securities, net of deferred tax of RUB 256	-	-	(1,023)	-	-	**(1,023)**	-	**(1,023)**
Net change in fair value of available-for-sale securities transferred to profit or loss, net of deferred tax of RUB 68	-	-	273	-	-	**273**	-	**273**
Transfer of revaluation reserve on disposal of buildings previously revalued, net of deferred tax of RUB 42	-	-	-	(168)	168	**-**	-	**-**
Revaluation of buildings, net of deferred tax of RUB 64	-	-	-	256	-	**256**	-	**256**
Total other comprehensive loss	**-**	**-**	**(750)**	**88**	**168**	**(494)**	**-**	**(494)**
Total comprehensive (loss) income	**-**	**-**	**(750)**	**88**	**1,193**	**531**	**(182)**	**349**
Effect of transactions with OJSC “TD Kopeika” and subsequent sale of its shares, net of deferred tax of RUB 89 (note 24)	-	(1,622)	-	-	-	**(1,622)**	-	**(1,622)**
Charitable contributions made on behalf of shareholder	-	(478)	-	-	-	**(478)**	-	**(478)**
Merger of OJSC AKB “Stroyvestbank” (note 24)	72	-	-	-	102	**174**	(174)	**-**
Change in non-controlling interests in subsidiaries	-	-	-	-	-	**-**	1,125	**1,125**
Dividends declared and partially paid	-	-	-	-	(2,640)	**(2,640)**	(25)	**(2,665)**
Balance as at December 31, 2010	**40,970**	**2,074**	**(474)**	**3,034**	**8,777**	**54,381**	**2,738**	**57,119**

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

Consolidated statement of changes in equity

For the year ended December 31, 2009

(Millions of Russian Rubles)

	Attributable to equity holders of the Parent							
	Share capital, net of treasury shares	**Additional paid-in capital**	**Revaluation reserve for available-for-sale securities**	**Revaluation surplus for buildings**	**Retained earnings**	**Total equity attributable to shareholders of the Parent**	**Non-controlling interests**	**Total equity**
Balance as at January 1, 2009 (restated)*	**34,808**	**5,926**	**(1,617)**	**3,706**	**8,906**	**51,729**	**858**	**52,587**
Total comprehensive income (restated)								
Profit for the year (restated)	-	-	-	-	1,648	**1,648**	80	**1,728**
Other comprehensive income (restated)								
Net change in fair value of available-for-sale securities, net of deferred tax of RUB 215 (restated)	-	-	861	-	-	**861**	-	**861**
Net change in fair value of available-for-sale securities transferred to profit or loss, net of deferred tax of RUB 258 (restated)	-	-	1,032	-	-	**1,032**	-	**1,032**
Transfer of revaluation reserve on disposal of buildings previously revalued, net of deferred tax of RUB 5 (restated)	-	-	-	(19)	19	**-**	-	**-**
Revaluation of buildings, net of deferred tax of RUB 185 (restated)	-	-	-	(741)	49	**(692)**	-	**(692)**
Total other comprehensive income (restated)	**-**	**-**	**1,893**	**(760)**	**68**	**1,201**	**-**	**1,201**
Total comprehensive income (restated)	**-**	**-**	**1,893**	**(760)**	**1,716**	**2,849**	**80**	**2,929**
Contribution of building and cash to share capital (restated)	6,090	(1,935)	-	-	-	**4,155**	-	**4,155**
Other contributions from shareholders, net of deferred tax of RUB 130 (restated)	-	519	-	-	-	**519**	-	**519**
Acquisition of subsidiary (restated)	-	-	-	-	-	**-**	1,182	**1,182**
Change in non-controlling interests in subsidiaries (restated)	-	-	-	-	-	**-**	(126)	**(126)**
Dividends paid (restated)	-	-	-	-	(500)	**(500)**	-	**(500)**
Other distributions to shareholders, net of deferred tax of RUB 84 (restated)	-	(336)	-	-	-	**(336)**	-	**(336)**
Balance as at December 31, 2009 (restated)	**40,898**	**4,174**	**276**	**2,946**	**10,122**	**58,416**	**1,994**	**60,410**

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

* Refer to Note 1 "Principal activities" (Combination of entities under common control)

Consolidated statement of cash flows

for the year ended December 31, 2010

(Millions of Russian Rubles)

	Notes	*2010*	*2009 (Restated)**
Cash flows from operating activities			
Interest received		36,978	48,888
Interest paid		(22,391)	(30,157)
Fees and commissions received		7,382	7,045
Fees and commissions paid		(2,636)	(2,302)
Net receipts from trading and designated at fair value through profit or loss securities		94	4,936
Net receipts from derivatives		360	493
Net receipts from dealing in foreign currencies		898	1,443
Net payments from dealing in precious metals		(32)	(395)
Dividends received		254	289
Other income received		1,895	1,770
Personnel expenses paid		(8,680)	(8,565)
Operating and administrative expenses paid		(6,883)	(7,423)
Cash flows from operating activities before changes in operating assets and liabilities		**7,239**	**16,022**
Net (increase) decrease in operating assets			
Amounts due from credit institutions and obligatory reserves with the CBR		(1,621)	(431)
Trading and designated at fair value through profit or loss securities		6,050	16,097
Available-for-sale securities		(103)	(22,713)
Loans to customers		6,145	52,831
Net investment in finance leases		6,613	9,884
Other assets		(4,789)	(4,085)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions, other than subordinated and syndicated loans		(6,032)	(73,435)
Amounts due to customers		7,972	29,368
Promissory notes and certificates of deposit issued		(4,256)	2,270
Other liabilities		(1,839)	(2,173)
Net cash flows from operating activities before income tax		**15,379**	**23,635**
Income tax (paid) reimbursed		(1,711)	519
Net cash from operating activities		**13,668**	**24,154**
Cash flows from investing activities			
Proceeds from repayment of securities held to maturity		2,016	2,990
Purchase of property and equipment		(776)	(1,088)
Proceeds from sale of property and equipment		59	641
Purchase of investment property		(2,327)	(9,693)
Proceeds from sale of investment property		2,679	258
Purchase of minority interests in subsidiaries		(57)	(126)
Proceeds from disposal of subsidiaries, less cash in disposed subsidiaries		6	-
Purchase of assets held for sale		-	(9,184)
Net cash flows from (used in) investing activities		**1,600**	**(16,202)**
Cash flows from financing activities			
Proceeds from syndicated loans		9,059	-
Syndicated loans repaid		(1,036)	(22,212)
Proceeds from issue of bonds		1,856	129
Proceeds from sale of bonds issued previously repurchased		2,444	-
Repurchase of bonds issued		(21)	(5,232)
Repayment of bonds issued		(255)	-
Contribution into share capital		-	1,400
Dividends paid to shareholders of the Bank		(2,638)	(500)
Charitable contributions made on behalf of shareholder		(236)	-
Net cash from (used in) financing activities		**9,173**	**(26,415)**
Effect of exchange rates changes on cash and cash equivalents		(1,011)	1,226
Net increase (decrease) in cash and cash equivalents		**23,430**	**(17,237)**
Cash and cash equivalents, beginning		60,574	77,811
Cash and cash equivalents, ending	5	**84,004**	**60,574**

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

* Refer to Note 1 "Principal activities" (Combination of entities under common control)

(Millions of Russian Rubles)

1. Principal activities

These consolidated financial statements include the financial statements of Open joint stock company "BANK URALSIB" (the "Parent", short name – OJSC "URALSIB") and its subsidiaries (together referred to as the "Bank").

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending and issuing guarantees, cash and settlement operations, operations with securities, asset management, investment banking and foreign exchange. The Bank's leasing subsidiary is engaged in provision of finance leases to companies in Russia.

The activities of the Bank are regulated by the Central Bank of the Russian Federation ("CBR"). The Bank has a general banking license and is a member of the state deposit insurance system in the Russian Federation.

Subsidiaries and branches

Open joint stock company "BANK URALSIB" was established in 1993 in the Russian Federation, where it currently has 45 branches from which it conducts business. The registered address of the head office is Moscow, 119048, Efremova Street, 8. The majority of the assets and liabilities are located in the Russian Federation. The average number of people employed during the year was 12,185 (2009: 11,231). The consolidated financial statements include the following main incorporated subsidiaries at December 31:

Subsidiary	*Control, %* 2010	*Control, %* 2009	*Country*	*Date of establishment*	*Industry*
LLC "UralSib Electronic Technologies"	100.00%	100.00%	Russia	March 4, 2003	Consulting
LLC "Ufa-City"	100.00%	100.00%	Russia	April 29, 2002	Construction
LLC "Amador"	100.00%	100.00%	Russia	April 4, 2009	Investments in land
CJSC "Krasnogorskstroykomplekt"	100.00%	100.00%	Russia	July 19, 2007	Investments in land
LLC "Sportventure Moskva"	49.99%	74.99%	Russia	July 19, 1993	Investments in land
OJSC AKB "Stroyvestbank" *	-	86.77%	Russia	January 24, 1992	Banking
OJSC "URALSIB-YUG BANK"	-	100.00%	Russia	October 10, 1990	Banking
LLC "Operating Factoring Company URALSIB-Factoring"	-	100.00%	Russia	February 27, 2002	Factoring
Members of Leasing Group Uralsib					
LLC "URALSIB Leasing Company"	87.61%	87.61%	Russia	October 9, 1990	Leasing
LLC "Region-Leasing-Ufa"	99.00%	99.00%	Russia	November 10, 2000	Leasing
LLC "Region-Leasing-Consult"	99.00%	99.00%	Russia	November 12, 2001	Leasing
Hambridge Investments Ltd	100.00%	100.00%	Cyprus	July 20, 2004	Leasing
LLC "Business Leasing" **	100.00%	100.00%	Russia	December 10, 2004	Leasing
NIKOIL Leasing Company LLC	-	100.00%	Azerbaijan	December 11, 2007	Leasing

LLC "URALSIB Leasing Company" was registered in 2000 in Russia. Its main office is in Moscow and it has 60 branches (2009: 60).

* In May 2010 Bank's subsidiary OJSC AKB "Stroyvestbank" ("Stroyvestbank") was merged into the Bank. Stroyvestbank had been consolidated by OJSC "URALSIB" since 2001. For additional information about the merger of Stroyvestank, see note 24.

** On March 18, 2010 LLC "URALSIB Leasing Company", a subsidiary of the Bank, acquired 100% of shares of LLC "Business Leasing" , a company operating in the financial services industry and holding a portfolio of leasing contracts which is under common control with LLC "URALSIB Leasing Company". Total assets, total liabilities and net assets of LLC "Business Leasing" at the date of acquisition comprised RUB 2,426, RUB 2,312 and RUB 114 respectively. The purchase price for 100% shares of LLC "Business Leasing" comprised RUB 10 thousand, which was paid in cash. For details refer to note 1 (Combination of entities under common control).

On June 9, 2010 LLC "Operating Factoring Company URALSIB-Factoring" ("URALSIB-Factoring") was sold to an unrelated party. Total assets, total liabilities and negative net assets of URALSIB-Factoring at the date of disposal comprised RUB 4, RUB 7 and RUB 3 respectively. The sale price for 100% of shares of URALSIB-Factoring comprised RUB 3, which was received in cash.

On July 17, 2010 NIKOIL Leasing Company LLC ("NLC") was sold to an unrelated party. Total assets, total liabilities and net assets of NLC at the date of disposal comprised RUB 232, RUB 195 and RUB 37 respectively. The sale price for the shares of NLC comprised RUB 4, which was received in cash.

(Millions of Russian Rubles)

During 2010, the Bank reduced its investment in LLC "Sportventure Moskva" ("SVM") from 74.99% as of December 31, 2009 to 49.99% as of December 31, 2010 by selling 25% of SVM to a related party at a price which approximates its fair value. At the time of the partial share sale, the Bank agreed with the buyer that the 25% of shares sold would be reacquired by the Bank in the first quarter of 2011. On March 11, 2011 the initial sale of the shares was cancelled. Given the firm commitment of both parties to reverse the transaction at the time of sale, and the fact that the Bank continued to control all activities of SVM as of December 31, 2010 and the general director of SVM is also an employee of the Bank, the Bank continued to consolidate SVM as of December 31, 2010.

The consolidated financial statements include also the following unincorporated subsidiaries at December 31:

	Control, %			*Date of*	
Subsidiary	*2010*	*2009*	*Country*	*establishment*	*Industry*
Closed Unit Investment Fund of stock "Strategic management"	100.00%	100.00%	Russia	November 1, 2007	Investment
Closed Unit Investment Fund of property "URALSIB - REGION"	100.00%	100.00%	Russia	November 1, 2007	Investment
Closed Unit Investment Fund of property "URALSIB - ARENDA"	100.00%	100.00%	Russia	November 1, 2007	Investment
Closed Unit Investment Fund of real estate "URALSIB real estate"	100.00%	100.00%	Russia	February 26, 2008	Investment
Closed Unit Investment Fund of real estate "URALSIB –Investment in real estate"	100.00%	100.00%	Russia	August 5, 2008	Investment
Closed Unit Investment Fund of real estate "Construction Investments"	98.01%	97.15%	Russia	October 13, 2004	Investment
Closed Unit Investment Fund of real estate "URALSIB –Land investments"	95.13%	92.30%	Russia	February 18, 2008	Investment
Closed Unit Investment Fund of real estate "URALSIB – Development of Regions"	100.00%	100.00%	Russia	December 9, 2008	Investment
Closed Unit Investment Fund of credit facilities "Corporate"	100.00%	100.00%	Russia	November 10, 2009	Investment
Closed Unit Investment Fund of stock "Strategic"	100.00%	100.00%	Russia	August 19, 2009	Investment
Closed Unit Investment Fund of stock "Active-City"	100.00%	100.00%	Russia	November 12, 2009	Investment
Closed Unit Investment Fund of credit facilities "Lending Technologies"	100.00%	-	Russia	March 2, 2010	Investment
Closed Unit Investment Fund of combined investments "URALSIB - Perspective"	100.00%	-	Russia	March 25, 2010	Investment

During 2010 the Bank acquired non-controlling stakes equal to 0.86% and 2.83% in Closed Unit Investment Funds of real estate "Construction Investments" and "URALSIB – Land investments" respectively.

During 2010 the Bank also acquired 100% of units in newly established Closed Unit Investment Fund of credit facilities "Lending Technologies" and Closed Unit Investment Fund of combined investments "URALSUB - Perspective" at their nominal amount.

The effects on the operations of the Bank from disposals and acquisitions during 2010 are not significant.

Combination of entities under common control

During 2009 OJSC "Financial Corporation URALSIB", being a common majority shareholder for both OJSC "URALSIB" and OJSC "URALSIB-YUG BANK" ("Yug Bank"), decided to merge the latter into the Bank, granted full control over Yug Bank to OJSC "URALSIB" and limited profit distribution by Yug Bank until the merger into OJSC "URALSIB", which occurred in May 2010. The consolidated statement of financial position as at December 31, 2009, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and their related comparatives have been restated as though Yug Bank has always been part of the Bank. For additional information about the merger of Yug Bank, see note 24.

(Millions of Russian Rubles)

On March 18, 2010 LLC "URALSIB Leasing Company", a subsidiary of the Bank, acquired 100% of shares of LLC "Business Leasing" which was under common control with the former. Thus the consolidated statement of financial position as at December 31, 2010, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and their related comparatives have been restated as though LLC "Business Leasing" has always been part of the Bank.

Shareholders

The Bank is owned primarily by members of the OJSC "Financial Corporation URALSIB" (the "Shareholder Group"). Related party transactions are detailed in note 33.

As of December 31, the following shareholders held the issued shares of Open Joint Stock Company "BANK URALSIB":

Shareholder	*2010* %	*2009* %
OJSC "Financial Corporation URALSIB"	44.78	46.15
CJSC "Active-holding"	30.54	26.21
CJSC "UralSib Business Centre"	17.82	19.67
OJSC "URALSIB – Wealth Management"	3.49	3.85
LLC "UralSib Electronic Technologies"	1.62	-
Deutsche Bank, London Branch	-	1.64
Morgan Stanley	-	1.64
Other	1.75	0.84
Total	**100.00**	**100.00**

The Bank is ultimately controlled by Mr. Nikolay A. Tsvetkov.

Russian business environment

The Russian Federation is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

2. Basis of preparation

Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value, and buildings are stated at revalued amounts.

Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Russian Ruble ("RUB") as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these consolidated financial statements. Financial information presented in RUB is rounded to the nearest million.

Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities, income and expense, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty in applying accounting policies is described in the following notes:

- Loan impairment estimates - note 12
- Investment property revaluation estimates – note 14
- Buildings revaluation estimates - note 15.

3. Summary of accounting policies

The following significant accounting policies are consistently applied in the preparation of the consolidated financial statements. Changes in accounting policies are described at the end of this note.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Acquisitions of entities under common control

Acquisitions of controlling interests in entities that are under the control of the same controlling shareholder of the Bank are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at their previous book values as recorded in the individual financial statements of the acquiree. The components of equity of the acquired entities are added to the same components within the Bank's equity except that any share capital of the acquired entities is recognised as part of additional paid-in capital. Any cash paid for the acquisition is debited to equity.

Acquisitions and disposals of non-controlling interests

Acquisitions and disposals of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Associates

Associates are those enterprises in which the Bank has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Bank's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Bank's share of losses exceeds the Bank's interest (including long-term loans) in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank has incurred obligations in respect of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Bank's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the net identifiable assets of the acquired subsidiary/associated at the date of acquisition. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

Non-controlling interests

Non-controlling interests is that part of profit or loss, other comprehensive income and net assets, of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Bank.

Non-controlling interests is presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Parent. Non-controlling interests in profit or loss and other comprehensive income are separately disclosed in the consolidated statement of comprehensive income.

Foreign currency transactions

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR, excluding obligatory reserves, nostro accounts and amounts due from credit institutions that mature within ninety days from the date of acquisition by the Bank and are free from contractual encumbrances.

FINANCIAL INSTRUMENTS

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,

- upon initial recognition, designated as at fair value through profit or loss.

The Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. Trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank:

- intends to sell immediately or in the near term

- upon initial recognition designates as at fair value through profit or loss

- upon initial recognition designates as available-for-sale or,

- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss

- the Bank designates as available-for-sale or,

- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Recognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method

- held-to-maturity investments that are measured at amortized cost using the effective interest method

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

Financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. Where a quoted market price is not available, fair value is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties and own credit risk.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss

- a gain or loss on an available-for-sale asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in profit or loss. Interest in relation to an available-for-sale asset is recognized as earned in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Bank purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt. The Bank writes off assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in repurchase agreements within amounts due to credit institutions or amounts due to customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as loans granted under reverse repurchase agreements within amounts due from credit institutions or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Offsetting

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

Leases

i. Finance - Bank as lessor

The Bank recognizes lease receivables at a value equal to the net investment in the lease, starting from the date of commencement of the lease term.

Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

When Bank takes possession of the collateral under terminated lease contracts, it measures the obtained physical assets at the lowest of net realizable value and amortized historical cost of inventory incurred at lease inception.

ii. Operating - Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating leases are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

iii. Operating - Bank as lessor

The Bank presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

PROPERTY AND EQUIPMENT

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Revaluation

Buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of buildings being revalued. A revaluation increase on a building is recognised as other comprehensive income directly in equity except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on a building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised directly in equity.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

	Years
Buildings	25-50
Railway wagons	20-30
Furniture and fixtures	3-10
Computers and office equipment	1-10
Motor vehicles	1-5

INTANGIBLE ASSETS

Intangible assets that are acquired by the Bank are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 3 to 10 years.

INVESTMENT PROPERTY

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change recognised in profit or loss. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Bank's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Assets held for sale may include entities otherwise recognized and accounted for as associate companies. The decision to classify such entities as held for sale is based on an intention to sell the shares of such investees to a potential investor and subsequently initiated actions to locate a buyer. This usually is supported by management's commitment to a sale plan and an active program to complete it. If the investment is classified as held for sale, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the equity method of accounting is not used.

IMPAIRMENT

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of amounts due from credit institutions, held-to-maturity securities, loans to customers, net investment in finance leases and other receivables ("loans and receivables"). The Bank reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgement to estimate the amount of any impairment loss.

Impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses in respect of these investments are recognized in profit or loss and can not be reversed.

Available-for-sale assets

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

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

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

CREDIT RELATED COMMITMENTS

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

TAXATION

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

INCOME AND EXPENSE RECOGNITION

Interest income and expense are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

CHARITABLE CONTRIBUTIONS MADE BY THE BANK

Charitable contributions made in the normal course of business by the Bank are usually approved by management within budgeted limits and are accounted for as expenses of the Bank. However, in limited number of cases when charitable contributions meet all the criteria listed below, they are accounted for directly within equity as distributions to the shareholder:

- the decision about charitable contribution is made personally by the Bank's ultimate beneficiary or by the Supervisory Board of the Bank (in the latter case, it must be initiated by the Bank's ultimate beneficiary), and

- the contribution to a particular recipient and/or cause was either not envisioned in the Bank's managerial annual budget, or the amount actually contributed to that recipient/cause was significantly higher than budgeted

INFLATION ACCOUNTING

The Russian Federation ceased to be hyperinflationary with effect from January 1, 2003 and, accordingly, no adjustments for hyperinflation are made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of the assets, liabilities and equity items as at December 31, 2002 became their carrying amounts as at January 1, 2003 for the purpose of subsequent accounting.

SEGMENT REPORTING

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

CHANGES IN ACCOUNTING POLICIES

With effect from 1 January 2010, the Group changed its accounting policies for business combinations.

From 1 January 2010 the Bank has applied IFRS 3 "Business Combinations" (2008) in accounting for business combinations. The change in accounting policy is applied prospectively and had no impact on profit for the period and earnings per share in the current period.

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

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Bank measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Bank elects on transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Bank's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Bank incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

- IFRS 9 "Financial Instruments" will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 "Financial Instruments: Recognition and Measurement". The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. The Bank recognizes that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Bank's financial statements. The impact of these changes will be analyzed during the course of the project as further phases of the standard are issued.

- Amendment to IAS 32 "Financial Instruments: Presentation – Classification of Rights Issues" clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount are classified as equity instruments even if the fixed amount is determined in foreign currency. A fixed amount can be determined in any currency provided that entity offers these instruments pro rata to all of the existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after 1 February 2010.

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" provides guidance on accounting for debt for equity swaps by the debtor. The interpretation clarifies that an entity's equity instruments qualify as "consideration paid" in accordance with paragraph 41 of IAS 39 "Financial Instruments: Recognition and Measurement". Additionally, the interpretation clarifies how to account for the initial measurement of own equity instruments issued to extinguish a financial liability and how to account for the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued. IFRIC 19 is applicable for annual periods beginning on or after 1 July 2010.
- Improvements to IFRSs 2010 resulting from the International Accounting Standards Board's third annual improvements project are to be dealt with on a standard-by-standard basis. The effective date of each amendment is included in the IFRSs affected.

4. Segment analysis

Management has ascertained and designated the operating segments of the Bank based on the reports regularly reviewed by the Management Board in making strategic decisions. All operating segments of the Bank derive their revenue - as various types of financial income - primarily from sources in the Russian Federation. Because of relatively similar business environment throughout the country, management emphasizes the "product line" analysis approach rather than geographical segmentation. All of the Bank's business activities and operating segments are reported within the reportable segments. The Management Board considers the business based on the following operating segments:

1 **Corporate banking**: commercial lending and deposit taking, settlements and cash operations, as well as trade finance and operations with precious metals.

2 **Retail banking**: full range of banking services to individuals, such as deposit taking and lending to individuals, money transfer and foreign exchange services and a range of banking card products.

3 **Leasing**: a separate division of the Bank solely responsible for its all leasing activities.

4 **Investment banking**: primary and secondary equity and debt capital markets activities, brokerage services and securities trading, including repo transactions and derivative operations.

5 **Private banking and asset management**: full range of banking services to high net worth individuals, including their savings management and financial consulting; trust management, services to corporate and private clients through fiduciary and collective investment schemes including open-end mutual funds which are distributed through the Bank's regional network.

6 **Treasury and asset-liability management ("ALM") unit**: treasury, which lends and borrows funds on money market, undertakes the Bank's funding through issue of debt securities and attraction of syndicated facilities and conducts foreign exchange operations. In addition, the segment maintains the liquidity position of the Bank through operations with marketable securities. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.

7 **Corporate investments and other operations**: corporate operations that are not conducted by and attributed to any business segment. This segment is responsible for transactions with related parties of the Bank and certain securities transctions. In the Bank's transfer pricing system, this segment is responsible for the Bank's capital.

8 **Shared services**: expenses incurred by the central administrative divisions of the Bank. This category also includes other Head Office expenditures and indirect overhead expenses such as the advertisement of the Bank's brand, which is common to all reportable segments. It also carries out service operations that are not related to the main business activity of the Bank, such as management of real estate.

The segment reporting is submitted to the Management Board on a regular basis as part of the management reporting. It is used to assess the efficiency of the segments and to assist in taking decisions on the allocation of resources. In accordance with internal methodology, equity is allocated to the Corporate investments and other operations segment.

Information about major customers

Substantially all revenues from external customers are from residents of the Russian Federation. Substantially all of non-current assets are located in the Russian Federation.

Losses from non-core activities

Among the major non-core activities in 2010 carried out by subsidiaries, and hence included in the consolidated income statement, the following resulted in material amounts of losses:

(Millions of Russian Rubles)

- **Leasing business**: deterioration of credit quality of finance lease contract portfolio and decrease in fair value of assets repossessed under cancelled lease contracts, resulted in losses from operations from LLC "URALSIB Leasing Company" of RUB 1,775 (2009 – profit of RUB 390);
- **Equity investments of Bank-controlled mutual funds:**
  - the sale of OJSC "TD Kopeika" shares resulted in loss on disposal of RUB 933 (2009 – nil)
  - decrease in fair value of CJSC "Insurance Group UralSib" resulted in loss recognised in the consolidated income statement of RUB 753 and an additional reduction in the revaluation reserve for available-for-sale securities of RUB 1,204, net of deferred tax (2009 – nil).

These losses are recognised in the consolidated income statement and the consolidated statement of comprehensive income for the year ended December 31, 2010 and are different from the amounts that are recognised in the management accounting.

A reconciliation of total segment profit before income tax expense as measured in the management accounting to the total IFRS profit before income tax expense as presented in these consolidated financial statements for the year ended December 31 is provided below.

	2010	*2009 (Restated)*
Profit before income tax expense per management accounting (unaudited)	**6,412**	**5,028**
Consolidation adjustments	(679)	638
Interest and commission accrued	(1,780)	(291)
Conversion to finance lease accounting	(1,772)	420
Revaluation of inventory	(1,732)	804
Fair value and other adjustments to securities and other investments	2,044	(1,286)
Fair value adjustment to derivative financial instruments	50	122
Personnel, administrative and operating expenses accrued	(753)	(821)
Rent expenses not recognized in management accounting	20	41
Adjustment of impairment allowance	(791)	(2,084)
Other adjustments	120	(115)
Profit before income tax expense per IFRS financials	**1,139**	**2,456**

A reconciliation of total segmental assets/liabilities as measured in the management accounting to the total IFRS assets/liabilities as presented in these consolidated financial statements as of December 31 is provided below.

	2010		*2009 (Restated)*	
	Assets	*Liabilities*	*Assets*	*Liabilities*
Total assets/liabilities per management accounting (unaudited)	**448,570**	**393,538**	**433,070**	**377,545**
Netting of accounts receivable and payable on securities operations in management accounting	(16,380)	(13,585)	(8,064)	(5,364)
Accrual of administrative and operating expenses	700	250	744	297
Consolidation adjustments	7,140	1,184	9,662	2,416
Elimination of intragroup balances	(18,333)	(18,333)	(15,214)	(15,214)
Conversion to finance lease accounting	(3,917)	(1,723)	(920)	(2,479)
Revaluation of inventory	(1,732)	-	804	-
Revaluation and other adjustments to property and equipments	1,625	17	1,153	24
Revaluation and other adjustments to accumulated depreciation on property and equipment	(460)	-	(348)	-
Adjustment of current and deferred tax assets and liabilities	(16)	(35)	(1,638)	(553)
Accrual of interest and commissions	(1,818)	(393)	(851)	(889)
Adjustments to impairment allowances	(2,044)	(403)	(3,551)	(90)
Fair value adjustment to derivative financial instruments	123	-	93	20
Fair value adjustment to securities and other investments	4,285	-	892	-
Fair value adjustment to assets held for sale	-	-	(336)	-
Accrual of employee compensation payable	-	303	-	(22)
Other adjustments	(1,379)	(1,575)	(232)	(837)
Total assets/liabilities per IFRS financials	**416,364**	**359,245**	**415,264**	**354,854**

(Millions of Russian Rubles)

Segment breakdown of assets and liabilities as of December 31, 2010 is set out below:

	Corporate banking	**Retail banking**	**Leasing**	**Investment banking**	**Private banking and asset management**	**Treasury and ALM unit**	**Corporate investments and other operations**	**Shared services**	**Inter-segmental transactions**	**Total**
Assets										
Cash and cash equivalents	2	306	1,633	-	9	37,491	2,181	-	(915)	**40,707**
Obligatory reserves with the Central Bank	-	-	-	-	-	3,097	-	-	-	**3,097**
Amounts due from credit institutions	-	-	701	-	-	45,044	427	-	(1)	**46,171**
Trading and designated at fair value through profit or loss securities	-	-	*1,645*	*18,141*	-	*3,802*	*13,200*	-	-	***36,788***
Available-for-sale securities	-	-	-	*1,435*	-	*18,228*	*120*	-	-	***19,783***
Held-to-maturity securities	-	-	-	*917*	-	-	*201*	-	-	***1,118***
Total securities	-	-	1,645	20,493	-	22,030	13,521	-	-	**57,689**
Loans to corporate entities (gross)	*145,201*	-	*1,355*	-	-	*3,008*	*15,844*	-	*(2,930)*	***162,478***
Less impairment allowance	*(14,222)*	-	*(337)*	-	-	-	*(743)*	-	-	***(15,302)***
Total loans to corporate entities (net)	130,979	-	1,018	-	-	3,008	15,101	-	(2,930)	**147,176**
Loans to individuals (gross)	-	*66,387*	-	-	*613*	-	-	-	-	***67,000***
Less impairment allowance	-	*(5,958)*	-	-	*(180)*	-	-	-	-	***(6,138)***
Total loans to individuals (net)	-	60,429	-	-	433	-	-	-	-	**60,862**
Total loans to customers (net)	130,979	60,429	1,018	-	433	3,008	15,101	-	(2,930)	**208,038**
Net investment in finance leases	-	-	15,908	-	-	-	-	-	-	**15,908**
Property and equipment	-	-	10	-	-	-	2,930	8,917	-	**11,857**
Other assets	11,117	1,060	9,777	1	95	9,107	34,579	-	(633)	**65,103**
Total assets	**142,098**	**61,795**	**30,692**	**20,494**	**537**	**119,777**	**68,739**	**8,917**	**(4,479)**	**448,570**
Liabilities										
Amounts due to credit institutions	-	5,351	-	-	1,577	31,102	13,619	-	(3)	**51,646**
Current accounts of corporate clients	*70,772*	-	-	-	*2,665*	*1,093*	*15,580*	-	*(913)*	***89,197***
Time deposits of corporate clients	*82,478*	-	-	-	-	*1,480*	*2,211*	-	-	***86,169***
Total amounts due to corporate clients	153,250	-	-	-	2,665	2,573	17,791	-	(913)	**175,366**
Current accounts of individuals	-	*31,004*	-	-	*1,083*	-	-	-	-	***32,087***
Time deposits of individuals	-	*79,576*	-	-	*6,346*	-	-	-	-	***85,922***
Total amounts due to individual clients	-	110,580	-	-	7,429	-	-	-	-	**118,009**
Total amounts due to customers	153,250	110,580	-	-	10,094	2,573	17,791	-	(913)	**293,375**
Promissory notes and certificates of deposit	3,171	327	-	-	-	3,841	214	-	-	**7,553**
Other borrowed funds	-	-	24,665	-	-	-	-	-	(3,563)	**21,102**
Other liabilities	1,847	168	2,018	3	10	15,077	314	425	-	**19,862**
Total liabilities	**158,268**	**116,426**	**26,683**	**3**	**11,681**	**52,593**	**31,938**	**425**	**(4,479)**	**393,538**

(Millions of Russian Rubles)

Segment breakdown of assets and liabilities as of December 31, 2009 (restated) is set out below:

	Corporate banking	Retail banking	Leasing	Investment banking	Private banking and asset management	Treasury and ALM unit	Corporate investments and other operations	Shared services	Inter-segmental transactions	Total
Assets										
Cash and cash equivalents	-	214	500	-	9	33,182	72	-	(552)	**33,425**
Obligatory reserves with the Central Bank	-	-	-	-	-	3,063	-	-	-	**3,063**
Amounts due from credit institutions	-	-	827	-	-	29,544	-	-	(763)	**29,608**
Trading and designated at fair value through profit or loss securities	-	-	*1,483*	*14,204*	-	*1,009*	*13,814*	-	-	***30,510***
Available-for-sale securities	-	-	-	*4,965*	-	*14,754*	*954*	-	-	***20,673***
Held-to-maturity securities	-	-	-	*1,696*	-	-	*1,371*	-	-	***3,067***
Total securities	-	-	1,483	20,865	-	15,763	16,139	-	-	**54,250**
Loans to corporate entities (gross)	*128,954*	-	*401*	*436*	-	*5,819*	*33,797*	-	*(5,819)*	***163,588***
Less impairment allowance	*(17,659)*	-	*(191)*	-	-	-	*(84)*	-	-	***(17,934)***
Total loans to corporate entities (net)	111,295	-	210	436	-	5,819	33,713	-	(5,819)	**145,654**
Loans to individuals (gross)	-	*73,777*	-	-	*1,598*	-	-	-	-	***75,375***
Less impairment allowance	-	*(6,590)*	-	-	*(173)*	-	-	-	-	***(6,763)***
Total loans to individuals (net)	-	67,187	-	-	1,425	-	-	-	-	**68,612**
Total loans to customers (net)	111,295	67,187	210	436	1,425	5,819	33,713	-	(5,819)	**214,266**
Net investment in finance leases	-	-	19,350	-	-	-	-	-	-	**19,350**
Property and equipment	-	-	14	-	-	-	3,051	8,977	-	**12,042**
Other assets	7,689	1,147	12,417	-	1	8,496	37,667	-	(351)	**67,066**
Total assets	**118,984**	**68,548**	**34,801**	**21,301**	**1,435**	**95,867**	**90,642**	**8,977**	**(7,485)**	**433,070**
Liabilities										
Amounts due to credit institutions	-	3,382	-	-	751	29,942	13,561	-	(129)	**47,507**
Current accounts of corporate clients	*53,843*	-	-	-	*667*	*469*	*5,966*	-	*(469)*	***60,476***
Time deposits of corporate clients	*114,255*	-	-	-	*1,395*	*717*	*5,174*	-	*(717)*	***120,824***
Total amounts due to corporate clients	168,098	-	-	-	2,062	1,186	11,140	-	(1,186)	**181,300**
Current accounts of individuals	-	*24,100*	-	-	*568*	-	-	-	-	***24,668***
Time deposits of individuals	-	*67,045*	-	-	*8,385*	-	-	-	-	***75,430***
Total amounts due to individual clients	-	91,145	-	-	8,953	-	-	-	-	**100,098**
Total amounts due to customers	168,098	91,145	-	-	11,015	1,186	11,140	-	(1,186)	**281,398**
Promissory notes and certificates of deposit	3,641	315	-	-	-	7,240	291	-	-	**11,487**
Other borrowed funds	-	-	28,357	436	-	-	-	-	(6,170)	**22,623**
Other liabilities	716	119	3,759	2	11	9,450	152	321	-	**14,530**
Total liabilities	**172,455**	**94,961**	**32,116**	**438**	**11,777**	**47,818**	**25,144**	**321**	**(7,485)**	**377,545**

(Millions of Russian Rubles)

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

	Corporate banking	Retail banking	Leasing	Investment banking	Private banking and asset management	Treasury and ALM unit	Corporate investments and other operations	Shared services	Intersegmental transactions	Total
Interest income										
Loans to customers	14,278	10,005	43	255	136	12	4,396	-	-	**29,125**
Net investment in finance leases	-	-	3,611	-	-	-	-	-	-	**3,611**
Amounts due from credit institutions	-	2	1	-	-	784	-	-	-	**787**
Transfer income	11,906	8,806	40	-	818	36,579	10,304	-	(68,453)	**-**
	26,184	**18,813**	**3,695**	**255**	**954**	**37,375**	**14,700**	**-**	**(68,453)**	**33,523**
Interest expense										
Amounts due to customers	(7,653)	(7,025)	-	-	(677)	(55)	(224)	-	-	**(15,634)**
Amounts due to credit institutions	-	(22)	-	-	-	(697)	(1,219)	-	-	**(1,938)**
Promissory notes and certificates of deposit issued	(144)	(9)	-	-	-	(487)	-	-	-	**(640)**
Other borrowed funds	-	-	(2,414)	-	-	(18)	(13)	-	-	**(2,445)**
Transfer expense	(13,566)	(7,539)	(1,160)	(1,082)	(121)	(35,585)	(8,394)	(1,006)	68,453	**-**
	(21,363)	**(14,595)**	**(3,574)**	**(1,082)**	**(798)**	**(36,842)**	**(9,850)**	**(1,006)**	**68,453**	**(20,657)**
Net interest income (expense)	**4,821**	**4,218**	**121**	**(827)**	**156**	**533**	**4,850**	**(1,006)**	**-**	**12,866**
Impairment of interest earning assets	2,826	629	1,027	-	(7)	3	(659)	-	-	**3,819**
Net interest income (expense) after impairment of interest earning assets	**7,647**	**4,847**	**1,148**	**(827)**	**149**	**536**	**4,191**	**(1,006)**	**-**	**16,685**
Fee and commission income	4,116	4,049	-	107	27	97	36	-	(2)	**8,430**
Fee and commission expense	(193)	(1,573)	(114)	(20)	(18)	(106)	(320)	-	2	**(2,342)**
Intersegment fee income	286	-	189	-	70	124	125	-	(794)	**-**
Intersegment fee expense	(170)	(9)	(18)	-	(2)	(578)	(17)	-	794	**-**
Net fee and commission income (expense)	**4,039**	**2,467**	**57**	**87**	**77**	**(463)**	**(176)**	**-**	**-**	**6,088**
Net gains from securities	-	-	185	2,075	-	536	644	-	-	**3,440**
Net gains (losses) from foreign currency	275	301	(99)	-	-	156	-	-	-	**633**
Net gains from operations with precious metals	118	1	-	-	-	1	-	-	-	**120**
Other income (expense)	(1,323)	(1,457)	(226)	(15)	1	(20)	(1,351)	1,713	(1,236)	**(3,914)**
	(930)	**(1,155)**	**(140)**	**2,060**	**1**	**673**	**(707)**	**1,713**	**(1,236)**	**279**
Personnel expenses	(973)	(819)	(478)	(55)	(161)	(126)	(67)	(6,567)	-	**(9,246)**
Administrative and operating expenses	(215)	(1,016)	(157)	(12)	(89)	(38)	(94)	(5,606)	1,236	**(5,991)**
Depreciation and amortisation	(59)	(71)	(8)	(1)	(6)	(4)	(2)	(678)	-	**(829)**
Impairment of other assets	(327)	25	-	-	-	98	(370)	-	-	**(574)**
	(1,574)	**(1,881)**	**(643)**	**(68)**	**(256)**	**(70)**	**(533)**	**(12,851)**	**1,236**	**(16,640)**
Profit (loss) before income tax expense	**9,182**	**4,278**	**422**	**1,252**	**(29)**	**676**	**2,775**	**(12,144)**	**-**	**6,412**
Income tax expense	-	-	-	-	-	-	-	(1,846)	-	**(1,846)**
Profit (loss) for the year	**9,182**	**4,278**	**422**	**1,252**	**(29)**	**676**	**2,775**	**(13,990)**	**-**	**4,566**
External revenue	**18,394**	**14,056**	**3,840**	**2,437**	**163**	**1,429**	**5,076**	**-**	**(2)**	**45,393**

(Millions of Russian Rubles)

Segment information for the main reportable segments for the year ended December 31, 2009 (restated) is set out below:

	Corporate banking	Retail banking	Leasing	Investment banking	Private banking and asset management	Treasury and ALM unit	Corporate investments and other operations	Shared services	Intersegmental transactions	Total
Interest income										
Loans to customers	20,355	11,289	71	143	231	-	5,597	-	-	**37,686**
Net investments in finance leases	-	-	4,808	-	-	-	-	-	-	**4,808**
Amounts due from credit institutions	-	2	15	-	-	1,260	-	-	(6)	**1,271**
Transfer income	18,155	9,204	97	-	1,181	57,595	5,589	-	(91,821)	**-**
	38,510	**20,495**	**4,991**	**143**	**1,412**	**58,855**	**11,186**	**-**	**(91,827)**	**43,765**
Interest expense										
Amounts due to customers	(11,151)	(5,896)	-	-	(892)	(721)	(520)	-	-	**(19,180)**
Amounts due to credit institutions	(30)	(29)	-	-	-	(6,087)	(1,312)	-	6	**(7,452)**
Promissory notes and certificates of deposit issued	(178)	(6)	-	-	-	(453)	(51)	-	-	**(688)**
Other borrowed funds	-	-	(2,758)	-	-	(10)	-	-	-	**(2,768)**
Transfer expense	(19,439)	(9,890)	(1,018)	(1,803)	(263)	(49,215)	(8,524)	(1,669)	91,821	**-**
	(30,798)	**(15,821)**	**(3,776)**	**(1,803)**	**(1,155)**	**(56,486)**	**(10,407)**	**(1,669)**	**91,827**	**(30,088)**
Net interest income (expense)	**7,712**	**4,674**	**1,215**	**(1,660)**	**257**	**2,369**	**779**	**(1,669)**	**-**	**13,677**
Impairment of interest earning assets	(6,674)	(2,125)	(777)	-	(108)	2	335	-	-	**(9,347)**
Net interest income (expense) after impairment of interest earning assets	**1,038**	**2,549**	**438**	**(1,660)**	**149**	**2,371**	**1,114**	**(1,669)**	**-**	**4,330**
Fee and commission income	4,436	3,763	-	314	16	266	28	-	(3)	**8,820**
Fee and commission expense	(186)	(1,320)	(228)	(3)	(13)	(239)	(249)	-	3	**(2,235)**
Intersegment fee income	340	-	181	-	129	343	92	-	(1,085)	**-**
Intersegment fee expense	(328)	(13)	(31)	-	(7)	(706)	-	-	1,085	**-**
Net fee and commission income (expense)	**4,262**	**2,430**	**(78)**	**311**	**125**	**(336)**	**(129)**	**-**	**-**	**6,585**
Net gains from securities	-	-	67	3,199	36	1,007	5,179	-	-	**9,488**
Net gains (losses) from foreign currency	339	693	(286)	-	1	370	(85)	-	-	**1,032**
Net (losses) gains from operations with precious metals	(55)	3	-	-	-	1	-	-	-	**(51)**
Other (expense) income	(1,646)	(887)	723	(7)	(3)	14	1,054	1,895	(1,788)	**(645)**
	(1,362)	**(191)**	**504**	**3,192**	**34**	**1,392**	**6,148**	**1,895**	**(1,788)**	**9,824**
Personnel expenses	(1,252)	(1,122)	(402)	(26)	(180)	(134)	(55)	(5,760)	-	**(8,931)**
Administrative and operating expenses	(326)	(975)	(133)	(13)	(105)	(54)	(22)	(5,902)	1,788	**(5,742)**
Depreciation and amortisation	(124)	(182)	(5)	(1)	(9)	(6)	(2)	(709)	-	**(1,038)**
Impairment of other assets	403	(28)	-	-	-	(270)	(105)	-	-	**-**
	(1,299)	**(2,307)**	**(540)**	**(40)**	**(294)**	**(464)**	**(184)**	**(12,371)**	**1,788**	**(15,711)**
Profit (loss) before income tax expense	**2,639**	**2,481**	**324**	**1,803**	**14**	**2,963**	**6,949**	**(12,145)**	**-**	**5,028**
Income tax expense	-	-	-	-	-	-	-	(2,326)	-	**(2,326)**
Profit (loss) for the year	**2,639**	**2,481**	**324**	**1,803**	**14**	**2,963**	**6,949**	**(14,471)**	**-**	**2,702**
External revenue	**24,791**	**15,054**	**4,961**	**3,656**	**283**	**2,533**	**10,804**	**-**	**(9)**	**62,073**

(Millions of Russian Rubles)

5. Cash and cash equivalents

Cash and cash equivalents as of December 31 comprise:

	2010	*2009 (Restated)*
Cash on hand	18,401	16,459
Current accounts with the CBR	15,412	13,074
Time deposits with credit institutions up to 90 days		
-OECD banks	13,597	15,037
-Other Russian banks	6,382	8,429
-Largest 30 Russian banks	3,256	1,972
-Other foreign banks	271	629
Current accounts with other credit institutions		
-OECD banks	1,901	2,585
-Largest 30 Russian banks	1,093	306
-Other Russian banks	377	381
-Other foreign banks	10	6
Accounts with stock exchanges	5,302	1,247
Time deposits with the CBR	18,002	15
Reverse repurchase agreements with credit institutions up to 90 days		
-Largest 30 Russian banks	-	434
Cash and cash equivalents	**84,004**	**60,574**

6. Amounts due from credit institutions

Amounts due from credit institutions as of December 31 comprise:

	2010	*2009 (Restated)*
Time deposits for more than 90 days or past due		
-Other Russian banks	2,809	1,171
-OECD banks	1,204	1,524
-Largest 30 Russian banks	919	-
-Other foreign banks	560	1,395
	5,492	**4,090**
Less allowance for impairment	(50)	(47)
Amounts due from credit institutions	**5,442**	**4,043**

As of December 31, 2010, the gross amount of past due amounts due from credit institutions is RUB 50 (2009 – RUB 47).

The movements in allowance for impairment of amounts due from credit institutions for the year ended December 31 are as follows:

	2010	*2009 (Restated)*
January 1	**47**	**146**
Charge (recovery)	3	(99)
December 31	**50**	**47**

(Millions of Russian Rubles)

7. Trading and designated at fair value through profit or loss securities

Trading and designated at fair value through profit or loss securities as of December 31 comprise:

	2010	*2009 (Restated)*
Trading securities unpledged		
- Government and municipal bonds		
Russian State bonds (OFZ)	-	577
- Corporate bonds and promissory notes		
Corporate Ruble bonds	4	378
Rated from BB- to BB+	*-*	*37*
Not rated	*4*	*341*
Corporate Promissory notes	3,802	784
Rated from BBB- to BBB+	*1,789*	*-*
Rated from BB- to BB+	*683*	*-*
Rated below B+	*1,330*	*784*
Corporate Eurobonds	-	263
Rated from BBB- to BBB+	*-*	*263*
- Equity investments		
OJSC "TD Kopeika" ordinary shares	-	9,392
Designated at fair value through profit or loss securities		
- Equity investments		
OTK shares and related forward contract on their sale	1,371	-
Total trading and designated at fair value through profit or loss securities	**5,177**	**11,394**

During 2010, the Bank’s subsidiary LLC “URALSIB Leasing Company” undertook a series of business transactions aimed at restructuring of its lease contracts. As a result, LLC “Uralsib Leasing Company” obtained ownership of a 50% share in LLC “Ob’edinennaya transportnaya kompaniya” (“OTK”). As part of these transactions LLC “Uralsib Leasing Company” also acquired a forward agreement to sell this share to the other 50% shareholder of OTK (the manufacturer of railroad wagons). Under terms of the forward contract the Bank must sell its stake in OTK at the demand of the other party but not later than 15 August 2015 at fair value, but no less than USD 45.5 million. The purpose of the transaction as a whole was to stimulate the accelerated supply of railroad cars and improve the cash flow management in the Bank’s leasing business. OTK subleases railroad wagons initially leased from LLC “URALSIB Leasing Company” to final users.

The Bank’s leasing subsidiary owns 50% in OTK but does not have significant influence over OTK because of the abovementioned currently exercisable forward agreement. The fair value of the stake in OTK and the forward agreement amount to RUB 1,371 as at 29 October 2010, and was determined using valuation techniques. The gain from recognition of these two financial instruments totalling RUB 1,371 was accounted for in the line item “Net gains from trading and designated at fair value through profit or loss securities” in the consolidated income statement.

In August 2010, a closed unit investment fund controlled by the Bank acquired additional shares of OJSC “TD Kopeika” (“TDK”) at their initial placement, which was below their fair value. Prior to that purchase of shares by the Bank’s investment fund, TDK was already controlled by the ultimate beneficiary of the Bank. The difference between the fair value at the date of acquisition and the placement price of RUB 76, net of deferred tax, was recognized directly in equity as additional paid-in capital. After this transaction, the share of the Bank in TDK increased to 28.5%. Despite the fact that the Bank controlled more than 20% of TDK shares, the Bank recorded this investment at fair value through profit or loss because the closed unit investment fund that acquired the shares meets the definition of a venture capital organisation. Under IFRS, venture capital organisations are allowed to classify investments as held for trading with changes in fair value recognised in profit or loss. In December 2010 the Bank sold all equity investments in TDK to a related party, which owned the remaining 72.5% in TDK, at a price below their fair value. The block of 100% of the TDK ordinary shares was subsequently sold to an unrelated third party.

The excess of the carrying value of equity investments in TDK over their fair value at the date of disposal to an unrelated party of RUB 933 was accounted as loss on sale in profit or loss. The fair value of equity investments in TDK shares owned by the Bank at the date of their disposal was determined based on the sale price of 100% of TDK shares to an unrelated buyer. The excess of fair value at the date of disposal over sale price at which shares were sold to the related party of RUB 431, net of deferred tax, was recognised directly in equity as a distribution of additional paid-in capital.

(Millions of Russian Rubles)

8. Available-for-sale securities

Available-for-sale securities as of December 31 comprise:

	2010	*2009 (Restated)*
Corporate Ruble bonds	9,771	9,710
Rated from BBB- to BBB+	*1,076*	*1,917*
Rated from BB- to BB+	*3,225*	*276*
Rated below B+	*3,761*	*3,341*
Not rated	*1,709*	*4,176*
Corporate shares	18,809	8,841
Government bonds of foreign countries	301	3,735
Rated AAA	-	*3,735*
Rated below B+	*301*	-
Russian State bonds (OFZ)	1,075	3,651
Corporate Eurobonds	7,986	3,345
Rated from BBB- to BBB+	*5,525*	*2,229*
Rated from BB- to BB+	*1,705*	*517*
Rated below B+	*709*	*411*
Not rated	*47*	*188*
Units in closed unit investment funds	1,532	1,252
Municipal and government bonds	1,455	1,922
Share participation in limited liability companies and other equity investments	312	406
US Treasury bills	-	1,913
	41,241	**34,775**
Less allowance for impairment	(1,589)	(957)
Available-for-sale securities	**39,652**	**33,818**

The gross amount of impaired available-for-sale securities as of December 31, 2010 is equal to RUB 2,163, for which a RUB 1,589 impairment allowance is created (2009 - RUB 1,130 and RUB 957, respectively).

The 40% investment in CJSC "Insurance Group UralSib" accounted at fair value of RUB 6,506 is included in corporate shares. For details refer to note 11.

The movements in allowance for impairment of available-for-sale securities for the year ended December 31 are as follows:

	2010	*2009 (Restated)*
January 1	**957**	**710**
Charge	632	247
December 31	**1,589**	**957**

In 2008, the Bank reclassified certain trading securities with effect from July 1, 2008 into available-for-sale securities following amendments to IAS 39 "Financial instruments: Recognition and Measurement". The Bank identified securities eligible under the amendments, for which it had changed its intent such that it no longer held these securities for the purpose of selling in the short term. For those trading securities identified for reclassification, the Bank determined that the deterioration of the global and Russian financial markets leading up to July 1, 2008 constituted rare circumstances that permit reclassification out of the trading category.

The disclosures below detail the impact of the reclassifications on the consolidated financial statements:

	December 31, 2010		**December 31, 2009 (Restated)**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Trading and designated at fair value through profit or loss securities reclassified to available-for-sale securities	**45**	**45**	**1,401**	**1,401**

Included in the table above are amounts related to financial instruments held by the Bank as at December 31, 2010 or December 31, 2009.

(Millions of Russian Rubles)

	Year ended December 31, 2010		Year ended December 31, 2009 (Restated)	
	Recognised for reclassified assets	**Would have been recognized if the reclassifications were not made**	**Recognised for reclassified assets**	**Would have been recognized if the reclassifications were not made**
Interest income	43	43	360	360
Net gains (losses) from trading and designated at fair value through profit or loss securities	-	44	-	(586)
Net realized losses from available-for-sale securities	(9)	-	(607)	-
Impairment of interest earning assets	28	-	(214)	-
Total amount recognized in the consolidated income statement, before tax	**62**	**87**	**(461)**	**(226)**
Net change in fair value of available-for-sale securities	16	-	235	-
Net change in fair value of available-for-sale securities transferred to profit or loss	9	-	510	-
Total amount recognized in the consolidated statement of comprehensive income, before tax	**87**	**87**	**284**	**(226)**

9. Held-to-maturity securities

Held-to-maturity securities as of December 31 comprise:

	2010	*2009 (Restated)*
Corporate bonds	1,113	2,227
Corporate Eurobonds	-	918
Held-to-maturity securities	**1,113**	**3,145**

In 2008, the Bank reclassified certain trading securities with effect from July 1, 2008 into held-to-maturity securities following amendments to IAS 39 "Financial instruments: Recognition and Measurement". The Bank identified securities eligible under the amendments, for which it had changed its intent such that it no longer held these securities for the purpose of selling in the short term. For those trading securities identified for reclassification, the Bank determined that the deterioration of the global and Russian financial markets leading up to July 1, 2008 constituted rare circumstances that permit reclassification out of the trading category.

The disclosures below detail the impact of the reclassifications on the consolidated financial statements:

	December 31, 2010		December 31, 2009 (Restated)	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Trading and designated at fair value through profit or loss securities reclassified to held-to-maturity securities	**418**	**430**	**679**	**629**

Included in the table above are amounts related to financial instruments held by the Bank as at December 31, 2010 or December 31, 2009

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(Millions of Russian Rubles)

	Year ended December 31, 2010		Year ended December 31, 2009 (Restated)	
	Recognised for reclassified assets	**Would have been recognized if the reclassifications were not made**	**Recognised for reclassified assets**	**Would have been recognized if the reclassifications were not made**
Interest income	36	33	137	127
Net losses (gains) from trading and designated at fair value through profit or loss securities	-	(42)	-	310
Total amount recognized in the consolidated income statement, before tax	**36**	**(9)**	**137**	**437**

10. Derivative financial instruments

The Bank enters into derivative financial instruments for trading purposes. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are not indicative of the credit risk.

The outstanding deals with derivative financial instruments as of December 31 are as follows:

	2010			*2009 (Restated)*		
	Notional principal	*Fair values*		*Notional principal*	*Fair values*	
		Asset	*Liability*		*Asset*	*Liability*
Precious metals contracts						
Forwards and Swaps – foreign counterparties	768	107	-	1,920	93	20
Forwards and Swaps – domestic counterparties	-	-	-	107	-	-
Foreign exchange contracts						
Forwards and Swaps – domestic counterparties	372	2	-	-	-	-
Forwards and Swaps – foreign counterparties	1,215	14	-	-	-	-
Total derivative	**2,355**	**123**	**-**	**2,027**	**93**	**20**

11. Assets held for sale

During 2010, the Bank continued its effort to sell 40% investment in CJSC "Insurance Group UralSib" ("IG"), which was accounted for as "Assets held for sale" as of December 31, 2009. In May 2010, the Bank entered into a forward agreement to sell 27.5% of IG to a related party at fair value (subsequently, after December 31, 2010 this percentage was increased to 40%). Under the terms of the forward contract the Bank must sell its investment in IG at its fair value, at the demand of the abovementioned related party, but not later than December 31, 2011. At the signing of this forward contract the Bank lost its significant influence over IG because of existence of the currently exercisable right of the other party to demand from the Bank the purchase of 27.5% of IG. Due to the loss of significant influence over IG, the Bank reclassified its investment into IG from "Assets held for sale" into "Available-for-sale securities".

The fair value of the 40% investment in IG declined from RUB 8,764 as of December 31, 2009 to RUB 6,506 as of December 31, 2010. Part of this decrease, RUB 753, occurred when this investment was accounted as asset held for sale and thus is recognised in profit or loss. The remaining gross amount of RUB 1,505, net of deferred tax of RUB 301, related to the period when the investment was accounted for as "Available-for-sale securities" is recognised in equity as "Revaluation reserve for available-for-sale securities".

(Millions of Russian Rubles)

12. Loans to customers

Loans to customers as of December 31 comprise:

	2010	*2009 (Restated)*	*2008 (Restated)*
Loans to corporate entities, gross	159,721	164,388	202,674
Less allowance for loan impairment	(15,475)	(18,381)	(12,290)
Loans to corporate entities, net	144,246	146,007	190,384
Loans to individuals, gross	68,696	77,147	91,379
Less allowance for loan impairment	(6,154)	(6,781)	(4,545)
Loans to individuals, net	62,542	70,366	86,834
Total loans to customers	**206,788**	**216,373**	**277,218**

Loans to customers by class as of December 31 are presented below:

	2010	*2009 (Restated)*	*2008 (Restated)*
Loans to corporate entities	159,721	164,388	202,674
Loans to individuals:			
Residential mortgages	34,182	40,202	44,273
Consumer lending	12,715	16,328	22,721
Auto loans	11,557	12,553	18,135
Credit cards	2,570	2,219	1,987
Other loans to individuals	7,672	5,845	4,263
Gross loans to customers	**228,417**	**241,535**	**294,053**
Less allowance for loan impairment	(21,629)	(25,162)	(16,835)
Loans to customers	**206,788**	**216,373**	**277,218**

A reconciliation of the allowance for impairment of loans to customers by class for the year ended December 31 is as follows:

	Corporate lending	*Residential mortgages*	*Consumer lending*	*Auto loans*	*Credit cards*	*Other*	*Total*
At January 1, 2010	**18,381**	**1,753**	**3,273**	**1,060**	**284**	**411**	**25,162**
Charge (recovery)	(1,272)	270	(186)	65	18	362	**(743)**
Amounts written off	(1,634)	-	(797)	(226)	(73)	(60)	**(2,790)**
At December 31, 2010	**15,475**	**2,023**	**2,290**	**899**	**229**	**713**	**21,629**

	Corporate lending	*Residential mortgages*	*Consumer lending*	*Auto loans*	*Credit cards*	*Other*	*Total*
At January 1, 2009 (Restated)	**12,290**	**544**	**3,055**	**623**	**285**	**38**	**16,835**
Charge (recovery)	8,270	1,209	805	437	(1)	373	**11,093**
Amounts written off	(2,179)	-	(587)	-	-	-	**(2,766)**
At December 31, 2009 (Restated)	**18,381**	**1,753**	**3,273**	**1,060**	**284**	**411**	**25,162**

Key assumptions and judgements for estimating the loan impairment

The Bank estimates loan impairment for impaired loans to corporate entities based on an analysis of the future cash flows. In determining the impairment allowance management assumes a delay of from 12 to 24 months in obtaining proceeds from the foreclosure of collateral and discounts the estimated fair value of collateral based on the type of asset.

(Millions of Russian Rubles)

The Bank estimates loan impairment for loans to corporate entities for which no evidence of impairment has been identified based on its internal model which takes into account historical loss experience on probability of default and loss given default.

In determining the impairment allowance management makes the following key assumptions:

- loss given default rate equals to 51.5%
- probability of default varies from 0.01% to 15.08%.

The Bank estimates loan impairment for loans to small and medium enterprises ("SME") based on its internal model which takes into account historical loss experience on probability of default and loss given default.

In determining the impairment allowance for loans to SME, management makes the following key assumptions:

- loss given default rate varies from 78.4% to 94.8% depending on the risk profile of a portfolio
- probability of default varies from 0.42% to 100%.

Loans to SME are included in the loans to corporate entities in the tables above.

Changes in these estimates could effect the loan impairment allowance on loans to corporate entities. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the level of impairment as of December 31, 2010 would be RUB 1,443 (2009 - RUB 1,460) lower/higher.

The Bank estimates loan impairment for loans to individuals based on its internal model which takes into account historical loss experience on probability of default and loss given default. Management does not take into account value of collateral when estimating loan impairment allowance.

In determining the impairment allowance for loans to retail customers, management makes the following key assumptions:

- loss given default rate varies from 45.5% to 96.8% depending on the risk profile of a portfolio
- probability of default varies from 0.15% to 100%.

Changes in these estimates could affect the loan impairment allowance on loans to individuals. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loan impairment on loans to individuals as of December 31, 2010 would be RUB 625 (2009 - RUB 704) lower/higher.

Concentration of loans to customers

As of December 31, 2010, the Bank has a concentration of loans totalling RUB 23,756 due from the ten largest third party borrowers (10% of gross loan portfolio) (2009 – RUB 21,376 or 9%). An allowance for impairment of RUB 725 (2009 – RUB 1,324) is recognised against these loans.

As of December 31, 2010, the Bank participates in a syndicated loan of RUB 6,655 organized by an international bank for a related party of the Bank (entity under common control). The loan provided by the Bank is denominated in RUB and carries interest of 15% per annum and matures in February 2011. The funds are used by the related party to finance its business activity. Note 33 discloses the full amount of loans to related parties.

Loans to customers as of December 31 comprise:

	2010	*2009 (Restated)*	*2008 (Restated)*
Loans to customers	222,756	240,431	287,547
Overdrafts	5,015	162	988
Loans granted under reverse repurchase agreements	611	905	5,429
Factoring	28	30	48
Promissory notes	7	7	41
	228,417	**241,535**	**294,053**
Less allowance for loan impairment	(21,629)	(25,162)	(16,835)
Loans to customers	**206,788**	**216,373**	**277,218**

Reverse repurchase agreements

At December 31, 2010, loans granted under reverse repurchase agreements include RUB 611 (2009 – RUB 905) placed with related parties. The fair value of corporate shares pledged under these reverse repurchase agreements is equal to RUB 706 (2009 – RUB 1,059).

(Millions of Russian Rubles)

Loans are made principally within Russia as of December 31 in the following industry sectors:

	2010	*2009 (Restated)*
Individuals	68,696	77,147
Trading enterprises	59,389	45,053
Real estate construction	19,634	21,062
Manufacturing	14,155	10,831
Food processing	12,346	11,865
Financial services, other than credit institutions	11,969	38,177
Machine-building	6,451	5,591
Oil and gas	5,791	3,261
Metallurgy	5,413	4,570
Gold mining	5,362	5,922
Agriculture	3,261	2,364
Energy	2,855	3,201
Chemical	2,103	2,105
Leasing	1,229	368
Transport	1,209	1,697
Metal mining and refinery	892	1,372
Light industry	663	562
Services	479	1,075
Telecommunication	439	6
Government and municipal bodies	257	399
Forestry	223	393
Other	5,601	4,514
	228,417	**241,535**

13. Net investments in finance leases

Net investments in finance leases as of December 31 comprise:

	2010	*2009 (Restated)*	*2008 (Restated)*
Gross investments in finance leases	19,462	32,777	48,343
Less unearned finance lease income	(4,865)	(8,541)	(13,772)
	14,597	**24,236**	**34,571**
Less allowance for impairment	(1,731)	(3,274)	(2,200)
Net investments in finance leases	**12,866**	**20,962**	**32,371**

Net investments in finance leases generally comprise lease contracts on various types of equipment and vehicles.

There is no residual value related to lease contracts existing as of December 31, 2010 and 2009. Future minimum lease payments to be received following December 31 are disclosed below:

	2010	*2009 (Restated)*
Within 1 year	5,586	14,964
From 1 to 5 years	10,976	15,437
More than 5 years	2,900	2,376
Minimum lease payments receivable	**19,462**	**32,777**

Gross investment in leases as of December 31 is payable in the following currencies:

	2010	*2009 (Restated)*
RUB	7,754	10,933
USD	8,344	14,911
EUR	3,364	6,933
Gross investments in finance leases	**19,462**	**32,777**

(Millions of Russian Rubles)

The movements in allowance for impairment of investments in finance leases for the year ended December 31 are as follows:

	2010	*2009 (Restated)*
January 1	**3,274**	**2,200**
(Recovery) charge	(53)	1,885
Amounts written off	(1,490)	(811)
December 31	**1,731**	**3,274**

14. Investment property

Investment property mainly comprises office buildings, retail trade premises, completed residential apartments, residential buildings under construction and plots of land, all of which are owned by the closed unit investment funds consolidated by the Bank. The majority of the investment property is located in Moscow and Moscow region, while the rest of it is situated throughout other regions of the Russian Federation.

The Bank rents out trade premises to third parties under operating lease arrangements. During 2010, the Bank received RUB 408 of rental income from this investment property (2009: RUB 327).

Investment property was independently valued at December 31, 2010. The valuation was carried out by the independent firms of appraisers who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category.

The appraisals were performed using the income capitalisation and market approaches. The income capitalisation approach considers income and expense data relating to the property being valued and estimates fair value through a capitalisation process. The market approach is based upon an analysis of the results of comparable sales and/or offers of similar premises. The final fair value is calculated based on integrated analysis of both approaches or based on income capitalisation approach only when there is a lack of statistics on comparable sales.

The following key assumptions are used in applying the income capitalisation approach:

- net income for the base year is calculated using information on actual rental rates, possible vacancy losses, operating and maintenance expenses
- vacancy losses as a percentage of potential gross rent income are estimated in range from 2% to 15%
- capitalisation rates of 10% to 14% are applied to capitalise net income for the base year
- premises maintenance and general administrative expenses are estimated to range from 10% to 15% of effective gross rent income.

The values assigned to the key assumptions represent management's assessment of future business trends and are based on both external sources and internal sources of information.

Changes in the estimates above could affect the estimate of fair value of the investment property. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the estimate of fair value of the investment property as of December 31, 2010 would be RUB 624 higher/lower (2009– RUB 578 higher/lower).

The movements in the investment property for the year ended December 31, 2010 are as follows:

	Residential and commercial property	**Plots of land**	**Total**
January 1, 2010	**11,504**	**7,751**	**19,255**
Acquisitions	2,365	65	**2,430**
Property obtained by taking control over collateral for loans to customers	2,185	-	**2,185**
Property obtained by cancellation of lease contracts	96	-	**96**
Revaluation	308	158	**466**
Disposals	(3,632)	(6)	**(3,638)**
December 31, 2010	**12,826**	**7,968**	**20,794**

(Millions of Russian Rubles)

The movements in the investment property for the year ended December 31, 2009 were as follows:

	Residential and commercial property	Plots of land	Total
January 1, 2009 (Restated)	**6,333**	**1**	**6,334**
Acquisitions	4,868	7,543	**12,411**
Property obtained by cancellation of finance lease contracts	1,006	-	**1,006**
Property obtained by taking control over collateral for loans to customers	258	-	**258**
Revaluation	903	207	**1,110**
Disposals	(1,864)	-	**(1,864)**
December 31, 2009 (Restated)	**11,504**	**7,751**	**19,255**

15. Property and equipment

The movements in property and equipment for the year ended December 31 are as follows:

	Land and buildings	*Furniture, computers, office equipment, motor vehicles and railway wagons*	*Assets under construction*	*Total*
Cost or revalued amount				
December 31, 2008 (Restated)	**8,330**	**4,250**	**497**	**13,077**
Additions	2,810	616	417	**3,843**
Disposals	(46)	(375)	(536)	**(957)**
Netting of accumulated depreciation due to revaluation	(335)	-	-	**(335)**
Revaluation	(887)	-	-	**(887)**
Transfers	9	259	(268)	**-**
December 31, 2009 (Restated)	**9,881**	**4,750**	**110**	**14,741**
Assets repossessed under terminated finance lease contracts	-	1,218	-	**1,218**
Additions	17	293	466	**776**
Disposals	(281)	(300)	(250)	**(831)**
Netting of accumulated depreciation due to revaluation	(211)	-	-	**(211)**
Revaluation	286	-	-	**286**
Impairment	-	(630)	-	**(630)**
Transfers	-	219	(219)	**-**
December 31, 2010	**9,692**	**5,550**	**107**	**15,349**
Accumulated depreciation				
December 31, 2008 (Restated)	**-**	**2,215**	**-**	**2,215**
Charge for the year	335	705	-	**1,040**
Disposals	-	(266)	-	**(266)**
Netting of accumulated depreciation due to revaluation	(335)	-	-	**(335)**
December 31, 2009 (Restated)	**-**	**2,654**	**-**	**2,654**
Charge for the year	212	698	-	**910**
Disposals	(1)	(213)	-	**(214)**
Netting of accumulated depreciation due to revaluation	(211)	-	-	**(211)**
December 31, 2010	**-**	**3,139**	**-**	**3,139**
Net book value				
December 31, 2008 (Restated)	**8,330**	**2,035**	**497**	**10,862**
December 31, 2009 (Restated)	**9,881**	**2,096**	**110**	**12,087**
December 31, 2010	**9,692**	**2,411**	**107**	**12,210**

(Millions of Russian Rubles)

Buildings were independently valued at December 31, 2010. The valuation was carried out by an independent firm of appraisers who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category.

The appraisals are performed using the income capitalisation and market approaches of valuation. The income capitalisation approach considers income and expense data relating to the property being valued and estimates fair value through a capitalisation process. The market approach is based upon an analysis of the results of comparable sales of similar buildings. The final fair value was calculated based on integrated analysis of both approaches.

The following key assumptions are used in applying the income capitalisation approach:

- net income for the base year is calculated using information on actual rental rates, possible vacancy losses, operating and maintenance expenses
- collection losses as a percentage of potential gross rent income are estimated to range from 2% to 3%
- vacancy losses as a percentage of potential gross rent income are estimated to range from 2% to 15%
- buildings maintenance and general administrative expenses are estimated to range from 10% to 20% of effective gross rent income
- capitalisation rates of 10% to 14% are applied to capitalise net income for base year.

The values assigned to the key assumptions represent management’s assessment of future business trends and are based on both external sources and internal sources of information. Changes in the estimates above could effect the value of the buildings. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus 5%, the building valuation as of December 31, 2010 would be RUB 485 higher/lower (2009- RUB 494).

If the buildings are measured using the cost model, the carrying amounts would be as follows:

	2010	*2009 (Restated)*
Cost	8,981	9,059
Less accumulated depreciation	(1,118)	(927)
Net carrying amount	**7,863**	**8,132**

16. Goodwill

Goodwill as of December 31 relates to:

	2010	*2009 (Restated)*
URALSIB Banking Group	1,897	1,897
OJSC “AVTOBANK-NIKOIL”	2,630	2,630
Goodwill	**4,527**	**4,527**

Impairment testing of goodwill and other intangible assets with indefinite lives

Goodwill acquired through business combinations is allocated to the following cash-generating units (“CGU”) for impairment testing:

- corporate banking – RUB 3,607
- retail banking – RUB 920.

Key assumptions used in value in use calculations

No impairment of goodwill or any other intangible assets with indefinite lives is identified as a result of impairment testing.

The recoverable amounts of each of the cash-generating units are determined based on a “value in use” calculation. The cash flow projections are based on the financial budgets approved by senior management. They cover a five year period and factor in the current market downturn. The cash flows beyond the five year period are extrapolated based on the profit earned during the fifth year.

(Millions of Russian Rubles)

The calculation of value in use for both the corporate banking and retail banking units is most sensitive to the following assumptions: interest margins, discount rates, financial market recovery rate and forecasted foreign exchange rates.

Interest margins

Interest margins increase over the budget period in the long term by 30% – 60% against the 2010 level.

Discount rates

Discount rates reflect management's estimate of return of capital employed ("ROCE"). This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The effective discount rate applied to cash flow projections is based on Weighted Average Cost of Capital ("WACC") methodology, taking into account the inflation rate as the beginning of the forecasted period and is equal to 14.85%.

Financial market recovery rate

Rate of recovery of financial market from the recent deterioration is taken into account as a market factor effecting a growth in volume of CGU.

Forecasted foreign exchange rates

Medium-term RUB/US Dollar exchange rate forecasted by leading global investment banks at the level of 27.5 RUB/US Dollar is used in the calculation of the goodwill impairment test.

Sensitivity to changes in assumptions

Management believes that reasonably unfavourable changes to the above key assumptions will not result in an impairment of goodwill.

17. Taxation

The corporate income tax expense for the year ended December 31 comprises:

	2010	*2009 (Restated)*
Current tax		
Current year	1,657	434
Deferred tax		
Origination and reversal of temporary differences	(1,361)	294
Total income tax expense	**296**	**728**

The Bank is liable to current profit tax in Russia on its taxable profit and capital gains other than profits on certain types of securities at a rate of 20% (2009 – 20%). Pursuant to Russian profits tax law interest income on certain types of securities is subject to profits tax at a rate of 15%, 9% or nil. At December 31, 2010 the rate of tax applicable for deferred taxes is 20% (2009 – 20%).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual for the year ended December 31 is as follows:

	2010		*2009 (Restated)*	
Profit before income tax expense	**1,139**	**%**	**2,456**	**%**
Income tax at the applicable tax rate	228	20%	491	20%
Non-deductible costs	345	30%	262	11%
Income taxed at different tax rates	(24)	(2%)	(112)	(5%)
Non-taxable income	(253)	(22%)	-	0%
Under provided in prior years	-	-	87	4%
	296	**26%**	**728**	**30%**

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as of December 31, 2010 and 2009.

(Millions of Russian Rubles)

Tax loss carry-forward, which expire on 31 December 2018, and the other deductible temporary differencies, which have no expiry dates, are listed below at their tax effected accumulated values as at December 31:

	Assets		*Liabilities*		*Net*	
	2010	*2009 (Restated)*	*2010*	*2009 (Restated)*	*2010*	*2009 (Restated)*
Amounts to/due from credit institutions	-	-	-	17	-	(17)
Trading and designated at fair value through profit or loss securities	-	-	205	115	(205)	(115)
Available-for-sale securities	479	-	-	72	479	(72)
Held-to-maturity securities	-	-	2	23	(2)	(23)
Assets held for sale	-	84	-	-	-	84
Loans to customers	921	809	-	-	921	809
Net investment in finance leases	350	656	-	158	350	498
Property and equipment	-	-	931	1,051	(931)	(1,051)
Other assets including investment property	1,375	1,410	-	1,779	1,375	(369)
Promissory notes and certificates of deposit issued	15	71	-	-	15	71
Other borrowed funds	-	-	32	34	(32)	(34)
Other liabilities	133	86	521	-	(388)	86
Tax loss carry-forwards	20	119	-	-	20	119
Net deferred tax assets/(liabilities)	**3,293**	**3,235**	**1,691**	**3,249**	**1,602**	**(14)**
Comprising of:						
Deferred tax liabilities					-	**(384)**
Deferred tax assets					**1,602**	**370**

Deferred tax assets and liabilities are included in other assets and other liabilities in the consolidated statement of financial position.

Movement in temporary differences during the year ended December 31, 2010 are as follows:

	1 January	*Recognised in income*	*Recognised in equity*	*Transfer of temporary difference on reclassified assets*	*31 December*
Amounts due from/to credit institutions	(17)	17	-	-	-
Trading and designated at fair value through profit or loss securities	(115)	(179)	89	-	(205)
Available-for-sale securities	(72)	279	188	84	479
Held-to-maturity securities	(23)	21	-	-	(2)
Assets held for sale	84	-	-	(84)	-
Loans to customers	809	112	-	-	921
Net investment in finance leases	498	(148)	-	-	350
Property and equipment	(1,051)	142	(22)	-	(931)
Other assets including investment property	(369)	1,744	-	-	1,375
Promissory notes and certificates of deposit issued	71	(56)	-	-	15
Other borrowed funds	(34)	2	-	-	(32)
Other liabilities	86	(474)	-	-	(388)
Tax loss carry-forwards	119	(99)	-	-	20
	(14)	**1,361**	**255**	**-**	**1,602**

(Millions of Russian Rubles)

Movement in temporary differences during the year ended December 31, 2009 (restated) are as follows:

	1 January	*Recognised in income*	*Recognised in equity*	*31 December*
Amounts due from/to credit institutions	(94)	77	-	(17)
Trading and designated at fair value through profit or loss securities	(101)	116	(130)	(115)
Available-for-sale securities	401	-	(473)	(72)
Held-to-maturity securities	11	(34)	-	(23)
Assets held for sale	-	-	84	84
Loans to customers	1,368	(559)	-	809
Net investment in finance leases	(270)	768	-	498
Property and equipment	(1,236)	(5)	190	(1,051)
Other assets including investment property	244	(613)	-	(369)
Promissory notes and certificates of deposit issued	38	33	-	71
Other borrowed funds	(34)	-	-	(34)
Other liabilities	61	25	-	86
Tax loss carry-forwards	221	(102)	-	119
	609	**(294)**	**(329)**	**(14)**

18. Other assets and liabilities

Other assets as of December 31 comprise:

	2010	*2009 (Restated)*
Trade debtors on operations with securities and promissory notes	3,949	1,544
Other prepaid taxes	3,602	3,909
Inventory in transit	3,019	4,533
Prepayments	2,702	1,245
Intangible assets, net	1,739	1,655
Deferred tax assets (note 17)	1,602	370
Settlements on disposal of non-controlling interest in subsidiaries	1,190	-
Bullions	1,157	157
Settlements on disposal of investment property	1,121	1,549
Settlements on cession contracts	947	1,195
Current tax assets	615	553
Settlements under sale-purchase agreements	215	175
Settlements due from terminated lease contract	189	449
Investments in associates (note 19)	130	134
Other	674	1,082
	22,851	**18,550**
Less allowance for impairment of other assets	(2,280)	(1,384)
Other assets	**20,571**	**17,166**

Inventory in transit is generally represented by inventory repossessed by the Bank as foreclosed collateral from delinquent lessees under terminated non-performing finance lease contracts. The approaches used to assess the net realisable value for the different types of inventories are as follows:

- large equipment is valued by adjusting cost for indexation and usage
- small equipment and real estate is valued based on an analysis of the results of comparable sales of similar assets.

(Millions of Russian Rubles)

Other prepaid taxes comprise of RUB 2,548 (2009 – RUB 2,978) recorded in the financial statements of LLC "URALSIB Leasing Company" and represent excess input VAT over the output VAT. In accordance with tax legislation excess input VAT is subject to recovery either through offset against output VAT or cash refund. The excess input VAT is to be offset automatically against output VAT within three months from the end of the tax period when the excess input VAT was declared, i.e. when the respective VAT declaration was submitted. Upon the expiration of the three month period the remainder of input VAT that was not offset by the tax authorities is to be refunded to the taxpayer in cash upon its written claim or the taxpayer is eligible to apply the alternative method of VAT recovery (offset against other taxes).

The movements in allowance for impairment of other assets for the year ended December 31 are as follows:

	2010	*2009 (Restated)*
January 1	**1,384**	**321**
Charge	1,489	1,172
Amounts written off	(593)	(109)
December 31	**2,280**	**1,384**

Other liabilities as of December 31 comprise:

	2010	*2009 (Restated)*
Trade creditors	1,344	2,586
Accrued compensation and bonuses	925	442
Settlements under finance lease contracts	377	432
Settlements under sale-purchase agreements	210	404
Operating taxes	187	211
Accrued contribution under obligatory deposit insurance system	114	81
Dividend settlements	38	11
Deferred commission income	19	10
Current tax liability	8	-
Deferred tax liabilities (note 17)	-	384
Rent settlements	-	28
Other	122	215
Other liabilities	**3,344**	**4,804**

19. Investments in associate

The following associate is accounted for under the equity method:

2010

Associate	*Ownership / Voting, %* *2010*	*2009*	*Country*	*Date of incorporation*	*Industry*	*Date of acquisition*
OJSC "Bashprombank"	48.5%	48.5%	Russia	November 28, 1990	Banking	June 6, 2002

Movement in investments in associate for the year ended December 31 are as follows:

	2010	*2009 (Restated)*
Investments in associate, beginning of the year	134	126
Share of profit	(4)	8
Investments in associate, end of the year	**130**	**134**

The following table illustrates summarised financial information as of December 31 and for the year then ended of the associate:

Aggregated assets and liabilities of associate	*2010*	*2009 (Restated)*
Assets	1,171	992
Liabilities	(903)	(717)
Net assets	**268**	**275**

(Millions of Russian Rubles)

Aggregated revenue and profit of associate	*2010*	*2009 (Restated)*
Revenue	117	101
(Loss) profit	(7)	16

20. Amounts due to credit institutions

The amounts due to credit institutions as of December 31 comprise:

	2010	*2009 (Restated)*
Time deposits and loans	22,754	30,568
Syndicated loans	11,243	3,247
Subordinated loans	7,642	7,485
Current accounts	6,063	4,744
Repurchase agreements	-	434
Amounts due to credit institutions	**47,702**	**46,478**

As of December 31, 2010 the nominal amount of syndicated loans comprises USD 371 million from OECD and Russian banks. The contractual maturity of syndicated loans is 2011-2015, and the interest rate is 6 month LIBOR plus 2.5-5 per cent.

During 2007 the Bank received a subordinated loan of USD 250 million from an OECD bank. The contractual maturity of the subordinated loan is 2017, and the interest rate is LIBOR plus 4.95 per cent during the first 5-year period and LIBOR plus 6.45 per cent after the first five year period.

21. Amounts due to customers

The amounts due to customers as of December 31 include the following:

	2010	*2009 (Restated)*
Time deposits	**140,128**	**189,431**
- Time deposits of corporate clients	52,883	112,725
- Time deposits of individuals	87,245	76,706
Current accounts	**145,742**	**91,709**
- Current accounts of corporate clients	114,476	67,708
- Current accounts of individuals	31,266	24,001
Amounts due to customers	**285,870**	**281,140**

At December 31, 2010, amounts due to customers of RUB 52,906 or 19% are due to the ten largest third party customers (2009 - RUB 54,525 or 19%).

Included in time deposits are deposits of individuals of RUB 87,245 (2009 – RUB 76,706). In accordance with the Russian Civil Code, the Bank is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

Amounts due to customers include accounts with the following types of customers:

	2010	*2009 (Restated)*
Private enterprises	147,605	141,977
Individuals	113,916	98,876
State and budgetary organisations	19,754	38,456
Employees	4,595	1,831
Amounts due to customers	**285,870**	**281,140**

(Millions of Russian Rubles)

An analysis of customer accounts by economic sector is as follows:

	2010	*2009 (Restated)*
Individuals	118,511	100,707
Transport and communication	34,315	5,902
Investment and finance	26,323	55,821
Trade and food processing	20,731	19,710
Production and manufacturing	20,083	5,003
Government bodies	19,597	35,863
Real estate construction	16,074	20,806
Services	15,303	7,121
Energy	1,322	16,616
Chemical	1,184	1,716
City and municipal bodies	57	2,125
Other	12,370	9,750
Amounts due to customers	**285,870**	**281,140**

22. Promissory notes and certificates of deposit issued

Promissory notes and certificates of deposit issued as of December 31 consist of the following:

	2010	*2009 (Restated)*
Promissory notes	7,344	11,558
Certificates of deposit	10	31
Promissory notes	**7,354**	**11,589**

Promissory notes and certificates of deposit issued by the Bank as of December 31, 2010, bear annual interest rates ranging from 1.51% to 14.58% (2009 - from 4.02% to 18.00%).

23. Other borrowed funds

Other borrowed funds as of December 31 comprised the following:

	2010	*2009 (Restated)*
Bonds (LLC "Uralsib Leasing Company")	9,081	4,928
Subordinated deposit	5,894	5,895
Other borrowed funds	**14,975**	**10,823**

Bonds issued comprise the following non-convertible documentary bonds:

Issue date	*Maturity date*	*Offer date*	*Interest payments*	*Interest rate*	*Amount of issue 2010*	*Amount of issue 2009*	*Carrying value 2010*	*Carrying value 2009*
December 2007	December 2010	-	semi-annually	18%	-	2,700	-	89
July 2008	July 2011	-	semi-annually	12.99% - 14.5%	5,000	5,000	4,570	3,838
February 2009	February 2012	-	semi-annually	16.5% - 17.5%	1,500	1,500	74	95
January 2009	January 2012	-	semi-annually	16.5% - 17.5%	2,000	2,000	46	12
January 2009	January 2012	January 2011	semi-annually	14.25% - 17.5%	3,000	3,000	2,571	894
November 2010	October 2013	-	quarterly	9.5%	3,000	-	1,820	-
							9,081	**4,928**

These bond issues were partially purchased by the Bank and are eliminated in consolidation.

In December 2010, LLC "Uralsib Leasing Company" repaid the non-convertible documentary bonds totaling RUB 2,700.

(Millions of Russian Rubles)

In November 2008 the Bank received a subordinated deposit in total nominal amount of RUB 6,000 from an OJSC "Regional fund". The contractual maturity of the subordinated deposit is 2018, and the interest rate is 13.2%.

24. Equity

The movements in share capital for the years ended December 31, 2009 and 2010 are as follows:

	Number of ordinary shares	*Nominal amount*	*Effect of Yug Bank merger*	*Effect of Stroyvestbank merger*	*Inflation Adjustment*	*Total*
December 31, 2008	**204,184,218,350**	**20,418**	**2,201**	**-**	**12,189**	**34,808**
Issue of ordinary shares	60,899,347,688	6,090	-	-	-	6,090
December 31, 2009	**265,083,566,038**	**26,508**	**2,201**	**-**	**12,189**	**40,898**
Issue of ordinary shares related to merger of Yug Bank	22,016,762,930	-	-	-	-	-
Issue of ordinary shares related to merger of Stroyvestbank	5,475,479,600	548	-	-	-	548
Purchase back of treasury shares	-	-	-	(476)	-	(476)
December 31, 2010	**292,575,808,568**	**27,056**	**2,201**	**(476)**	**12,189**	**40,970**

In May 2010 the Bank completed mergers with Yug Bank and Stroyvestbank. The mergers resulted in these two banks ceasing to exist as separate legal entities in May 2010, and their operations and assets incorporated, in their entirety, into the OJSC "URALSIB".

The effect on equity from the merger of Yug Bank is accounted for as of January 1, 2009.

As of December 31, 2009 the OJSC "URALSIB" owned 86.77% of ordinary shares of Stroyvestbank, which enabled the Bank to fully control Stroyvestbank and consolidate it into its consolidated financial statements for the year ended December 31, 2010. In May 2010, OJSC "URALSIB" reached a merger agreement with all of Stroyvestbank's non-controlling shareholders, which led to full legal merger of Stroyvestbank into the OJSC "URALSIB". In accordance with the merger agreement all outstanding ordinary shares of Stroyvestbank held by non-controlling shareholders were exchanged into the common shares of the OJSC "URALSIB". The established conversion proportion of 8 ordinary shares of OJSC "URALSIB" for each ordinary share of Stroyvestbank was approved by all parties of the merger agreement. As a result of this conversion, a total of 684,434,950 ordinary shares of Stroyvestbank were exchanged for 5,475,479,600 of newly-issued ordinary shares of OJSC "URALSIB". The share capital of OJSC "URALSIB" increased by RUB 72 because the Bank became an owner of own ordinary shares of RUB 476 out of the total increase of RUB 548. The value of the obtained own shares as a result of this merger decreased the share capital of the Bank.

During 2010 the Bank entered into a number of transactions with OJSC "TD Kopeika", which had an impact on equity of the Bank. The Bank sold below fair value retail trade premises to a related party, which subsequently resold them to TDK. The difference between sales price and fair value of the premises of RUB 679 is recognized in equity as a reduction of additional paid-in capital. The Bank also recognised non-cash dividend income from TDK in profit or loss of RUB 588 which was simultaneously distributed to shareholders of the Bank and shown as a decrease in additional paid-in capital. As described in note 7, during 2010 the Bank acquired additional shares of TDK and subsequently in December 2010 sold all its equity investments in TDK. These transactions decreased additional paid-in capital of the Bank on a net amount of RUB 355. The total effect on equity of the above mentioned transactions with TDK and subsequent sale of its shares was a reduction of the Bank's additional paid-in capital of RUB 1,622.

In accordance with the Russian legislation, dividends may only be declared to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with Russian Accounting Legislation.

The share capital of the Bank was contributed by the shareholders in Russian Rubles and they are entitled to dividends and any capital distribution in Russian Rubles.

(Millions of Russian Rubles)

Nature and purpose of other reserves

Property revaluation surplus

The property revaluation surplus is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for available-for-sale securities

This reserve records fair value changes in available-for-sale investments.

25. Commitments and contingencies

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As of December 31, 2010, management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

As of December 31, commitments and contingencies comprise the following:

	2010	*2009 (Restated)*
Credit related commitments		
-Undrawn loan commitments		
Russian Federation companies	47,791	37,323
Total undrawn loan commitments	**47,791**	**37,323**
-Letters of credit		
Russian Federation companies	7,514	2,491
Total letters of credit	**7,514**	**2,491**
-Guarantees issued		
Russian Federation companies	23,836	17,251
OECD companies	27	27
Total guarantees issued	**23,863**	**17,278**
Total credit related commitments	**79,168**	**57,092**
Operating lease commitments		
Not later than 1 year	1,050	1,070
Later than 1 year but not later than 5 years	3,170	1,653
Later than 5 years	559	597
	4,779	**3,320**
Capital expenditure commitments	**1,108**	**1,365**
	85,055	**61,777**
Less cash held as security against letters of credit	-	(14)
Less promissory notes held as security against guarantees	(1,134)	(655)
Commitments and contingencies	**83,921**	**61,108**

Insurance

The Bank has not currently obtained insurance coverage related to liabilities arising from errors or omissions. Liability insurance is generally not available in Russia at present.

(Millions of Russian Rubles)

26. Net fee and commission income

Net fee and commission income for the year ended December 31 comprises:

	2010	*2009 (Restated)*
Settlements operations	4,244	4,216
Cash operations	2,070	1,960
Guarantees and letters of credit	536	707
Foreign exchange operations	311	232
Securities operations	61	15
Agent fees for insurance	20	34
Other	67	44
Fee and commission income	**7,309**	**7,208**
Settlements operations	(1,076)	(1,134)
Trust operations	(606)	(481)
Cash operations	(527)	(345)
Collection agencies services	(319)	(109)
Guarantees	(43)	(31)
Securities operations	(30)	(20)
Currency conversion operations	(17)	(77)
Other	(137)	(11)
Fee and commission expense	**(2,755)**	**(2,208)**
Net fee and commission income	**4,554**	**5,000**

Settlements commissions represent commissions received for transfer of customer funds and on other operations with client accounts, issue and processing of payments by cards and from other financial institutions on acquiring services. Commissions on cash operations consists of commissions received from clients on encashment operations. Guarantees and letters of credit commission represent payment for origination of the guarantees and letters of credit facilities by the Bank. Foreign exchange operation commission represent commissions charged for currency exchange operations and currency control functions performed by the Bank.

27. Net gains from operations with securities

Gains less losses derived from operations with trading and designated at fair value through profit or loss securities and available-for-sale securities for the year ended December 31 are as follows:

	2010	*2009 (Restated)*
Corporate shares and ADRs	349	4,287
Corporate and municipal bonds	(187)	1,048
Other securities	30	(231)
Total net gains from operations with securities	**192**	**5,104**

Net gains from corporate shares and ADRs include a net loss from sale of OJSC "TD Kopeika" ordinary shares of RUB 933 (2009 – net gain of RUB 2,547), net gain from operations with OJSC "LUKOIL" ordinary shares and ADRs of nil (2009 – net gain of RUB 2,169), net gain from recognition of OTK shares and related forward contract of RUB 1,371 (2009 – nil).

28. Net gains from foreign currencies

Gains less losses from foreign currencies for the year ended December 31 comprise:

	2010	*2009 (Restated)*
Dealing gains	898	1,443
Translation differences	(530)	(1,124)
Net gains from foreign currencies	**368**	**319**

(Millions of Russian Rubles)

29. Other income

Other income for the year ended December 31 comprises the following:

	2010	*2009 (Restated)*
Dividend income	842	289
Penalties	622	289
Rent income	600	556
Brokerage	102	45
Other operating income	577	433
Other income	**2,743**	**1,612**

30. Personnel expenses, administrative and operating expenses

Personnel, administrative and operating expenses for the year ended December 31 comprise:

	2010	*2009 (Restated)*
Salaries and bonuses	7,842	7,473
Social security costs	1,237	1,050
Personnel expenses	**9,079**	**8,523**
Operating taxes	1,345	1,541
Rental fees	1,315	1,822
Repairs and maintenance of property and equipment	1,096	705
Marketing and advertising	482	635
Communications	438	524
Obligatory deposit insurance system contributions	423	293
Office materials	373	156
Professional services	330	102
Security costs	315	351
Loss on property and equipment disposals	283	177
Data processing	282	319
Business travel and related expenses	204	133
Insurance	193	259
Charity	60	157
Business development	38	114
Personnel training	30	12
Penalties incurred	23	192
Other	486	500
Administrative and operating expenses	**7,716**	**7,992**

31. Risk management

The Bank is exposed to credit risk, market risk and liquidity risk. Operational, business and other non-financial risks are also inherent in the Bank's activities.

In order to control the level of certain risks and to restrict its losses, the Bank implemented an ongoing risk management process. The risk management system is based on an integrated approach to identification, measurement, monitoring and controlling of risk. The Bank's risk management policies and procedures are subject to continuous improvement and are implemented to comply with legal requirements and prudential norms, best practices and standards, and internal regulations of the Bank.

Risk management structure

Risk management functions are realized at all levels of corporate governance and are allocated among the following bodies:

Supervisory Board (Board of Directors) performs supervisory functions and provides overall assurance over the risk management process.

(Millions of Russian Rubles)

Management Board is responsible for implementing the risk management strategy, approving risk management policies, segregating risk management functions between the Bank's committees and departments and controlling their execution.

The Board sets general limits on the level of risk that may be accepted by types of risks and by business-segments and also sets risk limits for large risk exposures. The Board regularly analyses risk reports and, where necessary, reallocates risk limits to achieve target strategic risk profiles.

To make the risk management system more efficient, the Management Board delegates authority for setting risk limits to other committees, departments or personnel.

Assets and Liabilities Management Committee (ALCO) is responsible for currency, interest rate and liquidity risk management. ALCO also manages price risk.

ALCO allocates general market risk limits established by the Management Board against specified securities portfolios, currency and interest rate positions and sets target levels for liquidity positions. ALCO also approves internal transfer prices that are a core instrument of the Bank's interest rate risk management policy. ALCO is chaired by the Chairman of the Management Board.

Day-to-day management of currency, interest rate and liquidity risks as well as administration of the internal funds transfer pricing system is carried out by the **Treasury** within authority delegated to it by the ALCO.

The **Credit Committee** is responsible for implementation of the credit policy in the commercial lending segment. The Bank implemented a four-level system of Credit Committees, due to its diversified regional network.

The **Credit Committee for Money and Capital Markets Operations** determines the policy for managing credit risk that the Bank undertakes when performing transactions on the currency, money and securities markets. The Committee sets risk limits for counterparties (credit institutions, financial and investment companies, exchanges, trading systems and clearing centers), securities issuers (Russian and foreign) as well as country risk limits.

The **Risk Management Department** performs centralized risk management functions and is responsible for development of risk management policies and procedures and identification, assessment and control of risks in all business segments. It performs independent analysis of credit and market risk exposures that are submitted by business units for approval to decision-making committees (see above), as well as analyses all exposures on a portfolio basis, and prepares regular risk reports covering all business segments. The Risk Management Department is an independent division reporting directly to the Deputy Chairman of the Management Board responsible for risk management and compliance.

The **Risk Control Units** make sure that individual transactions comply with policies, established risk limits and other requirements set out for each of the business segments and prepares regular risk reports. The Risk Control Units are present in each of the Bank's regional hubs as well as in each of the business segments and report to the Risk Management Department.

The **Internal Control Department** performs internal control functions and assesses the efficiency of the risk management system at both the Bank and individual business levels. The Internal Control Department reports its findings to the Management Board of the Bank.

The **Internal Audit Department** performs internal audit functions and reports to the Supervisory Board's Committee for Audit and Risks.

Credit risk

Credit risk is the risk that the Bank will incur losses as a result of its counterparties failing to fulfil their financial obligations in full or in part or when they fall due. The exposure to credit risk depends on amounts due and the off-balance sheet commitments that carry credit risk.

(Millions of Russian Rubles)

Exposure to credit risk as of December 31 without taking into account any collateral and netting agreements as of December 31 is as follows:

	2010	*2009 (Restated)*
Balance sheet instruments carrying credit risk:		
Cash and cash equivalents	65,603	44,115
Amounts due from credit institutions	5,442	4,043
Trading and designated at fair value through profit or loss securities	3,806	2,002
Available-for-sale securities	19,823	23,442
Held-to-maturity securities	1,113	3,145
Derivative financial assets	123	93
Loans to customers	206,788	216,373
Net investments in finance leases	12,866	20,962
Other assets	7,517	5,855
	323,081	**320,030**
Commitments carrying credit risk:		
Undrawn loan commitments	47,791	37,323
Letters of credit	7,514	2,491
Guarantees issued	23,863	17,278
	79,168	**57,092**
Total credit risk exposure	**402,249**	**377,122**

Credit risk concentrations arise when significant loans are granted to an individual counterparty (borrower) or to a group of related counterparties (borrowers) or in case when counterparties (borrowers) are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause them to be similarly affected by changes of the same economic factors.

Credit risk concentration by geographical regions as of December 31 is the following:

	2010				*2009 (Restated)*			
	Russia	*OECD*	*Other countries*	*Total*	*Russia*	*OECD*	*Other countries*	*Total*
Assets								
Cash and cash equivalents	49,824	15,500	279	**65,603**	25,858	17,622	635	**44,115**
Amounts due from credit institutions	3,677	1,204	561	**5,442**	1,124	1,524	1,395	**4,043**
Trading and designated at fair value through profit or loss securities	3,806	-	-	**3,806**	1,739	263	-	**2,002**
Available-for-sale securities	19,522	-	301	**19,823**	15,696	7,685	61	**23,442**
Held-to-maturity securities	1,113	-	-	**1,113**	3,145	-	-	**3,145**
Derivative financial assets	3	120	-	**123**	-	93	-	**93**
Loans to customers	206,788	-	-	**206,788**	216,373	-	-	**216,373**
Net investments in finance leases	12,866	-	-	**12,866**	20,962	-	-	**20,962**
Other assets	7,486	31		**7,517**	5,833	22	-	**5,855**
Total	**305,085**	**16,855**	**1,141**	**323,081**	**290,730**	**27,209**	**2,091**	**320,030**

The Bank's credit procedures are designed to make the credit approval process efficient, depending on the credit risk level, by taking into consideration the specifics of different geographic, industries, business segments, groups of customers and types of credit products.

(Millions of Russian Rubles)

Loans to large corporate customers

Loan applications by corporate customers are handled by client managers, who analyze the applicant's business and structure the loans in accordance with customers requirements. The application documents are then sent to the Corporate Lending Department, whose credit managers assess the credit risk and the fair value of the collateral by applying the relevant methodology prepared jointly with the Risk Management Department (refer to the Section "Credit quality of financial assets") and prepare a credit report for the Credit Committee. The Risk Management Department provides its own independent analysis of the loan.

The ultimate decision on a particular deal depends on its structure and amount, and is made by either:

- a credit risk manager and a credit managers ("four-eyes approach"), or
- one of the Credit Committees, or
- Management Board.

The subsequent support and monitoring of the loan is carried out by the Loan Administration Department, including monitoring the value of collateral.

A loan could be classified as a problem loan by the Credit Committee if:

- it is past due
- the borrower's financial position worsens
- value of collateral substantially decreases, or
- there are other circumstances.

The Problem Assets Collection Department reviews all problem loans and takes actions necessary to collect debts including loan restructuring, judicial and non-judicial recovery.

In 2008 the Board of Management set up a special Committee for Asset Quality Review that meets on a weekly basis and reviews loan portfolio reports as well as individual problem loans with the purpose of taking actions aimed at mitigating further credit quality deterioration of the loan portfolio. The committee is chaired by the Chairman of the Management Board and includes Board members responsible for Risk Management and Corporate Lending, as well as heads of Legal and Security Departments.

Loans to small and medium-sized entities

The Bank grants loans to small and medium-sized entities on standard terms, thereby reducing decision-making time. Credit managers assess a client's credit risk by applying the relevant methodology prepared jointly with the Risk Management Department (refer to the Section "Credit quality of financial assets"). Then the client's application and credit manager's analysis are sent to the underwriter. The underwriter reviews the quality of the credit manager's analysis, checks the client features against product and borrower risk limitations set by the Bank and approves or disapproves the application. The ultimate decision on the approved applications is made by authorised managers. The procedures for loan administration and problem loans management are identical to those for large corporate customers.

Retail lending

Retail customers submit their loan applications to customer managers who collect and review all necessary documents for compliance with the Bank's minimal requirements and make an initial assessment of the customer's credit limit. Applications together with supporting documents are then reviewed by qualified underwriters who perform credit scoring, determine the customer's maximum credit limit, request customer verification approval from the Security Department, request a collateral valuation (depending on product type) and finally draws a credit conclusion.

The final loan approval is made by authorized managers. The subsequent support and monitoring of loans, including loans past due up to 60 days are carried out by credit controllers of the Retail Loan Control Department. Loans past due by more than 60 days are classified as problem loans, and are a matter of necessary steps to collect debts, including loan restructuring, judicial and extrajudicial recovery.

(Millions of Russian Rubles)

Collateral for operations with credit risk

The type and amount of collateral required depends on assessment of credit quality of counterparty. The Bank requires the following types of collateral, depending on the type of transactions:

- repurchase transactions: securities
- interbank transactions: promissory notes and securities
- corporate lending: real estate (manufacturing premises, trade areas, warehouses), machinery and equipment, inventories, receivables, guarantees and sureties
- retail lending: real estate and motor vehicles.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

The Bank established procedures that determine the adequacy and amount of required collateral depending on the type of transaction as well as procedures for monitoring the fair value of collateral that require the borrower to put up additional collateral in case the current collateral value declines. To reduce its risks, the Bank requires that collateral is insured by insurance companies accredited by the Bank.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As of December 31, 2010, impaired loans to legal entities with a gross value of RUB 13,667 (2009 – RUB 11,754) are secured by pledge of real estate with a fair value of RUB 35,819 (2009 – RUB 36,097). For the remaining part of impaired loans to legal entities with a gross value of RUB 25,565 (2009 – RUB 45,203) it is impracticable to determine fair value of collateral.

As of December 31, 2010, impaired net investments in finance leases with a gross value of RUB 989 (2009 – RUB 2,166) are secured by pledge of real estate with a fair value of RUB 922 (2009 – RUB 5,145). For the remaining part of impaired net investments in finance leases with a gross value of RUB 7,442 (2009 – RUB 16,332) it is impracticable to determine fair value of collateral.

As of December 31, 2010, loans to individuals past due more than 30 days with a gross value of RUB 2,662 (2009 – RUB 3,130) are secured by pledge of real estate with a fair value of RUB 4,279 (2009 – RUB 4,391). Loans to individuals past due more than 30 days with a gross value of RUB 1,067 (2009 – RUB 1,325) are secured by pledge of cars with a fair value of RUB 1,161 (2009 – RUB 1,525). For the remaining loans to individuals past due more than 30 days of RUB 3,535 (2009 – RUB 5,029) it is impracticable to determine fair value of collateral or there is no collateral.

The Bank also uses master netting agreements with counterparties to mitigate the exposure to credit risk.

During 2010 the Bank obtained the assets by taking control of collateral accepted as security for commercial loans of RUB 2,185.

Credit quality of financial assets

The assessment of credit quality of financial assets is based on the qualitative and quantitative assessment of credit risk.

The assessment of credit quality of loans to **legal entities** is based on assessment of the borrower’s financial position and value and liquidity of collateral obtained. The assessment is made also with regard to the type of lending: turnover financing, investment financing, project financing, small-business, and lease financing.

(Millions of Russian Rubles)

The following table provides information on the credit quality of the loans to legal entities and net investment in finance leases as at December 31, 2010:

	Gross loans	*Impairment allowance*	*Net loans*	*Impairment to gross loans, %*
Corporate lending				
Loans for which no evidence of impairment has been identified	120,489	(1,271)	119,218	1.1%
Impaired loans:				
- not past due	21,360	(3,817)	17,543	17.9%
- past due less than 90 days	1,696	(708)	988	41.7%
- past due more than 90 days and less than 1 year	3,078	(1,236)	1,842	40.2%
- past due more than 1 year	13,098	(8,443)	4,655	64.5%
Total impaired loans	39,232	(14,204)	25,028	36.2%
Total corporate loans	**159,721**	**(15,475)**	**144,246**	**9.7%**
Net investments in finance leases				
Loans for which no evidence of impairment has been identified	6,233	(269)	5,964	4.3%
Impaired loans:				
- not past due	5,814	(205)	5,609	3.5%
- past due less than 90 days	614	(101)	513	16.4%
- past due more than 90 days and less than 1 year	429	(153)	276	35.7%
- past due more than 1 year	1,507	(1,003)	504	66.6%
Total impaired loans	8,364	(1,462)	6,902	17.5%
Total net investments in finance leases	**14,597**	**(1,731)**	**12,866**	**11.9%**

The following table provides information on the credit quality of the loans to legal entities and net investment in finance leases as at December 31, 2009 (restated):

	Gross loans (Restated)	*Impairment allowance (Restated)*	*Net loans (Restated)*	*Impairment to gross loans, %*
Corporate lending				
Loans for which no evidence of impairment has been identified	107,431	(1,779)	105,652	1.7%
Impaired loans:				
- not past due	31,686	(4,594)	27,092	14.5%
- past due less than 90 days	2,280	(573)	1,707	25.1%
- past due more than 90 days and less than 1 year	14,675	(6,456)	8,219	44.0%
- past due more than 1 year	8,316	(4,979)	3,337	59.9%
Total impaired loans	56,957	(16,602)	40,355	29.1%
Total corporate loans	**164,388**	**(18,381)**	**146,007**	**11.2%**
Net investments in finance leases				
Loans for which no evidence of impairment has been identified	5,738	(256)	5,482	4.5%
Impaired loans:				
- not past due	9,247	(717)	8,530	7.8%
- past due less than 90 days	4,580	(330)	4,250	7.2%
- past due more than 90 days and less than 1 year	2,393	(1,026)	1,367	42.9%
- past due more than 1 year	2,278	(945)	1,333	41.5%
Total impaired loans	18,498	(3,018)	15,480	16.3%
Total net investments in finance leases	**24,236**	**(3,274)**	**20,962**	**13.5%**

(Millions of Russian Rubles)

The following table provides information on the credit quality of loans to individuals as at December 31, 2010:

	Gross loans	*Impairment allowance*	*Net loans*	*Impairment to gross loans, %*
Consumer lending				
Not past due	10,040	(18)	10,022	0.2%
Past due less than 30 days	181	(10)	171	5.5%
Past due 30-89 days	167	(43)	124	25.7%
Past due 90-179 days	72	(52)	20	72.2%
Past due 180-360 days	175	(142)	33	81.1%
Past due more than 360 days	2,080	(2,025)	55	97.4%
Total consumer lending	**12,715**	**(2,290)**	**10,425**	**18.0%**
Auto loans				
Not past due	10,309	(9)	10,300	0.1%
Past due less than 30 days	183	(7)	176	3.8%
Past due 30-89 days	98	(22)	76	22.4%
Past due 90-179 days	96	(65)	31	67.7%
Past due 180-360 days	129	(100)	29	77.5%
Past due more than 360 days	742	(696)	46	93.8%
Total auto loans	**11,557**	**(899)**	**10,658**	**7.8%**
Credit cards				
Not past due	2,289	(4)	2,285	0.2%
Past due less than 30 days	24	(3)	21	12.5%
Past due 30-89 days	14	(5)	9	35.7%
Past due 90-179 days	13	(8)	5	61.5%
Past due 180-360 days	22	(16)	6	72.7%
Past due more than 360 days	208	(193)	15	92.8%
Total credit cards	**2,570**	**(229)**	**2,341**	**8.9%**
Residential mortgage				
Not past due	30,371	(31)	30,340	0.1%
Past due less than 30 days	1,291	(48)	1,243	3.7%
Past due 30-89 days	327	(75)	252	22.9%
Past due 90-179 days	279	(220)	59	78.9%
Past due 180-360 days	249	(197)	52	79.1%
Past due more than 360 days	1,665	(1,452)	213	87.2%
Total residential mortgage	**34,182**	**(2,023)**	**32,159**	**5.9%**
Other loans to individuals				
Not past due	6,553	(12)	6,541	0.2%
Past due less than 30 days	191	(13)	178	6.8%
Past due 30-89 days	117	(37)	80	31.6%
Past due 90-179 days	147	(105)	42	71.4%
Past due 180-360 days	168	(126)	42	75.0%
Past due more than 360 days	496	(420)	76	84.7%
Total other loans to individuals	**7,672**	**(713)**	**6,959**	**9.3%**
Total loans to individuals	**68,696**	**(6,154)**	**62,542**	**9.0%**

(Millions of Russian Rubles)

The following table provides information on the credit quality of loans to individuals as at December 31, 2009 (restated):

	Gross loans (Restated)	*Impairment allowance (Restated)*	*Net loans (Restated)*	*Impairment to gross loans, %*
Consumer lending				
Not past due	12,358	(24)	12,334	0.2%
Past due less than 30 days	376	(22)	354	5.9%
Past due 30-89 days	201	(58)	143	28.9%
Past due 90-179 days	232	(165)	67	71.1%
Past due 180-360 days	656	(565)	91	86.1%
Past due more than 360 days	2,505	(2,439)	66	97.4%
Total consumer lending	**16,328**	**(3,273)**	**13,055**	**20.0%**
Auto loans				
Not past due	10,776	(9)	10,767	0.1%
Past due less than 30 days	359	(14)	345	3.9%
Past due 30-89 days	211	(48)	163	22.7%
Past due 90-179 days	174	(104)	70	59.8%
Past due 180-360 days	317	(232)	85	73.2%
Past due more than 360 days	716	(653)	63	91.2%
Total auto loans	**12,553**	**(1,060)**	**11,493**	**8.4%**
Credit cards				
Not past due	1,826	(1)	1,825	0.1%
Past due less than 30 days	52	(6)	46	11.5%
Past due 30-89 days	33	(11)	22	33.3%
Past due 90-179 days	24	(13)	11	54.2%
Past due 180-360 days	61	(43)	18	70.5%
Past due more than 360 days	223	(210)	13	94.2%
Total credit cards	**2,219**	**(284)**	**1,935**	**12.8%**
Residential mortgage				
Not past due	35,311	(14)	35,297	0.0%
Past due less than 30 days	1,548	(27)	1,521	1.7%
Past due 30-89 days	492	(54)	438	11.0%
Past due 90-179 days	779	(446)	333	57.3%
Past due 180-360 days	1,163	(666)	497	57.3%
Past due more than 360 days	909	(546)	363	60.1%
Total residential mortgage	**40,202**	**(1,753)**	**38,449**	**4.4%**
Other loans to individuals				
Not past due	4,901	(6)	4,895	0.1%
Past due less than 30 days	156	(6)	150	3.8%
Past due 30-89 days	154	(25)	129	16.2%
Past due 90-179 days	207	(114)	93	55.1%
Past due 180-360 days	304	(180)	124	59.2%
Past due more than 360 days	123	(80)	43	65.0%
Total other loans to individuals	**5,845**	**(411)**	**5,434**	**7.0%**
Total loans to individuals	**77,147**	**(6,781)**	**70,366**	**8.8%**

As of December 31, 2010 the Bank restructured loans to corporate entities and net investments in finance leases contracts that would otherwise be past due. Such restructuring activity is aimed at managing customer relationships and maximizing collection opportunities. Such loans are shown as impaired in the tables above. The gross amount of restructured loans as of December 31 is as follows:

	2010	*2009 (Restated)*
Loans to corporate entities	18,215	27,436
Net investments in finance leases	5,800	8,724
	24,015	**36,160**

(Millions of Russian Rubles)

Liquidity risk

A liquidity risk is the risk of a potential loss arising in the case when the Bank is unable to meet its financial obligations as they fall due.

The Bank created a regular fund management process intended to maintain a source-diversified funding base.

The Bank Treasury is responsible for operative liquidity risk management that is aimed at maintaining current and medium-term liquidity. In managing the liquidity risk, the Bank Treasury prepares a "cash-plan" report for each day, carries out stress-testing, sets limits on liquidity gaps and forms portfolios (allowances) of liquid assets of different levels.

The Bank has a rule to maintain solvency in critical situations, establishing the procedures for committees, departments and personnel in case of a possible lack of funding sources.

In accordance with the CBR's requirements, the Bank maintains an obligatory reserve with the CBR. As of December 31, 2010, the obligatory reserve with the CBR amounts to RUB 3,097 (2009 - RUB 3,063). OJSC "URALSIB" meets the following CBR's liquidity requirements:

- Immediate-liquidity ratio (N2): calculated by dividing the total amount of highly liquid assets by the total amount of liabilities that must be repaid on demand
- Current-liquidity ratio (N3): calculated by dividing the total amount of all liquid assets by the total amount of liabilities maturing in the next 30 days
- Long-term-liquidity ratio (N4): calculated by dividing the total amount of assets with a maturity of more than 1 year by equity and liabilities with a maturity of more than 1 year.

The following tables give data on the structure of assets and liabilities in accordance with the contractual maturities, with the exception of:

- debt trading and designated at fair value through profit or loss securities that are shown in the category "Less than 3 months", because the management believes that all of these debt securities can be liquidated within 3 months in the normal course of business, and equity trading securities and assets held for sale held by the Bank as of December 31, 2009, that are shown in the category "3 month to 1 year", because the management intended to sell these assets in 2010
- part of the investment property represented by residential apartments of RUB 1,106 (2009 – RUB 4,916) is shown in the category "3 months to 1 year" (2009 -"Less than 3 months") as management intends to sell this property in 2011 (2009 – in 2010)
- certain part of amounts due to customers represented by stable balances on current accounts of RUB 111,954 (2009 – RUB 65,147) that are shown in the category "1 to 3 years", based on an analysis of the statistical data on the movement of balances on the client accounts in the past.

Included in past due loans to customers are wholly overdue loans and partially overdue loans but only in the amount of overdue payments.

(Millions of Russian Rubles)

	2010								
	On demand	*Less than 3 months*	*3 months to 1 year*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Past due*	*No stated maturity*	*Total*
Assets									
Cash and cash equivalents	43,531	40,473	-	-	-	-	-	-	**84,004**
Obligatory reserves with the Central Bank	372	611	837	1,261	1	15	-	-	**3,097**
Amounts due from credit institutions	-	3,745	766	634	151	146	-	-	**5,442**
Trading and designated at fair value through profit or loss securities	-	3,806	-	-	1,371	-	-	-	**5,177**
Available-for-sale securities	-	-	1,319	8,687	2,436	7,340	42	19,828	**39,652**
Held-to-maturity securities	-	20	201	444	-	448	-	-	**1,113**
Derivative financial assets	-	66	57	-	-	-	-	-	**123**
Loans to customers	-	52,704	49,606	35,308	20,589	40,690	7,891	-	**206,788**
Net investments in finance leases	-	933	2,270	3,842	2,797	1,731	1,293	-	**12,866**
Investment property	-	-	1,106	-	-	-	-	19,688	**20,794**
Property and equipment	-	-	-	-	-	-	-	12,210	**12,210**
Goodwill	-	-	-	-	-	-	-	4,527	**4,527**
Other assets	883	7,625	4,754	954	-	-	189	6,166	**20,571**
	44,786	**109,983**	**60,916**	**51,130**	**27,345**	**50,370**	**9,415**	**62,419**	**416,364**
Liabilities									
Amounts due to credit institutions	6,596	6,477	17,480	4,382	2,665	10,102	-	-	**47,702**
Amounts due to customers	34,807	53,131	77,306	119,128	124	1,374	-	-	**285,870**
Promissory notes and certificates of deposit issued	447	4,711	1,904	286	6	-	-	-	**7,354**
Other borrowed funds	-	1,961	5,327	1,804	-	5,883	-	-	**14,975**
Other liabilities	172	3,074	45	53	-	-	-	-	**3,344**
	42,022	**69,354**	**102,062**	**125,653**	**2,795**	**17,359**	**-**	**-**	**359,245**
Net position	**2,764**	**40,629**	**(41,146)**	**(74,523)**	**24,550**	**33,011**	**9,415**	**62,419**	**57,119**
Accumulated gap	**2,764**	**43,393**	**2,247**	**(72,276)**	**(47,726)**	**(14,715)**	**(5,300)**	**57,119**	

(Millions of Russian Rubles)

	2009 (Restated)								
	On demand	*Less than 3 months*	*3 months to 1 year*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Past due*	*No stated maturity*	*Total*
Assets									
Cash and cash equivalents	36,685	23,889	-	-	-	-	-	-	**60,574**
Obligatory reserves with the Central Bank	310	911	1,101	724	-	17	-	-	**3,063**
Amounts due from credit institutions	22	1,998	940	590	-	493	-	-	**4,043**
Trading and designated at fair value through profit or loss securities	-	2,002	9,392	-	-	-	-	-	**11,394**
Available-for-sale securities	-	176	2,007	13,375	3,430	4,453	-	10,377	**33,818**
Held-to-maturity securities	-	105	-	613	1,782	645	-	-	**3,145**
Derivative financial assets	-	38	55	-	-	-	-	-	**93**
Assets held for sale	-	-	8,764	-	-	-	-	-	**8,764**
Loans to customers	15	24,734	57,724	51,537	21,529	46,637	14,197	-	**216,373**
Net investments in finance leases	-	1,637	6,888	5,908	2,654	1,327	2,548	-	**20,962**
Investment property	-	4,916	-	-	-	-	-	14,339	**19,255**
Property and equipment	-	-	-	-	-	-	-	12,087	**12,087**
Goodwill	-	-	-	-	-	-	-	4,527	**4,527**
Other assets	1,285	7,027	5,649	845	3	386	182	1,789	**17,166**
	38,317	**67,433**	**92,520**	**73,592**	**29,398**	**53,958**	**16,927**	**43,119**	**415,264**
Liabilities:									
Derivative financial liabilities	-	5	15	-	-	-	-	-	**20**
Amounts due to credit institutions	4,977	5,635	15,041	6,812	3,697	10,316	-	-	**46,478**
Amounts due to customers	28,768	81,617	100,258	69,127	7	1,363	-	-	**281,140**
Promissory notes and certificates of deposit issued	787	5,556	4,931	36	10	269	-	-	**11,589**
Other borrowed funds	-	-	980	3,959	-	5,884	-	-	**10,823**
Other liabilities	121	2,237	1,511	549	-	386	-	-	**4,804**
	34,653	**95,050**	**122,736**	**80,483**	**3,714**	**18,218**	**-**	**-**	**354,854**
Net position	**3,664**	**(27,617)**	**(30,216)**	**(6,891)**	**25,684**	**35,740**	**16,927**	**43,119**	**60,410**
Accumulated gap	**3,664**	**(23,953)**	**(54,169)**	**(61,060)**	**(35,376)**	**364**	**17,291**	**60,410**	

In the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above.

As of December 31, 2010 and 2009 the Bank had a total negative accumulated liquidity gap. The Bank's liquidity risk management policy seeks to ensure that any negative liquidity gaps can be maintained at a level that the Bank can comfortably fulfil. This policy prescribes the weekly monitoring of assets and liabilities behaviour, active management of their structure, and use of various treasury tools and methodologies.

The Treasury prepares cash and liquidity reports on a daily and weekly basis, respectively, regularly computes the volatility-related factors using statistical analyses, and provides management with various stress-test scenarios and recommendations. The results of those tests are considered weekly by the ALCO.

(Millions of Russian Rubles)

The Bank has credit lines with the Ministry of Finance of the Russian Federation and other financial institutions. Accordingly, the Bank in its liquidity forecasts estimates that the liquidity gaps in the tables above will be sufficiently covered by the undrawn credit line facilities from the CBR and other financial institutions.

Large accounts of legal entities are being managed on an individual basis. The Bank influences its liquidity situation through regular adjustments of the interest rates on funds borrowed and loaned.

Included in due to customers are term deposits of individuals. In accordance with the Russian legislation, the Bank is obliged to repay such deposits upon demand of a depositor. Refer to note 21.

The maturity profile of financial liabilities and credit related commitments at December 31, 2010 based on contractual undiscounted repayment obligations is as follows:

	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*More than 3 years*	*Total gross amount outflow/ (inflow)*	*Carrying amount*
Amounts due to credit institutions	9,084	4,144	18,669	5,817	14,535	**52,249**	**47,702**
Amounts due to customers	174,981	29,770	80,233	7,321	1,767	**294,072**	**285,870**
Promissory notes and certificates of deposit issued	947	4,261	1,984	323	8	**7,523**	**7,354**
Other borrowed funds	2,357	570	5,739	4,542	10,534	**23,742**	**14,975**
Other liabilities	172	2,808	44	-	-	**3,024**	**3,024**
Derivative financial instruments							
-inflow	*(1,136)*	*(799)*	*(421)*	-	-	*(2,356)*	*(123)*
-outflow	*1,121*	*748*	*364*	-	-	*2,233*	-
Total financial liabilities	**187,526**	**41,502**	**106,612**	**18,003**	**26,844**	**380,487**	**358,802**
Credit related commitments	**40,490**	**4,149**	**18,937**	**12,992**	**2,600**	**79,168**	**79,168**

The maturity profile of financial liabilities and credit related commitments at December 31, 2009 (restated) based on contractual undiscounted repayment obligations is as follows:

	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*More than 3 years*	*Total gross amount outflow/ (inflow)*	*Carrying amount*
Amounts due to credit institutions	8,648	1,913	19,247	15,102	14,872	**59,782**	**46,478**
Amounts due to customers	119,674	56,517	103,553	4,057	1,570	**285,371**	**281,140**
Promissory notes and certificates of deposit issued	2,007	4,432	5,319	42	616	**12,416**	**11,589**
Other borrowed funds	601	107	2,084	5,542	11,368	**19,702**	**10,823**
Other liabilities	121	1,992	1,512	494	-	**4,119**	**4,119**
Derivative financial instruments							
-inflow	*(952)*	*(8)*	*(1,067)*	-	-	*(2,027)*	*(93)*
-outflow	*919*	*8*	*1,027*	-	-	*1,954*	*20*
Total financial liabilities	**131,018**	**64,961**	**131,675**	**25,237**	**28,426**	**381,317**	**354,076**
Credit related commitments	**38,195**	**2,619**	**15,787**	**491**	**-**	**57,092**	**57,092**

Market risk

Market risk is the risk that the fair value of assets or future cash flows from financial instruments will diminish due to adverse changes in the interest rates, share prices or currency rates.

The Bank distinguishes the market risk related to trading activities in financial markets (**price risk** for equities and **fair value interest rate risk** for fixed income securities) and the market risk related to the structure of assets and liabilities (**currency risk** and **interest rate repricing risk**).

Market risk assessment methods

The Bank assesses market risk at both the overall level as well as of its components: the price, currency, fair value interest rate and interest rate repricing risks.

(Millions of Russian Rubles)

A **price risk** is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Bank takes a long or short position in a financial instrument.

A **fair value interest rate risk** is the risk that the fair values of fixed income securities decrease as a result of adverse changes in their prices.

Price risk and fair value interest rate risk are managed by setting exposure limits for different security portfolios, including position limits, concentration limits for different types of securities and individual issuers, as well as stop-loss limits. These limits are established by ALCO with the overall limit for exposure in securities submitted to the Management Board for approval. The Risk Management Department monitors security positions on a daily basis and submits weekly reports to ALCO outlining the composition of the securities portfolio, utilization of established limits (including any breaches).

Price risk and fair value interest rate risk are measured by performing sensitivity analysis on equities and fixed income securities that comprise the trading and designated at fair value through profit or loss and available-for-sale portfolios.

The sensitivity analysis results for trading and available-for-sale debt securities using the modified duration method and based on an assumption of 100 basis point decrease in interest rates for positions existing as at December 31, 2010 and 2009 are following:

Trading portfolio:	*Fair value December 31, 2010*	*Effect on net profit*	*Effect on equity*	*Fair value December 31, 2009 (Restated)*	*Effect on net profit*	*Effect on equity*
- Government and municipal bonds	**-**	**-**	**-**	**577**	**6**	**6**
Russian State bonds (OFZ)	-	-	-		6	6
- Corporate bonds and promissory notes	**3,806**	**14**	**14**	**1,425**	**15**	**15**
Corporate Promissory notes	3,802	14	14	784	2	2
Corporate Ruble bonds	4	-	-	378	1	1
Corporate Eurobonds	-	-	-	263	12	12

Available-for-sale portfolio:	*Fair value December 31, 2010*	*Effect on net profit*	*Effect on equity*	*Fair value December 31, 2009 (Restated)*	*Effect on net profit*	*Effect on equity*
- Government and municipal bonds	**2,831**	**-**	**35**	**11,221**	**-**	**361**
Government bonds of foreign countries	301	-	4	3,735	-	50
Russian State bonds (OFZ)	1,075	-	16	3,651	-	61
Municipal and government bonds	1,455	-	15	1,922	-	32
Treasury bills of foreign governments	-	-	-	1,913	-	218
- Corporate bonds	**16,993**	**-**	**419**	**12,221**	**-**	**158**
Corporate Ruble bonds	9,007	-	138	8,876	-	118
Corporate Eurobonds	7,986	-	281	3,345	-	40

An analysis of sensitivity of net profit for the year and equity to changes in equity securities prices based on positions existing as at December 31, 2010 and 2009 and a simplified scenario of a 5% change in all equity security prices is as follows:

	2010	*2009 (Restated)*	*2010*	*2009 (Restated)*
	Change in net profit		*Change in equity*	
Trading portfolio				
5% increase in equity securities prices	-	376	-	376
5% decrease in equity securities prices	-	(376)	-	(376)
Designated at fair value through profit or loss portfolio				
5% increase in equity securities prices	55	-	55	-
5% decrease in equity securities prices	(55)	-	(55)	-
Available-for-sale portfolio				
5% increase in equity securities prices	-	-	826	420
5% decrease in equity securities prices	-	-	(826)	(420)

(Millions of Russian Rubles)

Currency risk

Currency risk is the risk of a potential loss on the positions opened in foreign currencies or precious metals due to adverse changes in foreign exchange rates or the set prices of precious metals.

The exposure to currency risk as of December 31 is as follows:

	2010					*2009 (Restated)*				
	Rubles	*USD*	*EUR*	*Other*	*Total*	*Rubles*	*USD*	*EUR*	*Other*	*Total*
Assets:										
Cash and cash equivalents	60,583	13,749	9,414	258	**84,004**	36,495	8,817	14,944	318	**60,574**
Obligatory reserves with the CBR	3,097	-	-	-	**3,097**	3,063	-	-	-	**3,063**
Amounts due from credit institutions	2,131	2,863	448	-	**5,442**	934	1,586	1,523	-	**4,043**
Trading and designated at fair value through profit or loss securities	3,847	-	1,330	-	**5,177**	10,487	-	907	-	**11,394**
Available-for-sale securities	19,314	18,244	1,862	232	**39,652**	15,598	11,749	5,866	605	**33,818**
Held-to-maturity securities	1,113	-	-	-	**1,113**	2,227	918	-	-	**3,145**
Derivative financial assets	5	11	-	107	**123**	-	-	-	93	**93**
Assets held for sale	-	-	-	-	**-**	8,764	-	-	-	**8,764**
Loans to customers	160,089	38,731	7,968	-	**206,788**	151,970	54,170	10,233	-	**216,373**
Net investments in finance leases	5,482	4,851	2,533	-	**12,866**	7,471	8,534	4,957	-	**20,962**
Investment property	20,794	-	-	-	**20,794**	19,255	-	-	-	**19,255**
Property and equipment	12,210	-	-	-	**12,210**	12,087	-	-	-	**12,087**
Goodwill	4,527	-	-	-	**4,527**	4,527	-	-	-	**4,527**
Other assets	19,012	313	89	1,157	**20,571**	15,772	326	910	158	**17,166**
	312,204	**78,762**	**23,644**	**1,754**	**416,364**	**288,650**	**86,100**	**39,340**	**1,174**	**415,264**
Liabilities:										
Derivative financial liabilities	-	-	-	-	**-**	**-**	**-**	**-**	20	**20**
Amounts due to credit institutions	7,405	31,154	9,140	3	**47,702**	13,660	21,239	11,578	1	**46,478**
Amounts due to customers	219,852	46,351	17,546	2,121	**285,870**	189,040	62,867	27,088	2,145	**281,140**
Promissory notes and certificates of deposit issued	6,945	337	72	-	**7,354**	11,250	281	58	-	**11,589**
Other borrowed funds	14,975	-	-	-	**14,975**	10,823	-	-	-	**10,823**
Other liabilities	3,049	63	232	-	**3,344**	4,259	344	201	-	**4,804**
	252,226	**77,905**	**26,990**	**2,124**	**359,245**	**229,032**	**84,731**	**38,925**	**2,166**	**354,854**
Net recognised position	**59,978**	**857**	**(3,346)**	**(370)**	**57,119**	**59,618**	**1,369**	**415**	**(992)**	**60,410**
Net unrecognised position – derivatives	**(730)**	**(1,413)**	**1,412**	**731**	**-**	**(107)**	**(1,846)**	**-**	**1,953**	**-**
Commitments and contingencies	**69,985**	**12,493**	**1,443**	**-**	**83,921**	**49,176**	**11,152**	**780**	**-**	**61,108**

(Millions of Russian Rubles)

Treasury is responsible for day-to-day management and control of open positions in foreign currencies. An analysis of the sensitivity of profit or loss to the changes in the Ruble exchange rate (when other parameters remain unchanged) is given below:

	2010	*2009 (Restated)*	*2010*	*2009 (Restated)*
Currency	*Change in currency rate*		*Effect on profit before tax*	
USD	+5.0%	+5.0%	(28)	(24)
	-5.0%	-5.0%	28	24
EUR	+5.0%	+5.0%	(97)	21
	-5.0%	-5.0%	97	(21)
Other currencies	+5.0%	+5.0%	18	48
	-5.0%	-5.0%	(18)	(48)

The effect on profit before taxes is calculated on the basis of changes in the currency exchange rates that are applied to the sum of net recognised position and present value of net unrecognised position for derivatives.

Interest rate repricing risk

Interest repricing risk is the risk of a potential loss due to adverse changes in the market interest rates affecting the assets, liabilities and unrecognised positions sensitive to such changes, except for debt trading and available-for-sale securities.

The Treasury manages the interest rate risk on the basis of a gap-analysis and an analysis of the current level of the operating margin. Each week, the Treasury informs the ALCO about the level of interest rate risk.

An analysis of sensitivity of net interest income for the year and equity to interest rate repricing risk based on a simplified scenario of a 100 and 50 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at December 31, 2010 and 2009 is as follows:

Change in interest rates in basis points	*2010*	*2009 (Restated)*	*2010*	*2009 (Restated)*
	Sensitivity of net interest income		*Change in equity*	
+100	(729)	(801)	(583)	(641)
-100	729	801	583	641
+50	(365)	(400)	(292)	(320)
-50	365	400	292	320

Operational risk

Operational risk is the risk of direct or indirect losses arising from failures in internal processes, human errors, IT systems and technical failures or external events. This definition includes legal risk but does not include strategic and reputation risks.

Operational risk is managed by performing self-assessments throughout the departments with the purpose of identifying key operational risks improvement measures taken to reduce the risk level, as well as to formulate Key Risk Indicators. Information on events that generate operational risks is input into the Operational Risks Database, which can be used to analyze the general level of the operational risk and can provide statistical data for the quantitative methods of operational risk assessment.

(Millions of Russian Rubles)

32. Fair values of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of financial instruments as of December 31. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2010		2009 (Restated)	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	84,004	84,004	60,574	60,574
Amounts due from credit institutions	5,442	5,405	4,043	5,029
Trading and designated at fair value through profit or loss securities	5,177	5,177	11,394	11,394
Available-for-sale securities	39,652	39,652	33,818	33,818
Held-to-maturity securities	1,113	1,148	3,145	3,021
Derivative financial assets	123	123	93	93
Loans to customers	206,788	211,004	216,373	203,798
Net investments in finance leases	12,866	11,764	20,962	19,484
Financial liabilities				
Derivative financial liabilities	-	-	20	20
Amounts due to credit institutions	47,702	48,758	46,478	45,880
Amounts due to customers	285,870	290,625	281,140	279,763
Promissory notes and certificates of deposit issued	7,354	7,410	11,589	10,808
Other borrowed funds	14,975	18,075	10,823	11,586

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

(Millions of Russian Rubles)

Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value as of December 31, between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market, and those where the valuation techniques involves the use of non-market observable inputs.

	2010			
	Quoted market price	*Valuation techniques – market observable inputs*	*Valuation techniques- non-market observable inputs*	*Total*
Financial assets				
Trading and designated at fair value through profit or loss securities	3,806	-	1,371	**5,177**
Available-for-sale securities	31,301	-	8,351	**39,652**
Derivative financial assets	-	123	-	**123**

	2009 (Restated)			
	Quoted market price	*Valuation techniques – market observable inputs*	*Valuation techniques- non-market observable inputs*	*Total*
Financial assets				
Trading securities	2,002	9,392	-	**11,394**
Available-for-sale securities	31,674	-	2,144	**33,818**
Derivative financial assets	-	93	-	**93**
Financial liabilities				
Derivative financial liabilities	-	20	-	**20**

Movements within category of financial instruments where the valuation techniques involve the use of non-market observable inputs for the year ended December 31 are as follows:

	2010	*2009 (Restated)*
At January 1	**2,144**	**1,468**
Acquisitions	133	521
Transfer from financial instruments whose fair value is based on quoted market prices	67	-
Transfer from assets held for sale	8,011	-
Result from change in fair value and initial recognition	(633)	332
Disposals	-	(177)
At December 31	**9,722**	**2,144**

Fair values of illiquid financial instruments are based on pricing models that utilize market observable inputs or management's estimates of amounts to be realized on settlement, assuming current market conditions and an orderly disposition over a reasonable period of time.

The Bank utilizes a variety of security valuation models that are based on valuation techniques commonly used by market participants. The most frequently used models include analyses based on discounted cash flows, multiples of EV to EBITDA and revenues, and reference to the current fair value of another instrument that is substantially the same.

The following market-based assumptions are used by the management to estimate the fair values of unquoted financial instruments:

- multiples to EBITDA and revenues (depending on industry): 8 to 13 and 0.5 to 1.5, respectively
- discount rates of 14% to 20% - for discounting future cash flows of privately held investees
- discount rate of 16% for further discounting for the absence of the readily available market and illiquidity of shares.

(Millions of Russian Rubles)

Changes in the estimates above could effect the value of the unquoted financial instruments. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus 5%, the unquoted financial instruments valuation as of December 31, 2010 would be RUB 486 higher/lower (2009 - RUB 107).

The comparatives-based analyses involves selection of securities of a similar nature issued by the same-industry issuers and adjusting the resultant value for credit worthiness, size and scalability of the business, shareholders' support and other factors.

The estimates of fair values are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction at the reporting date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

33. Related party transactions

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party directly, or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, the entity; has an interest in the entity that gives it significant influence over the entity; the party is an associate of the entity; the party is a member of the key management personnel of the entity or its parent.

Related parties may enter into transactions on such terms and conditions that may not be effected between unrelated parties.

A significant volume of related party transactions are carried out by the Bank with other members of OJSC "Financial Corporation URALSIB" as the Bank plays an important role in the Group, providing a full range of financial and banking services. All members of OJSC "Financial Corporation URALSIB"are regarded as related parties since they represent entities under common control. Additionally, there are also other entities under common control that are not members of OJSC "Financial Corporation URALSIB".

The outstanding balances and the related average interest rates as at December 31, 2010 with the related parties are as follows:

	Companies of Financial Corporation Uralsib		*Other entities under common control*		*Key management personnel*	
	Value	*Average interest rate*	*Value*	*Average interest rate*	*Value*	*Average interest rate*
Assets						
Cash and cash equivalents						
– time deposits	-	-	1,015	5.78%	-	-
Amounts due from credit institutions, gross	-	-	2,892	6.45%	-	-
Available-for-sale securities						
– non-interest bearing	-	-	6,506	-	-	-
Loans to customers (gross)	1,798	8.25%	9,234	13.40%	25	10.53%
Less allowance for loan impairment	(23)	-	-	-	-	-
Loans to customers (net)	1,775	-	9,234	-	25	-
Other assets	2,997	-	2,768	-	-	-
Liabilities						
Amounts due to credit institutions						
– time deposits and loans	-	-	95	4.95%	-	-
– current accounts	-	-	277	-	-	-
Amounts due to customers						
– time deposits	3,031	5.49%	15,925	3.63%	-	-
– current accounts	3,207	-	4,884	-	-	-
Promissory notes and certificates of deposit issued	-	-	184	0.05%	-	-
Other borrowed funds	-	-	-	-	-	-
Other liabilities	155	-	18	-	-	-
Commitments and contingencies, gross	1,172	-	253	-	-	-

(Millions of Russian Rubles)

The outstanding balances and the related average interest rates as at December 31, 2009 (restated) with the related parties are as follows:

	Companies of Financial Corporation Uralsib		*Other entities under common control*		*Key management personnel*	
	Value	*Average interest rate*	*Value*	*Average interest rate*	*Value*	*Average interest rate*
Assets						
Cash and cash equivalents						
– time deposits	-	-	1,548	3.75%	-	-
– current accounts	-	-	1	-	-	-
Amounts due from credit institutions, gross	-	-	2,497	10.87%	-	-
Trading and designated at fair value through profit or loss securities						
– non-interest bearing	-	-	9,392	-	-	-
Available-for-sale securities						
– interest bearing	-	-	2,618	9.79%	-	-
– non-interest bearing	3	-	1	-	-	-
Assets held for sale	-	-	8,764	-	-	-
Loans to customers (gross)	4,953	11.71%	28,531	15.08%	84	10.73%
Less allowance for loan impairment	(34)	-	(21)	-	-	-
Loans to customers (net)	4,919	-	28,510	-	84	-
Other assets	1,348	-	2,270	-	-	-
Liabilities						
Amounts due to credit institutions						
– time deposits and loans	-	-	605	0.10%	-	-
– current accounts	-	-	80	-	-	-
Amounts due to customers						
– time deposits	3,161	4.10%	34,499	10.27%	89	9.65%
– current accounts	3,309	-	4,116	-	-	-
Promissory notes and certificates of deposit issued	-	-	912	16.10%	-	-
Other borrowed funds	22	16.49%	672	13.55%	-	-
Other liabilities	1	-	1,555	-	-	-
Commitments and contingencies, gross	3,953	-	322	-	2	-

(Millions of Russian Rubles)

The related profit or loss amounts of transactions with the related parties for the years ended December 31 are as follows:

	2010			2009 (Restated)		
	Companies of Financial Corporation Uralsib	Other entities under common control	Key management personnel	Companies of Financial Corporation Uralsib	Other entities under common control	Key management personnel
Interest income	328	4,473	53	514	4,522	15
Interest expense	(298)	(2,612)	(3)	(952)	(3,967)	(61)
Net (losses) gains from trading securities	-	(162)	-	-	2,547	-
Net realised gains (losses) from available-for-sale securities	357	4	-	(8)	2	-
Net losses (gains) from foreign currencies	(41)	5	-	136	38	-
Net losses from revaluation of assets held for sale	-	(753)	-	-	-	-
Net fee and commission income						
– Fees and commission income	44	48	-	6	44	-
– Fees and commission expenses	(772)	(67)	-	(534)	-	-
Net fee and commission income	(728)	(19)	-	(528)	44	-
Dividend income	-	587	-	-	-	-
Other operating income	-	60	-	-	17	-
Administrative and operating expenses – Occupancy and rent	310	48	-	462	45	-
Salaries and other short-term benefits	-	-	398	-	-	989
Social security costs	-	-	6	-	-	31

Management establishes the terms and conditions for transactions with related parties in the same way as for other clients.

34. Trust activities

The Bank provides custody, trustee and investment management service to third parties that involve the Bank making asset management, purchase and sales decisions in relation to a wide range of financial instruments. The assets that are held in a fiduciary capacity are not included in the Bank's financial statements. The trust assets as of December 31 comprise:

	2010	2009 (Restated)
Marketable securities	10,030	10,316
Other property	20	-
Settlement accounts with MICEX and brokerage houses	2	123
Cash	1	-
Trust assets	**10,053**	**10,439**

(Millions of Russian Rubles)

35. Capital adequacy

The primary objectives of the Bank's capital management are the following:

- full compliance with the capital requirements imposed by the CBR and Russian legislation
- maintaining the Bank's ability to continue as a going concern in order to maximize shareholder value and provide economic benefits to other parties
- ensuring that the amount of capital is sufficient for business expansion and development

Minimum capital requirement under Russian legislation

Federal laws "On Banks and Banking Activities" and "On the Central Bank of Russian Federation" require Russian banks to maintain, at all times, capital equal to at least 5 mln. Euros. The Bank complied with this requirement during the reporting periods.

Capital adequacy under Russian Accounting Legislation

Management constantly monitors the adequacy of capital and its compliance with regulatory capital requirements. The Bank uses rules and ratios established by CBR regulations. Necessary capital adequacy calculations required by Russian legislation are submitted to the CBR on a monthly basis.

The CBR requires banks to maintain a capital adequacy ratio of 10% with respect to risk-weighted assets, as computed in accordance with Russian Accounting Standards. As of December 31, 2010 and 2009, the Bank's CBR-defined capital adequacy ratio exceeded the required statutory minimum.

	2010[*]	*2009*[*] *(Restated)*
Main capital	32,442	30,315
Additional capital	18,813	16,655
Less deductions from capital	-	(11)
Total regulatory capital	**51,255**	**46,959**
Risk-weighted assets	**391,173**	**319,156**
Capital adequacy ratio	13.10%	14.71%

[*] The information presented in the table is based on separate statutory financial statements of Open joint stock company "BANK URALSIB" and is unaudited

(Millions of Russian Rubles)

Capital adequacy under the Basel Accord guidelines (the "Basel ratio")

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

1. Tier 1 capital is "core" bank capital and includes paid share capital (less the carrying value of treasury shares), non-controlling interests in the equity of subsidiaries and retained earnings (including their allocations to reserves), less certain deductions, such as goodwill.

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

In computing risk based capital, Tier 1 and Tier 2 capital amounts are reduced by post-acquisition changes in the Bank's share in net assets of associates.

The table below presents the composition of capital complying with Basel and discloses the capital adequacy ratio as of December 31, 2010 and 2009:

	2010	*2009 (Restated)*
Tier 1 capital	50,032	52,661
Tier 2 capital	16,180	16,784
Less investments in associates and shares of credit institutions	(130)	(134)
Total risk based capital	**66,082**	**69,311**
Risk-weighted assets:		
Recognised	329,101	349,345
Unrecognised	35,425	21,865
Total risk-weighted assets	**364,526**	**371,210**
Total capital	18.13%	18.67%
Tier 1	13.73%	14.19%

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the Basel Accord. As of December 31, 2010 and 2009, the Bank complied with Basel capital requirements.

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

As compared with 2009, the above policy of capital management remained unchanged.