Open joint stock company
“Asian-Pacific Bank”

Consolidated Financial Statements
for the year ended 31 December 2010

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Independent Auditors' Report

To the Board of Directors of OJSC "Asian-Pacific Bank"

We have audited the accompanying consolidated financial statements of OJSC "Asian-Pacific Bank" and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 were audited by other auditors whose report dated 1 April 2010 expressed an unmodified opinion on those statements.

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20 June 2011

	Notes	2010 RUB’000	2009 RUB’000
Interest income	4	4 618 365	2 759 513
Interest expense	4	(1 972 216)	(1 203 178)
Net interest income		**2 646 149**	**1 556 335**
Fee and commission income	5	594 089	303 446
Fee and commission expense		(96 407)	(64 807)
Net fee and commission income		**497 682**	**238 639**
Net gain on financial instruments at fair value through profit or loss		248 639	46 837
Net foreign exchange income	6	138 921	83 254
Net gain on operations with precious metals		24 331	10 960
Other operating income	7	235 775	192 854
Operating income		**3 791 497**	**2 128 879**
Impairment recovery/(losses)	8	532 239	(694 429)
Personnel expenses	9	(1 104 656)	(677 268)
Other general administrative expenses	10	(715 981)	(513 188)
Profit before income tax		**2 503 099**	**243 994**
Income tax expense	11	(524 833)	(72 463)
Profit for the period		**1 978 266**	**171 531**
Total comprehensive income		**1 978 266**	**171 531**

The consolidated financial statements as set out on pages 4 to 73 were approved by the Management board on 20 June 2011.

Mr. E.V. Aksenov
Chairman of the Board

Mr. O.V. Marinchenko
Chief Accountant

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Notes	2010 RUB’000	2009 RUB’000
ASSETS			
Cash		1 125 962	813 752
Placements with the Central Bank	12	2 817 189	1 378 708
Financial instruments at fair value through profit or loss	13	7 387 175	3 758 682
Available-for-sale financial assets	14	98 150	-
Due from banks	15	1 437 200	1 715 282
Amounts receivable under reverse repurchase agreements	16	5 726 883	315 283
Loans to customers	17	20 315 830	9 743 109
Net investments in finance leases	18	582 577	-
Current tax asset		23 456	-
Deferred tax asset	11	13 509	-
Property, equipment and intangible assets	19	1 891 758	1 474 910
Other assets	20	361 022	623 414
Total assets		**41 780 711**	**19 823 140**
LIABILITIES			
Derivative financial instruments	13	950	1 798
Deposits and balances from banks	21	1 722 893	541 628
Current accounts and deposits from customers	22	32 322 052	16 047 526
Promissory notes		1 518 137	208 208
Subordinated borrowings	23	156 610	155 414
Current tax liability		184 750	8 014
Deferred tax liability	11	214 467	142 662
Other liabilities	24	167 436	123 092
Total liabilities		**36 287 295**	**17 228 342**
EQUITY			
Share capital	25	562 312	395 522
Share premium		1 192 723	1 192 723
Retained earnings		3 738 381	1 006 553
Total equity		**5 493 416**	**2 594 798**
Total liabilities and equity		**41 780 711**	**19 823 140**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Notes	2010 RUB’000	2009 RUB’000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		4 653 796	3 008 019
Interest payments		(1 679 622)	(1 171 650)
Fee and commission receipts		684 965	303 446
Fee and commission payments		(96 407)	(64 808)
Net receipts from financial instruments at fair value through profit or loss		256 239	41 966
Net receipts from foreign exchange		163 580	54 067
Other income receipts		235 775	192 593
Net gain/(loss) on results with precious metals		24 331	(2 901)
Other general administrative expenses payments		(1 662 389)	(1 142 444)
(Increase) decrease in operating assets			
Obligatory reserves with the CBR		(80 758)	(88 130)
Financial instruments at fair value through profit or loss		(1 906 578)	(3 422 239)
Available-for-sale financial assets		(98 260)	39 500
Placements with banks		(204 905)	(32 540)
Amounts receivable under reverse repurchase agreements		(5 408 986)	(315 171)
Loans to customers		(7 256 884)	(1 500 748)
Net investments in finance leases		(180 179)	-
Other assets		499 832	(429 241)
Increase (decrease) in operating liabilities			
Deposits from banks		1 179 831	(707 495)
Current accounts and deposits from customers		9 819 930	6 376 043
Promissory notes		1 291 609	(240 811)
Other liabilities		95 078	(30 694)
Net cash provided from operating activities before income tax paid		**329 998**	**866 762**
Income tax paid		(336 142)	(20 155)
Cash flows from operations		**(6 144)**	**846 607**
CASH FLOWS FROM INVESTING ACTIVITIES			
Effect of business combinations, net of cash received	36	1 443 574	-
Purchases of property and equipment and intangible assets		(274 286)	(305 017)
Cash flows from (used in) investing activities		**1 169 288**	**(305 017)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution to shareholders		-	(28 000)
Cash flows used in financing activities		**-**	**(28 000)**
Net increase in cash and cash equivalents		**1 163 144**	**513 590**
Effect of changes in exchange rates on cash and cash equivalents		(16 240)	48 664
Cash and cash equivalents as at the beginning of the period		3 730 612	3 168 358
Cash and cash equivalents as at the end of the period	33	**4 877 516**	**3 730 612**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

RUB'000

	Share capital	Share premium	Retained earnings	Total equity
Balance as at 1 January 2009	**395 522**	**1 192 723**	**863 022**	**2 451 267**
Total comprehensive income				
Profit for the period	-	-	171 531	171 531
Total comprehensive income for the period	**-**	**-**	**171 531**	**171 531**
Transactions with owners, recorded directly in equity				
Distribution to shareholders	-	-	(28 000)	(28 000)
Total transactions with owners	**-**	**-**	**(28 000)**	**(28 000)**
Balance as at 31 December 2009	**395 522**	**1 192 723**	**1 006 553**	**2 594 798**
Balance as at 1 January 2010	395 522	1 192 723	1 006 553	2 594 798
Total comprehensive income				
Profit for the period	-	-	1 978 266	1 978 266
Total comprehensive income for the period	**-**	**-**	**1 978 266**	**1 978 266**
Transactions with owners, recorded directly in equity				
Business combinations (Note 36)	166 790	-	753 562	920 352
Total transactions with owners	**166 790**	**-**	**753 562**	**920 352**
Balance as at 31 December 2010	**562 312**	**1 192 723**	**3 738 381**	**5 493 416**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

1 Background

Organisation and operations

These consolidated financial statements include the financial statements of OJSC “Asian-Pacific Bank” (the Bank) and its subsidiary LLC “Expo-Leasing” (together referred to as the Group).

The Bank was established in the Russian Federation as a closed joint stock company in 1992 under the name Amurpromstroybank as a successor of Promstroybank of USSR which was founded in 1929. In 2006 the Bank was reorganised from a closed joint-stock company to an open joint stock company and renamed to Asian-Pacific Bank by decision of the shareholder’s meeting. The principal activities are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. 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.

The Bank has 158 branches from which it conducts business throughout the Russian Federation including Head office, 9 regional branches, 103 additional offices, 44 operational offices and 1 operational cash box. The registered address of the head-office is Blagoveshensk, 675000, Amurskaya Street, 225. The majority of the assets and liabilities are located in the Russian Federation.

As of 31 December 2010 the following shareholders held the issued shares of Open Joint Stock Company “Asian-Pacific Bank”:

Shareholder	2010 %	2009 %
LLC “PPFIN Region” (Russian Federation)	67.59	67.27
East Capital Explorer Financial Institutions Fund AB (Sweden)	17.91	17.50
International Financial Corporation (Russian Federation)	6.99	10.00
Aksenov E.V.	5.21	4.83
Others	2.30	0.40
Total:	**100.00**	**100.00**

The principal subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership % 2010	Ownership % 2009
LLC “Expo-Leasing”	Russian Federation	Leasing	100%	0%

On October 1, 2010 100% of shares of LLC “Expo-Leasing” was acquired by the Bank (note 36).

LLC “Expo-Leasing” was registered in 2002 in Russia. Its head-office is in Moscow and it has 5 branches (2009: 5) including 1 regional branch and 4 separate offices.

During 2009 LLC “PPFIN Region”, being a common majority shareholder for OJSC “Asian-Pacific Bank”, OJSC “Kamchatprombank” and OJSC “Kolyma-Bank”, decided to merge the operations of these entities and therefore granted full control over OJSC “Kamchatprombank” and OJSC “Kolyma-Bank” to OJSC “Asian-Pacific Bank”. The merger procedure occurred as at 7 May 2010. For additional information about the merger, see notes 25 and 36.

In 2010 the average number of employees was 2 244 (2009: 2 033).

Business environment

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 contraction in the capital and credit markets and its impact on the Russian economy has further increased the level of economic uncertainty in the environment. These consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

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 are measured at fair value.

Functional and presentation currency

The functional currency of the Bank and the subsidiary is the Russian Rouble (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 thousand.

Use of estimates and judgments

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following note:

- loan impairment estimates - note 17.

Changes in accounting policies and presentation

With effect from 1 January 2010, the Group changed its accounting policies in the following area:

- accounting for business combinations.

Accounting for business combinations

From 1 January 2010 the Group 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.

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

Acquisitions on or after 1 January 2010

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

The Group elects on transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the 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 Group 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 Group’s interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

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

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, and are applied consistently by Group entities, except those addresses changes in accounting policies.

Basis of consolidation

Business combinations

The Group changed its accounting policy with respect to accounting for business combinations. See note 2 for further details.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity 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 Group are accounted from the date of acquisition. The assets and liabilities acquired are recognised at their book values as recorded in the individual financial statements of the acquiree at the acquisition date. The components of equity of the acquired entities are added to the same components within the Group equity. Any cash paid for the acquisition is debited to equity.

Acquisitions and disposals of non-controlling interests

The Group changed its accounting policy with respect to accounting for acquisitions and disposals of non-controlling interests. See note 2 for further details.

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 are eliminated to the extent of the Group'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 on acquisitions of subsidiaries is included in intangible assets. 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.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. 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 is 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.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into presentation currency at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into presentation currency at spot exchange rates at the dates of the transactions.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the CBR and other banks and amounts due from credit institutions which mature within ninety days and are free from contractual encumbrances. The mandatory reserve deposit with the CBR is not considered to be a cash equivalent due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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

- the assets or liabilities are managed, evaluated and reported internally 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.

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

Management determines the appropriate classification of financial instruments in this category 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 the at fair value through profit or loss category. A financial asset that would have met the definition of loans and receivables may be reclassified out of the at 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 the 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.

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 Group:

- 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 Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss
- the Group designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative 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.

Recognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group 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.

All 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.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. 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.

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm’s length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When a transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

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 financial 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 financial asset is recognized 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 Group 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 Group 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 Group is recognised as a separate asset or liability in the statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Group 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 amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from 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 amounts receivable under reverse repo transactions within loans and advances to banks 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.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

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.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

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:

-	buildings	50 years
-	computers and equipment	5 years
-	fixtures and fittings	5 years
-	vehicles	5 years
-	computer software	5 years

Intangible assets

Acquired intangible assets 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.

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.

Impairment

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans, promissory notes designated as financial instruments at fair value through profit or loss and other receivables (loans and receivables). The Group 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 Group 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 Group 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 Group 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 Group uses its experience and judgement to estimate the amount of any impairment loss.

All 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 Group 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 financial 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.

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is 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.

All 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. An impairment loss in respect of goodwill is not reversed.

Provisions

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

A provision for restructuring is recognised when the Group 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 Group 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 Group 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.

Loan commitments are not recognised, except for the followings:

- loan commitments that the Group designates as financial liabilities at fair value through profit or loss

- if the Group has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments

- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument.

- commitments to provide a loan at a below-market interest rate.

Share capital

Ordinary shares

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.

Preference share capital

Preference share capital that is non-redeemable and carries no mandatory dividends is classified as equity.

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 Group 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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: 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 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. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by 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.

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.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Hyperinflation accounting

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

Segment reporting

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

Comparative information

Certain changes in the presentation of certain financial statement captions were made during 2010 in order to better present the substance of the underlying transactions.

The most significant is that, with effect from 1 January 2010, the Group presents refunded losses (interest and commissions on loans recognized and then written-off) as a deduction from interest income in the statement of comprehensive income. The Group previously presented refunded losses within other expenses in statement of comprehensive income for the year ended 31 December 2009. As a result, an amount of RUB 108,662 thousand has been reclassified from other expenses to interest income in the comparative consolidated statement of financial position, to conform to the 2010 presentation.

The following is a summary of all reclassifications made to the consolidated statement of financial position and consolidated statement of comprehensive income for the year ended 31 December 2009 to conform to the 2010 presentation:

	As previously reported	Effect of reclassifications	As adjusted
Consolidated Statement of Financial Position for the year ended 31 December 2009			
ASSETS			
Property, plant and equipment	1 397 941	76 969	1 474 910
Intangible assets	76 969	(76 969)	-
Non-current assets held for sale	1 691	(1 691)	-
Other assets	621 723	1 691	623 414
LIABILITIES			
Amounts due to budget and non-budget funds	5 151	(5 151)	-
Other liabilities	117 941	5 151	123 092
Consolidated Statement of Comprehensive Income for the year ended 31 December 2009			
Interest income	2 868 175	(108 662)	2 759 513
Impairment loss on loans	(698 401)	3 972	(694 429)
Impairment loss on other assets	3 972	(3 972)	-
Personnel expenses	-	(677 268)	(677 268)
Other general administrative expenses	(1 177 893)	664 705	(513 188)
Other expenses	(121 225)	121 225	-

Adoption of new or revised standards and interpretations and new accounting policies

Starting from 1 January 2010 the Group adopted IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009) which introduces the management approach to segment reporting and requires the disclosure of segment information based on the internal reports regularly reviewed by the chief operating decision maker in order to assess each segment's performance and to allocate resources to them.

New standards and interpretations not yet adopted

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

The Group has not yet analysed the likely impact of the new standards on its financial position or performance.

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

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

	2010 RUB'000	2009 RUB'000
Interest income		
Loans to customers	3 967 430	2 557 791
Financial instruments at fair value through profit or loss	463 610	121 233
Loans and advances to banks	120 795	70 604
Net investment in finance leases	64 299	-
Available-for-sale financial assets	1 858	-
Cash	373	9 885
	4 618 365	**2 759 513**
Interest expense		
Current accounts and deposits from customers	1 837 409	1 047 889
Deposits and balances from banks	68 452	103 756
Promissory notes	49 649	33 986
Subordinated borrowings	16 706	17 547
	1 972 216	**1 203 178**

5 Fee and commission income

	2010 RUB’000	2009 RUB’000
Settlement fees	421 936	255 826
Guarantee and letter of credit issuance	57 034	25 171
Accounts opening and maintenance	41 591	16 750
Other	73 528	5 699
	594 089	**303 446**

6 Net foreign exchange income

	2010 RUB’000	2009 RUB’000
Gain on spot transactions and derivatives	163 580	170 340
Loss from revaluation of financial assets and liabilities	(24 659)	(87 086)
	138 921	**83 254**

7 Other operating income

	2010 RUB’000	2009 RUB’000
Penalties on loans issued	150 660	150 954
Rental income	20 675	12 645
Income from trust management	6 955	-
Other income	57 485	29 255
	235 775	**192 854**

8 Impairment recovery (loss)

	2010 RUB’000	2009 RUB’000
Loans to customers	501 139	(698 401)
Net investments in finance leases	(10 629)	-
Other assets	41 729	3 972
	532 239	**(694 429)**

9 Personnel expenses

	2010 RUB’000	2009 RUB’000
Employee compensation	931 343	567 346
Payroll related taxes	173 313	109 922
	1 104 656	**677 268**

10 Other general administrative expenses

	2010 RUB’000	2009 RUB’000
Taxes other than on income	108 005	117 024
Depreciation and amortization	106 187	77 535
Repairs and maintenance	89 958	44 240
Rent	79 170	45 102
Write-off of materials and loss on disposals of assets	67 247	44 619
Communications and information services	59 509	63 878
Insurance	57 084	31 862
Advertising and marketing	50 968	25 769
Security	31 516	26 445
Travel expenses	17 055	10 375
Fines and penalties	6 256	1 423
Professional services	3 384	2 995
Other	39 642	21 921
	715 981	**513 188**

11 Income tax expense

	2010 RUB’000	2009 RUB’000
Current tax expense		
Current year	489 422	10 959
Origination and reversal of temporary differences	35 411	61 504
Total income tax expense	**524 833**	**72 463**

In 2010, applicable tax rate for current and deferred tax is 20% (2009: 20%).

Reconciliation of effective tax rate:

	2010 RUB'000	%	2009 RUB'000	%
Profit before tax	**2 503 099**		**243 994**	
Income tax at the applicable tax rate	500 620	20.0%	48 799	20.0%
Non-deductible costs	27 323	1.1%	25 222	10.3%
Income taxed at lower tax rates	(3 110)	(0.1%)	(1 558)	(0.6%)
	524 833	**21.0%**	**72 463**	**29.7%**

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets and liabilities as at 31 December 2010 and 2009. Net deferred tax liabilities have been recognised in these consolidated financial statements.

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

2010 **RUB'000**	**Balance 1 January 2010**	**Recognised in profit or loss**	**Recognised in business combinations**	**Balance 31 December 2010**
Due from banks	-	(3 738)	-	(3 738)
Financial instruments at fair value through profit or loss	3 138	(12 925)	(1 092)	(10 879)
Derivative financial instruments	360	(904)	-	(544)
Amounts receivable under reverse repurchase agreements	-	(2 575)	-	(2 575)
Loans to customers	(87 374)	14 357	(26 742)	(99 759)
Net investment in finance leases	-	650	11 779	12 429
Property and equipment	(84 682)	8 034	(22 178)	(98 826)
Other assets	14 261	(19 411)	5 150	-
Current accounts and deposits from customers	1 030	(6 884)	-	(5 854)
Promissory notes	(4 714)	4 714	-	-
Other liabilities	15 319	(16 729)	10 198	8 788
	(142 662)	**(35 411)**	**(22 885)**	**(200 958)**

2009 **RUB'000**	**Balance 1 January 2009**	**Recognised in profit or loss**	**Balance 31 December 2009**
Financial instruments at fair value through profit of loss	3 446	(308)	3 138
Derivative financial instruments	-	360	360
Loans to customers	(15 133)	(72 241)	(87 374)
Property and equipment	(75 552)	(9 130)	(84 682)
Other assets	(19)	14 280	14 261
Current accounts and deposits from customers	1 683	(653)	1 030
Promissory notes	(4 933)	219	(4 714)
Other liabilities	9 350	5 969	15 319
	(81 158)	**(61 504)**	**(142 662)**

12 Placements with the Central Bank

	2010 RUB'000	**2009 RUB'000**
Nostro accounts	1 895 727	1 276 042
Term deposits	700 058	-
Minimum reserve deposit	221 404	102 666
Total placements with the Central Bank	**2 817 189**	**1 378 708**

13 Financial instruments at fair value through profit or loss

	2010 RUB'000	2009 RUB'000
ASSETS		
Debt and other fixed-income instruments		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ)	200 362	243 446
Regional authorities and municipal bonds	-	304 905
Total government and municipal bonds	**200 362**	**548 351**
- Corporate bonds		
rated from BB- to BB+	2 401 541	733 681
rated below B+	361 275	24 326
not rated	388 646	-
Total corporate bonds	**3 151 462**	**758 007**
- Promissory notes		
rated from BB- to BB+	2 361 941	1 005 321
rated below B+	1 520 089	1 446 506
not rated	143 401	-
Total promissory notes	**4 025 431**	**2 451 827**
Equity investments		
Corporate shares	6 251	-
Total equity investments	**6 251**	**-**
Derivative financial instruments		
Foreign currency contracts	3 669	497
	7 387 175	**3 758 682**
LIABILITIES		
Derivative financial instruments		
Foreign currency contracts	950	1 798
	950	**1 798**

No financial assets at fair value through profit or loss are past due.

Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of forward exchange contracts outstanding at 31 December 2010 and at 31 December 2009 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contractual exchange rates	
	2010 RUB'000	**2009 RUB'000**	**2010**	**2009**
Buy USD sell RUB				
Less than 3 months	488 152	4 544	30.51	30.29
Sell USD buy RUB				
Less than 3 months	-	892 204	-	30.18
Buy Euros sell RUB				
Less than 3 months	161 368	7 289	40.34	43.43
Buy Gold sell RUB				
Less than 3 months	435 752	-	1 372.74	-
Sell Gold buy RUB				
Less than 3 months	-	580 460	-	1 063.23
	1 085 272	**1 484 497**		

14 Available-for-sale financial assets

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

	2010 RUB'000	2009 RUB'000
Debt and other fixed-income instruments		
- Corporate bonds		
rated from BB- to BB+	46 308	-
rated below B+	51 842	-
Total corporate bonds	**98 150**	**-**

Available-for-sale investments comprise corporate bonds in the investment industry and corporate bonds under trust management.

15 Due from banks

	2010 RUB'000	2009 RUB'000
Nostro accounts		
- Other Russian banks	224 702	224 426
- OECD banks	121 733	857 721
- Other foreign banks	22 414	65 588
- Largest 30 Russian banks	5 539	91 814
Total nostro accounts	**374 388**	**1 239 549**
Term deposits		
- OECD banks	785 591	-
- Largest 30 Russian banks	180 000	300 000
- Other Russian banks	97 221	175 733
Total term deposits	**1 062 812**	**475 733**
	1 437 200	**1 715 282**

None of due from banks balances are impaired or past due.

As at 31 December 2010 the Group has no banks (2009: three banks), whose balances exceed 10% of equity. The gross value of such balances as at 31 December 2009 was RUB 1 068 138 thousand.

16 Amounts receivable under reverse repurchase agreements

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

	Corporate bonds	Municipal bonds	Total
Amounts receivable under reverse repurchase agreements			
- Other Russian banks	3 735 751	762 369	4 498 120
- Other financial institutions	698 950	90 860	789 810
- Largest 30 Russian banks	398 953	40 000	438 953
	4 833 654	**893 229**	**5 726 883**

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

	Corporate bonds	Municipal bonds	Total
Amounts receivable under reverse repurchase agreements			
- Other Russian banks	315 283	-	315 283
	315 283	**-**	**315 283**

None of amounts receivable under reverse repurchase agreements are impaired or past due.

17 Loans to customers

	2010 RUB'000	2009 RUB'000
Loans to corporate customers	**8 953 023**	**4 267 795**
Loans to retail customers		
Consumer loans	11 679 377	6 485 485
Mortgage loans	1 483 422	921 899
Total loans to retail customers	**13 162 799**	**7 407 384**
Gross loans to customers	22 115 822	11 675 179
Impairment allowance	(1 799 992)	(1 932 070)
Net loans to customers	**20 315 830**	**9 743 109**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2010 are as follows:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Balance at the beginning of the year	**558 176**	**1 373 894**	**1 932 070**
Business combinations	191 063	321 219	512 282
Net recovery	(427 605)	(73 534)	(501 139)
Write-offs	(24 801)	(118 420)	(143 221)
Balance at the end of the year	**296 833**	**1 503 159**	**1 799 992**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2009 are as follows:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Balance at the beginning of the year	**268 415**	**993 295**	**1 261 710**
Net charge	289 761	408 640	698 401
Write-offs	-	(28 041)	(28 041)
Balance at the end of the year	**558 176**	**1 373 894**	**1 932 070**

As at 31 December 2010, interest accrued on impaired loans amount to RUB 235 973 thousand (31 December 2009: RUB 138 884 thousand).

Credit quality of loans to customers

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

	Gross loans RUB'000	Impairment allowance RUB'000	Net loans RUB'000	Impairment allowance to gross loans, %
Loans to corporate customers				
Loans without individual signs of impairment	7 086 605	(148 292)	6 938 313	2.09%
Watch list loans	1 324 770	(27 722)	1 297 048	2.09%
Impaired loans:				
- not overdue	227 987	(26 741)	201 246	11.73%
- overdue less than 90 days	141	(141)	-	100.00%
- overdue more than 90 days and less than 1 year	62 439	(16 961)	45 478	27.16%
- overdue more than 1 year	251 081	(76 976)	174 105	30.66%
Total impaired loans	**541 648**	**(120 819)**	**420 829**	**22.31%**
Total loans to corporate customers	**8 953 023**	**(296 833)**	**8 656 190**	**3.32%**
Loans to retail customers				
Consumer loans				
- not overdue	9 391 592	(44 030)	9 347 562	0.47%
- overdue less than 30 days	175 254	(13 229)	162 025	7.55%
- overdue 30-89 days	138 001	(40 331)	97 670	29.23%
- overdue 90-179 days	222 739	(116 679)	106 060	52.38%
- overdue more than 180 days	1 751 791	(1 256 146)	495 645	71.71%
Total consumer loans	**11 679 377**	**(1 470 415)**	**10 208 962**	**12.59%**
Mortgage loans				
- not overdue	1 429 805	(1 767)	1 428 038	0.12%
- overdue less than 30 days	3 917	(327)	3 590	8.35%
- overdue 30-89 days	10 503	(1 605)	8 898	15.28%
- overdue 90-179 days	4 488	(2 478)	2 010	55.21%
- overdue more than 180 days	34 709	(26 567)	8 142	76.54%
Total mortgage loans	**1 483 422**	**(32 744)**	**1 450 678**	**2.21%**
Total loans to retail customers	**13 162 799**	**(1 503 159)**	**11 659 640**	**11.42%**
Total loans to customers	**22 115 822**	**(1 799 992)**	**20 315 830**	**8.14%**

The following table provides information on the credit quality of the loans to customers portfolio as at 31 December 2009:

	Gross loans RUB’000	Impairment allowance RUB’000	Net loans RUB’000	Impairment allowance to gross loans, %
Loans to corporate customers				
Loans without individual signs of impairment	1 978 930	(148 773)	1 830 157	7.52%
Watch list loans	1 548 978	(116 419)	1 432 559	7.52%
Impaired loans:				
- not overdue	173 343	(10 838)	162 505	6.25%
- overdue less than 90 days	29 110	(12 753)	16 357	43.81%
- overdue more than 90 days and less than 1 year	472 329	(216 305)	256 024	45.80%
- overdue more than 1 year	65 105	(53 088)	12 017	81.54%
Total impaired loans	**739 887**	**(292 984)**	**446 903**	**39.60%**
Total loans to corporate customers	**4 267 795**	**(558 176)**	**3 709 619**	**13.08%**
Loans to retail customers				
Consumer loans				
- not overdue	4 648 443	(47 396)	4 601 047	1.02%
- overdue less than 30 days	153 190	(34 924)	118 266	22.80%
- overdue 30-89 days	178 455	(61 037)	117 418	34.20%
- overdue 90-179 days	102 109	(56 692)	45 417	55.52%
- overdue more than 180 days	1 403 288	(1 144 846)	258 442	81.58%
Total consumer loans	**6 485 485**	**(1 344 895)**	**5 140 590**	**20.74%**
Mortgage loans				
- not overdue	826 721	(141)	826 580	0.02%
- overdue less than 30 days	19 996	(157)	19 839	0.79%
- overdue 30-89 days	28 493	(1 240)	27 253	4.35%
- overdue 90-179 days	16 315	(4 682)	11 633	28.70%
- overdue more than 180 days	30 374	(22 779)	7 595	75.00%
Total mortgage loans	**921 899**	**(28 999)**	**892 900**	**3.15%**
Total loans to retail customers	**7 407 384**	**(1 373 894)**	**6 033 490**	**18.55%**
Total loans to customers	**11 675 179**	**(1 932 070)**	**9 743 109**	**16.55%**

Key assumptions and judgments for estimating loan impairment

Loans to corporate customers

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment for loans to corporate customers include the following:

- overdue payments under the loan agreement
- significant difficulties in the financial conditions of the borrower
- deterioration in business environment, negative changes in the borrower’s markets

The Group estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

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

- the principal collateral taken into account in the estimation of future cash flows comprises reliable collateral, mainly real estate. Valuations for real estate have been discounted by 10-20 percent depending on type of the real estate to reflect current market conditions and costs to sell.
- a delay of 12 to 24 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to legal entities as at 31 December 2010 would be RUB 86 562 thousand lower/higher (2009: RUB 37 096 thousand lower/higher).

Loans to retail customers

The Group estimates loan impairment for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the impairment losses for loans to retail customers include:

- loss migration rates are constant and estimated based on historic loss migration pattern for the past 24 months;
- the historic actual recovery rate of loans overdue more than 180 days has been taken into account when estimating future recoveries on overdue loans.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the impairment allowance on loans to individuals as at 31 December 2010 would be RUB 349 789 thousand lower/higher (31 December 2009: RUB 181 005 thousand).

Analysis of collateral

Loans to corporate customers

The following table provides an analysis of loans to corporate customers, net of impairment, by types of collateral as at 31 December 2010:

	2010 RUB’000	% of loan portfolio	2009 RUB’000	% of loan portfolio
Real estate	3 748 089	43.30%	1 173 912	31.64%
Corporate and personal guarantees	1 295 243	14.96%	278 019	7.49%
Equipment	531 781	6.14%	270 700	7.30%
Goods in turnover	515 944	5.96%	30 415	0.82%
Securities	513 887	5.94%	139 424	3.76%
Motor vehicles	336 115	3.88%	141 913	3.83%
Promissory notes issued by the Bank	163 743	1.89%	-	0.00%
Other collateral	379 607	4.39%	262 554	7.08%
No collateral	1 171 781	13.54%	1 412 682	38.08%
	8 656 190	**100.00%**	**3 709 619**	**100.00%**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

Impaired or overdue loans to corporate customers with a gross value of RUB 493 862 thousand (2009: RUB 623 421 thousand) are secured by collateral with a fair value of RUB 554 804 thousand (2009: RUB 985 599 thousand). For the remaining impaired loans of RUB 47 786 thousand (2009: RUB 116 466 thousand), there is no collateral or it is impracticable to determine the fair value of collateral.

During the year ended 31 December 2010 the Group did not obtain any assets by taking control of collateral securing loans to corporate customers (2009: nil).

Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. Consumer loans are not secured. Management believes that it is impracticable to estimate the fair value of collateral held in respect of loans to retail customers.

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation who operate in the following economic sectors:

	2010 RUB'000	2009 RUB'000
Wholesale and retail trade	3 419 861	919 931
Fishery	725 304	55 332
Real estate	710 022	741 518
Construction	618 297	555 575
Local authorities and municipal enterprises	562 227	284 957
Services	536 277	424 398
Insurance	462 230	210 373
Production	439 949	171 994
Energy	332 892	2 347
Mining	209 675	128 432
Investment activities	158 496	416 722
Other	777 793	356 216
Individuals	13 162 799	7 407 384
	22 115 822	**11 675 179**
Impairment allowance	(1 799 992)	(1 932 070)
	20 315 830	**9 743 109**

Significant credit exposures

As at 31 December 2010 the Group has no borrowers or groups of connected borrowers whose loan balances exceed 10% of equity (31 December 2009: no borrowers).

18 Net investments in finance leases

Net investments in finance leases as of 31 December 2010 comprise:

	2010 RUB’000	2009 RUB’000
Gross investments in finance leases	885 766	-
Less unearned finance lease income	(262 536)	-
	623 230	-
Less allowance for impairment	(40 653)	-
Net investments in finance leases	**582 577**	-

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

Future minimum lease payments to be received following 31 December 2010 are disclosed below:

	2010 RUB’000	2009 RUB’000
Within 1 year	357 759	-
From 1 to 5 years	490 887	-
More than 5 years	37 120	-
Minimum lease payments receivable	**885 766**	-

Gross investment in leases as of 31 December 2010 is receivable in the following currencies:

	2010 RUB’000	2009 RUB’000
RUB	823 803	-
USD	36 835	-
EUR	25 128	-
Gross investments in finance leases	**885 766**	-

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2010 are as follows:

	RUB’000
Balance at the beginning of the year	-
Net charge	10 629
Business combination	30 024
Balance at the end of the year	**40 653**

19 Property, equipment and intangible assets

RUB'000	**Land and buildings**	**Leasehold improvements**	**Computers and equipment**	**Fixtures and fittings**	**Vehicles**	**Intangible assets**	**Construction in progress**	**Total**
Cost								
Balance at 1 January 2010	1 233 431	33 053	196 480	180 814	11 059	89 247	99 036	1 843 120
Acquisitions through business combination	209 833	-	189 231	31 473	10 187	-	-	440 724
Additions	91 851	-	34 047	758	10 075	7 701	141 680	286 112
Disposals	-	(27 765)	(50 450)	(175 138)	(938)	-	-	(153 391)
Transfers	93 415	-	-	-	-	-	(93 415)	-
At 31 December 2010	**1 628 530**	**5 288**	**470 208**	**37 907**	**30 383**	**96 948**	**147 301**	**2 416 565**
Depreciation and impairment losses								
Balance at 1 January 2010	95 039	3 031	99 678	152 815	5 369	12 278	-	368 210
Acquisitions through business combinations	47 628	-	118 336	6 103	6 304	-	-	178 371
Depreciation for the year	29 481	106	54 389	782	3 756	17 673	-	106 187
Disposals	-	(2 669)	(279)	(124 119)	(894)	-	-	(127 961)
Balance at 31 December 2010	**172 148**	**468**	**272 124**	**35 581**	**14 535**	**29 951**	**-**	**524 807**
Carrying amounts								
At 31 December 2010	**1 456 382**	**4 820**	**198 084**	**2 326**	**15 848**	**66 997**	**147 301**	**1 891 758**
At 31 December 2009	**1 138 392**	**30 022**	**96 802**	**27 999**	**5 690**	**76 969**	**99 036**	**1 474 910**

There are no capitalised borrowing costs related to the acquisition or construction of property, plant and equipment during 2010 (2009: nil).

RUB’000	Land and buildings	Leasehold improvements	Computers and equipment	Fixtures and fittings	Vehicles	Intangible assets	Construction in progress	Total
Cost								
Balance at 1 January 2009	1 088 440	30 792	148 433	179 178	10 341	59 062	24 499	1 540 745
Additions	122 168	2 261	51 000	2 336	718	30 322	97 360	306 165
Disposals	-	-	(2 953)	(700)	-	(137)	-	(3 790)
Transfers	22 823	-	-	-	-	-	(22 823)	-
At 31 December 2009	**1 233 431**	**33 053**	**196 480**	**180 814**	**11 059**	**89 247**	**99 036**	**1 843 120**
Depreciation and impairment losses								
Balance at 1 January 2009	71 565	1 445	68 647	142 271	3 588	6 047	-	293 563
Depreciation for the year	23 474	1 586	33 303	11 023	1 781	6 368	-	77 535
Disposals	-	-	(2 272)	(479)	-	(137)	-	(2 888)
Balance at 31 December 2009	**95 039**	**3 031**	**99 678**	**152 815**	**5 369**	**12 278**	**-**	**368 210**
Carrying amounts								
At 31 December 2009	**1 138 392**	**30 022**	**96 802**	**27 999**	**5 690**	**76 969**	**99 036**	**1 474 910**
At 1 January 2009	**1 016 875**	**29 347**	**79 786**	**36 907**	**6 753**	**53 015**	**24 499**	**1 247 182**

20 Other assets

	2010 RUB'000	2009 RUB'000
Other receivables	91 393	19 708
Precious metals	-	579 963
Impairment allowance	-	(5 899)
Total other financial assets	**91 393**	**593 772**
Prepayments	115 457	29 744
Finance lease prepayments	95 645	-
Materials and supplies	14 713	3 920
Other	43 814	5 184
Impairment allowance	-	(9 206)
Total other non-financial assets	**269 629**	**29 642**
Total other assets	**361 022**	**623 414**

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the year ended 31 December 2010 are as follows:

	Other financial assets RUB'000	Other non-financial assets RUB'000	Total RUB'000
Balance at the beginning of the year	5 899	9 206	15 105
Business combination	-	26 624	26 624
Net recovery	(5 899)	(35 830)	(41 729)
Balance at the end of the year	**-**	**-**	**-**

Movements in the impairment allowance for the year ended 31 December 2009 are as follows:

	Other financial assets RUB'000	Other non-financial assets RUB'000	Total RUB'000
Balance at the beginning of the year	-	19 077	19 077
Net charge (recovery)	5 899	(9 871)	(3 972)
Balance at the end of the year	**5 899**	**9 206**	**15 105**

21 Deposits and balances from banks

	2010 RUB'000	2009 RUB'000
Vostro accounts	26 550	234 201
Term deposits	1 696 343	307 427
	1 722 893	**541 628**

As at 31 December 2010 the Group has one bank (2009: two banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2010 are RUB 1 001 545 thousand (2009: RUB 527 760 thousand).

Covenants

As at 31 December 2010, the Group has a term deposit amounting to RUB 1 001 545 thousand that is repayable on 23 December 2013 (31 December 2009: no deposits). According to the terms of the agreement, the Group is subject to a debt covenant stating that funds should be spent on loans issuing to small and medium size entities. The Bank should comply all ratios of CBR and the N1 ratio should be not less than 10.1%.

As at 31 December 2010, the Group has term deposits amounting to RUB 427 358 thousand that are repayable on 16 February 2015 (31 December 2009: RUB 302 327 thousand). According to the terms of agreement, the Group is subject to a debt covenant stating that funds should be used for issuing loans to small and medium size entities and at the end of each year should comply with a number of financial and non-financial covenants.

During 2010 the Group did not breach covenants stated above.

22 Current accounts and deposits from customers

	2010 RUB'000	**2009 RUB'000**
Current accounts and demand deposits		
- Retail	2 335 274	817 332
- Corporate	7 228 868	4 127 863
Term deposits		
- Retail	18 432 463	9 497 932
- Corporate	4 325 447	1 604 399
	32 322 052	**16 047 526**

As at 31 December 2010, the Group has one customer (2009: one customer), whose balance exceeds 10% of equity. This balance as at 31 December 2010 is RUB 584 849 thousand (31 December 2009: RUB 1 150 504 thousand).

23 Subordinated borrowings

	2010 RUB'000	**2009 RUB'000**
Subordinated deposit	156 610	155 414
	156 610	**155 414**

As at 31 December 2010 subordinated borrowings comprise loans received from a related party maturing in 2011 (2009: 2011) and carry an annual interest rate of 11% (2009: 11%). In case of bankruptcy, the repayment of the subordinated borrowings will be made after repayment in full of all other liabilities of the Group.

24 Other liabilities

	2010 RUB’000	2009 RUB’000
Settlements with creditors	71 489	33 228
Settlements with employees	50 589	75 092
Provision for guarantees and letters of credit issued	40 237	-
Other taxes payable	1 617	14 277
Other non-financial liabilities	3 504	495
	167 436	**123 092**

25 Share capital

Issued capital and share premium

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

	Ordinary Shares (thousands)	Nominal amount, RUB’000	Inflation adjustment, RUB’000	Total, RUB’000
Balance as at 1 January 2009	**3 459 821 429 500**	**387 500**	**8 022**	**395 522**
Ordinary shares	3 459 821 429 250	387 500	8 022	395 522
Preferred shares	250	-	-	-
Balance as at 1 January 2010	**3 459 821 429 500**	**387 500**	**8 022**	**395 522**
Ordinary shares	3 459 821 429 250	387 500	8 022	395 522
Preferred shares	250	-	-	-
Issue of ordinary shares related to business combination with Kamchatprombank	1 033 878 849 532	115 794	-	115 794
Issue of ordinary shares related to business combination with Kolyma-Bank	455 319 541 907	50 996	-	50 996
Balance as at 31 December 2010	**4 949 019 820 939**	**554 290**	**8 022**	**562 312**

On 7 May 2010 the Bank completed business combinations with OJSC “Kamchatprombank” and OJSC “Kolyma-Bank”. As a result of the merger these two banks ceased to exist and all their business operations, assets, and liabilities have been incorporated into OJSC “Asian-Pacific Bank”.

The combination was conducted as follows. As of 31 December 2009 LLC “PPFIN Region” owned 67.27% of ordinary shares of OJSC “Asian-Pacific Bank”, 62.91% of OJSC “Kamchatprombank” and 70.75% of OJSC “Kolyma-Bank”.

In May 2010, OJSC “Asian-Pacific Bank” entered into a merger agreement with shareholders of OJSC “Kamchatprombank” and OJSC “Kolyma-Bank”. In accordance with the merger agreement all outstanding ordinary shares of OJSC “Kamchatprombank” and OJSC “Kolyma-Bank” have been exchanged with the common shares of OJSC “Asian-Pacific Bank”. The established conversion rate was approved by all parties of the merger agreement as follows:

- 1 ordinary share of OJSC “Asian-Pacific Bank” for each 0.000000030699205 shares of OJSC “Kamchatprombank”
- 1 ordinary share of OJSC “Asian-Pacific Bank” for each 0.000000003675479 shares of OJSC “Kolyma-Bank”

As a result of this conversion, a total of 13 977 866 ordinary shares of OJSC "Kamchatprombank" were exchanged for 455 319 541 907 276 of newly-issued ordinary shares of OJSC "Asian-Pacific Bank" and a total of 3 800 000 ordinary shares of OJSC "Kolyma-Bank" were exchanged for 1 033 878 849 532 260 of newly issued ordinary shares of OJSC "Asian-Pacific Bank". The share capital of OJSC "Asian-Pacific Bank" increased by RUB 166 790 thousand.

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 Roubles and they are entitled to dividends and any capital distribution in Russian Roubles.

26 Earnings per share

	2010 RUB'000	2009 RUB'000
Earnings per share		
Basic earnings per share	0.0000004405	0.0000000496

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2010 and 2009 is based on the profit attributable to ordinary shareholders of RUB 1 978 266 thousand (2009: RUB 171 531 thousand), and a weighted average number of ordinary shares outstanding of 4 452 620 357126 360 (2009: 3 459 821 429 500 000) calculated as follows.

	2010 RUB'000	2009 RUB'000
Net profit	1 978 266	171 531
Net profit attributable to ordinary shareholders	**1 978 266**	**171 531**

	2010	2009
Issued ordinary shares at the beginning of the year	3 459 821 429 500 000	3 459 821 429 500 000
Effect of shares issued related to a business combination	1 030 983 501 765 830	-
Weighted average number of ordinary shares for the year ended 31 December	**4 490 804 931 265 830**	**3 459 821 429 500 000**

27 Analysis by segment

The Group has fifteen branches located in different regions of Russian Federation, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. For each of the strategic business units, the chief operating decision maker reviews internal management reports on at least a monthly basis. The Group combined branches into three reporting units based on geographical location: Far East region, Siberia region and Moscow.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are based on statutory financial information and that are reviewed by the CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries.

Segment breakdown of assets and liabilities is set out below:

	2010 RUB’000	2009 RUB’000
ASSETS		
Far East region	18 128 717	10 558 251
Siberia region	6 008 999	3 487 799
Moscow	17 185 155	5 739 394
Total assets	**41 322 871**	**19 785 444**
LIABILITIES		
Far East region	27 217 689	13 826 704
Siberia region	4 126 781	2 185 281
Moscow	4 146 226	1 021 488
Total liabilities	**35 490 696**	**17 033 473**

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

RUB’000	Far East region	Siberia region	Moscow	Total
External interest income	2 092 142	879 924	813 851	3 785 917
Fee and commission income	993 494	389 243	85 200	1 467 937
Net gain on other financial instruments at fair value through profit or loss	11 486	-	319 859	331 345
Net foreign exchange income	-	-	1 748	1 748
Net gain on available-for-sale financial assets	95 228	32 247	32 737	160 212
Other operating income	136 676	42 135	2 408	181 219
Revenue	**3 329 026**	**1 343 549**	**1 255 803**	**5 928 378**
Impairment losses	(454 238)	162 400	117 475	(174 363)
Interest expense	1 592 082	253 075	113 450	1 958 607
Fee and commission expense	25 734	9 207	7 047	41 988
Other general administrative expenses	1 704 755	349 346	73 683	2 127 784
Segment result	**460 693**	**569 521**	**944 148**	**1 974 362**
Income tax expense				325 617
Net profit after taxes				**1 648 745**

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

RUB’000	Far East region	Siberia region	Moscow	Total
External interest income	1 408 302	618 253	303 320	2 329 875
Fee and commission income	652 369	279 978	49 494	981 841
Net gain on other financial instruments at fair value through profit or loss	31 471	-	27 949	59 420
Net foreign exchange income	-	-	1	1
Net gain on available-for-sale financial assets	41 591	28 648	24 850	95 089
Other operating income	145 556	61 279	570	207 405
Revenue	**2 279 289**	**988 158**	**406 184**	**3 673 631**
Impairment losses	556 773	328 409	202 081	1 087 263
Interest expense	996 849	141 212	59 251	1 197 312
Fee and commission expense	23 898	7 941	683	32 522
Other general administrative expenses	940 520	265 943	42 400	1 248 863
Segment result	**(238 751)**	**244 653**	**101 769**	**107 671**
Income tax expense				2 944
Net profit after taxes				**104 727**

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2010 RUB’000	2009 RUB’000
Revenues		
Total revenues for reportable segments	5 928 378	3 673 631
IFRS accounting policy adjustments:		
- interest income on loans and advances to customers	(101 674)	(201 348)
- securities at fair value	(7 600)	(4 819)
- other adjustments	41 016	(70 600)
Consolidated revenues	**5 860 120**	**3 396 864**
Profit or loss		
Total profit or loss for reportable segments	1 648 745	104 727
IFRS accounting policy adjustments:		
- interest income on loans and advances to customers	(101 674)	(201 348)
- allowance for impairment of loans and advances to customers and finance lease receivables	226 633	290 589
- allowance for impairment of other assets	121 565	101 546
- depreciation and amortisation of property and equipment and intangible assets	12 327	6 364
- securities at fair value	(7 600)	(4 819)
- other adjustments	78 270	(125 528)
Consolidated profit or loss	**1 978 266**	**171 531**

	2010 RUB’000	2009 RUB’000
Assets		
Total assets for reportable segments	41 322 871	19 785 444
IFRS accounting policy adjustments:		
- interest income on loans and advances to customers	(101 674)	(201 348)
- allowance for impairment of loans and advances to customers and finance lease receivables	722 530	600 363
- allowance for impairment of other assets	319 789	117 224
- depreciation and amortisation of property and equipment and intangible assets	12 327	6 364
- securities at fair value	(7 600)	(3 121)
- deferred income tax asset	13 509	-
- recognition of goodwill	73 571	-
- revaluation of property and equipment	(898 853)	(407 869)
- assets of subsidiary	322 197	-
- other adjustments	2 044	(73 917)
Consolidated assets	**41 780 711**	**19 823 140**
Liabilities		
Total liabilities for reportable segments	35 490 696	17 033 473
IFRS accounting policy adjustments:		
- accounting for deferred tax liability	213 910	142 663
- liabilities of subsidiary	309 612	-
- other adjustments	273 077	52 206
Consolidated liabilities	**36 287 295**	**17 228 342**

Information about major customers and geographical areas

For the year ended 31 December 2010 and 2009, there were no corporate customers which revenues individually exceed 10% of total revenue.

The majority of revenues from external customers relate to residents of the Russian Federation. The majority of non-current assets are located in the Russian Federation.

28 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of the Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Group established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the Chairman of the Board. Market risk limits are approved by ALCO based on recommendations of the Risk Department.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2010 and 2009. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2010 Average effective interest rate, %			2009 Average effective interest rate, %		
	RUB	**USD**	**Other currencies**	**RUB**	**USD**	**Other currencies**
Interest bearing assets						
Financial instruments at fair value through profit or loss	8%	-	-	12%	-	-
Available-for-sale financial assets	-	7%		-	-	-
Due from banks	4%	10%	-	4%	-	-
Amounts receivable under reverse repurchase agreements	4%	-	-	-	-	-
Loans to customers	23%	12%	13%	32%	13%	-
Net investments in finance leases	32%	23%	26%	-	-	-
Interest bearing liabilities						
Deposits and balances from banks	9%	-	-	15%	5%	-
Current accounts and deposits from customers	7%	4%	5%	9%	7%	-
Promissory notes	8%	4%	9%	9%	12%	-
Subordinated borrowings	-	11%	-	-	11%	-

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is suplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2010 and 2009 is as follows:

	2010		2009	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
100 bp parallel fall	52 727	52 727	34 428	34 428
100 bp parallel rise	(52 727)	(52 727)	(34 428)	(34 428)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2010		2009	
	Profit or loss RUB’000	**Equity RUB’000**	**Profit or loss RUB’000**	**Equity RUB’000**
100 bp parallel fall	60 830	61 756	22 137	22 137
100 bp parallel rise	(60 830)	(61 756)	(22 137)	(22 137)

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency structure of financial assets and liabilities as at 31 December 2010:

	RUB	USD	EUR	Gold	Other currencies	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
ASSETS						
Cash	904 465	117 838	77 745	-	25 914	1 125 962
Placements with the Central Bank	2 817 189	-	-	-	-	2 817 189
Financial instruments at fair value through profit or loss	7 383 506	-	394	3 275	-	7 387 175
Available-for-sale financial assets	51 842	46 308	-	-	-	98 150
Due from banks	962 633	432 713	22 800	15 365	3 689	1 437 200
Amounts receivable under reverse repurchase agreements	5 726 883	-	-	-	-	5 726 883
Loans to customers	19 410 120	600 389	305 321	-	-	20 315 830
Net investments in finance leases	536 830	26 531	19 216	-	-	582 577
Current tax asset	23 456	-	-	-	-	23 456
Deferred tax asset	13 509	-	-	-	-	13 509
Property, equipment and intangible assets	1 891 758	-	-	-	-	1 891 758
Other assets	357 553	3 145	324	-	-	361 022
Total assets	**40 079 744**	**1 226 924**	**425 800**	**18 640**	**29 603**	**41 780 711**

	RUB RUB’000	USD RUB’000	EUR RUB’000	Gold RUB’000	Other currencies RUB’000	Total RUB’000
LIABILITIES						
Derivative financial instruments	-	521	429	-	-	950
Deposits and balances from banks	1 646 903	74 260	1 730	-	-	1 722 893
Current accounts and deposits from customers	29 736 439	1 569 625	571 996	442 727	1 265	32 322 052
Promissory notes	1 475 440	41 173	1 524	-	-	1 518 137
Subordinated borrowings	-	156 610	-	-	-	156 610
Current tax liability	184 750	-	-	-	-	184 750
Deferred tax liability	214 467	-	-	-	-	214 467
Other liabilities	157 377	291	9 768	-	-	167 436
Total liabilities	**33 415 376**	**1 842 480**	**585 447**	**442 727**	**1 265**	**36 287 295**
Net position	**6 664 368**	**(615 556)**	**(159 647)**	**(424 087)**	**28 338**	**5 493 416**
The effect of derivatives held for risk management	**(1 085 272)**	**488 152**	**161 368**	**435 752**	**-**	**-**
Net position after derivatives held for risk management purposes	**5 579 096**	**(127 404)**	**1 721**	**11 665**	**28 338**	**5 493 416**

The following table shows the currency structure of financial assets and liabilities as at 31 December 2009:

	RUB	USD	EUR	Gold	Other currencies	Total
	RUB’000	RUB’000	RUB’000	RUB’000	RUB’000	RUB’000
ASSETS						
Cash	609 321	136 214	60 092	-	8 125	813 752
Placements with the Central Bank	1 378 708	-	-	-	-	1 378 708
Financial instruments at fair value through profit or loss	3 758 682	-	-	-	-	3 758 682
Due from banks	600 875	854 669	166 308	91 263	2 167	1 715 282
Amounts receivable under reverse repurchase agreements	315 283	-	-	-	-	315 283
Loans to customers	8 862 810	719 928	160 371	-	-	9 743 109
Property, equipment and intangible assets	1 474 910	-	-	-	-	1 474 910
Other assets	42 395	1 019	37	579 963	-	623 414
Total assets	**17 042 984**	**1 711 830**	**386 808**	**671 226**	**10 292**	**19 823 140**

	RUB RUB’000	USD RUB’000	EUR RUB’000	Gold RUB’000	Other currencies RUB’000	Total RUB’000
LIABILITIES						
Derivative financial instruments	1784	7	7	-	-	1 798
Deposits and balances from banks	472 949	68 438	241	-	-	541 628
Current accounts and deposits from customers	14 851 645	654 178	450 400	91 263	40	16 047 526
Promissory notes	174 891	31 724	1 593	-	-	208 208
Subordinated borrowings	-	155 414	-	-	-	155 414
Current tax liability	8 014	-	-	-	-	8 014
Deferred tax liability	142 662	-	-	-	-	142 662
Other liabilities	118 566	1 565	46	-	2 915	123 092
Total liabilities	**15 770 511**	**911 326**	**452 287**	**91 263**	**2 955**	**17 228 342**
Net position	**1 272 473**	**800 504**	**(65 479)**	**579 963**	**7 337**	**2 594 798**
The effect of derivatives held for risk management	**1 460 824**	**(887 660)**	**7 296**	**(580 460)**	**-**	**-**
Net position after derivatives held for risk management purposes	**2 733 297**	**(87 156)**	**(58 183)**	**(497)**	**7 337**	**2 594 798**

A weakening of the RUB, as indicated below, against the following currencies at 31 December 2010 and 2009 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2010		**2009**	
	Profit or loss RUB’000	**Equity RUB’000**	**Profit or loss RUB’000**	**Equity RUB’000**
10% appreciation of USD against RUB	(10 192)	(10 192)	(6 972)	(6 972)
10% appreciation of EUR against RUB	138	138	(4 655)	(4 655)

A strengthening of the RUB against the above currencies at 31 December 2010 and 2009 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a 10% change in all securities prices is as follows:

	2010		**2009**	
	Profit or loss RUB’000	**Equity RUB’000**	**Profit or loss RUB’000**	**Equity RUB’000**
10% increase in securities prices	500	500	-	-
10% decrease in securities prices	(500)	(500)	-	-

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a system of Credit Committees, which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer’s business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Department and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Legal department depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer’s most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk Department.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2010 RUB’000	**2009 RUB’000**
ASSETS		
Placements with the Central Bank	2 817 189	1 378 708
Financial instruments at fair value through profit or loss	7 387 175	3 758 682
Available-for-sale financial assets	98 150	-
Due from banks	1 437 200	1 715 282
Amounts receivable under reverse repurchase agreements	5 726 883	315 283
Loans to customers	20 315 830	9 743 109
Net investments in finance leases	582 577	-
Other financial assets	91 393	593 772
Total maximum exposure	**38 456 397**	**17 504 836**

For the analysis of concentration of credit risk in respect of loans to customers refer to note 17.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in note 30.

As at 31 December 2010 the Group has no debtors or groups of connected debtors (2009: no debtors), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board of Directors.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Treasury Department.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or commitment.

The maturity analysis for financial liabilities as at 31 December 2010 is as follows:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow (inflow)	Carrying amount
Liabilities							
Deposits and balances from banks	34 078	15 863	88 330	1 845 923	22 408	2 006 602	1 722 893
Current accounts and deposits from customers	11 476 925	4 824 958	13 184 125	5 295 767	-	34 781 775	32 322 052
Promissory notes	17 437	41 591	898 121	639 866	23 831	1 620 846	1 518 137
Subordinated borrowings	-	4 191	168 676	-	-	172 867	156 610
Current tax liability	184 750	-	-	-	-	184 750	184 750
Other liabilities	76 666	32 954	57 816	-	-	167 436	167 436
Derivative liabilities							
Inflow	(1 087 991)	-	-	-	-	(1 087 991)	(3 669)
Outflow	1 085 272	-	-	-	-	1 085 272	950
Total liabilities	**11 787 137**	**4 919 557**	**14 397 068**	**7 781 556**	**46 239**	**38 931 557**	**36 069 159**
Credit related commitments	**2 015 490**	**457 846**	**2 019 191**	**466 785**	**-**	**4 959 312**	**4 959 312**

The maturity analysis for financial liabilities as at 31 December 2009 is as follows:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow (inflow)	Carrying amount
Liabilities							
Deposits and balances from banks	186 601	78 088	52 693	326 041	57 361	700 784	541 628
Current accounts and deposits from customers	6 537 993	3 000 784	4 911 382	1 755 558	-	16 205 717	16 047 526
Promissory notes	109 524	79 749	13 015	4 186	23 831	230 305	208 208
Subordinated borrowings	4 193	-	12 442	171 501	-	188 136	155 414
Current tax liability	8 014	-	-	-	-	8 014	8 014
Other liabilities	64 904	1 341	4 024	1 341	53 037	124 647	123 092
Derivative liabilities							
Inflow	(1 482 706)	-	-	-	-	(1 482 706)	(497)
Outflow	1 484 007	-	-	-	-	1 484 007	1 798
Total	**6 912 530**	**3 159 962**	**4 993 556**	**2 258 627**	**134 229**	**17 458 904**	**17 085 183**
Credit related commitments	**860 625**	**217 268**	**142 066**	**372 767**	**-**	**1 592 726**	**1 592 726**

The tables above show the undiscounted cash flows of non-derivative financial liabilities, including issued financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

In accordance with Russian legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates.

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2010:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash	1 125 962	-	-	-	-	-	1 125 962
Placements with the Central Bank	2 595 785	-	-	-	-	221 404	2 817 189
Financial instruments at fair value through profit or loss	3 669	130 928	4 192 932	3 053 395	-	6 251	7 387 175
Available-for-sale financial assets	-	-	-	98 150	-	-	98 150
Due from banks	554 387	601 381	281 432	-	-	-	1 437 200
Amounts receivable under reverse repurchase agreements	5 726 883	-	-	-	-	-	5 726 883
Loans to customers	350 880	557 808	5 604 876	12 267 664	1 534 602	-	20 315 830
Net investments in finance leases	-	-	197 153	355 215	30 209	-	582 577
Current tax asset	-	-	23 456	-	-	-	23 456
Deferred tax asset	-	-	-	-	-	13 509	13 509
Property, equipment and intangible assets						1 891 758	1 891 758
Other assets	204 802	6 369	136 351	-	-	13 500	361 022
Total assets	**10 562 368**	**1 296 486**	**10 436 200**	**15 774 424**	**1 564 811**	**2 146 422**	**41 780 711**
Liabilities							
Derivative financial instruments	950	-	-	-	-	-	950
Deposits and balances from banks	34 054	15 748	85 522	1 569 231	18 338	-	1 722 893
Current accounts and deposits from customers	11 343 138	4 432 873	12 144 856	4 401 185	-	-	32 322 052
Promissory notes	16 837	41 186	862 794	573 489	23 831	-	1 518 137
Subordinated borrowings	-	-	156 610	-	-	-	156 610
Current tax liability	184 750	-	-	-	-	-	184 750
Deferred tax liability	-	-	-	-	-	214 467	214 467
Other liabilities	76 666	32 954	57 816	-	-	-	167 436
Total liabilities	**11 656 395**	**4 522 761**	**13 307 598**	**6 543 905**	**42 169**	**214 467**	**36 287 295**
Net position	**(1 094 027)**	**(3 226 275)**	**(2 871 398)**	**9 230 519**	**1 522 642**	**1 931 955**	**5 493 416**

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2009:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash	813 752	-	-	-	-	-	813 752
Placements with the Central Bank	1 276 042	-	-	-	-	102 666	1 378 708
Financial instruments at fair value through profit or loss	31 749	82 497	2 409 505	1 180 888	54 043	-	3 758 682
Due from banks	1 715 282	-	-	-	-	-	1 715 282
Amounts receivable under reverse repurchase agreements	315 283	-	-	-	-	-	315 283
Loans to customers	741 071	454 062	2 539 404	5 163 197	845 375	-	9 743 109
Property, equipment and intangible assets	-	-	-	-	-	1 474 910	1 474 910
Other assets	621 723	-	-	-	-	1 691	623 414
Total assets	**5 514 902**	**536 559**	**4 948 909**	**6 344 085**	**899 418**	**1 579 267**	**19 823 140**
Liabilities							
Derivative financial instruments	1 798	-	-	-	-	-	1 798
Deposits and balances from banks	239 301	-	22 272	218 182	61 873	-	541 628
Current accounts and deposits from customers	5 658 663	3 020 945	5 761 134	1 606 784	-	-	16 047 526
Promissory notes	110 817	79 865	12 622	3 046	1 858	-	208 208
Subordinated borrowings	-	-	-	155 414	-	-	155 414
Current tax liability	8 014	-	-	-	-	-	8 014
Deferred tax liability	-	-	-	-	-	142 662	142 662
Other liabilities	64 904	1 020	3 058	1 073	-	53 037	123 092
Total liabilities	**6 083 497**	**3 101 830**	**5 799 086**	**1 984 499**	**63 731**	**195 699**	**17 228 342**
Net position	**(568 595)**	**(2 565 271)**	**(850 177)**	**4 359 586**	**835 687**	**1 383 568**	**2 594 798**

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the CBR. These ratios include:

- instant liquidity ratio (N2), which is calculated as the ratio of highly liquid assets to liabilities payable on demand
- current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days
- long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after 1 year to the shareholders' equity and liabilities maturing after 1 year.

The Bank was in compliance with these ratios during the years ended 31 December 2010 and 2009. The following table shows the mandatory liquidity ratios calculated as at 31 December 2010 and 2009.

	Requirement	2010, %	2009, %
Instant liquidity ratio (N2)	Not less than 15%	31.4	60.7
Current liquidity ratio (N3)	Not less than 50%	96.0	76.3
Long-term liquidity ratio (N4)	Not more than 120%	101.5	94.4

29 Capital management

The CBR sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBR, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2010, this minimum level is 10%. The Bank is in compliance with the statutory capital ratio during the years ended 31 December 2010 and 2009.

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

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

	2010 RUB'000	**2009 RUB'000**
Tier 1 capital		
Share capital	562 312	395 522
Share premium	1 192 723	1 192 723
Retained earnings	3 738 381	1 006 553
Total tier 1 capital	**5 493 416**	**2 594 798**

	2010 RUB’000	2009 RUB’000
Tier 2 capital		
Subordinated debt (unamortized portion)	31 322	62 166
Total tier 2 capital	**31 322**	**62 166**
Total capital	**5 524 738**	**2 656 964**
Risk-weighted assets		
Banking book	27 552 765	12 511 027
Trading book	8 536 413	4 218 615
Total risk weighted assets	**36 089 178**	**16 729 642**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**15.31%**	**15.88%**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**15.22%**	**15.51%**

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

The Group is subject to minimum capital adequacy requirements calculated in accordance with the methodology of International Finance Corporation (IFC) established by covenants under liabilities incurred by the Group. The Group has complied with all externally imposed capital requirements during the years ended 31 December 2010 and 2009.

30 Commitments

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2010 RUB'000	2009 RUB'000
Contracted amount		
Guarantees and letters of credit	3 022 568	743 137
Undrawn overdraft facilities	1 231 094	717 415
Loan and credit line commitments	705 650	132 174
	4 959 312	**1 592 726**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Of these commitments, RUB 1 522 638 thousand are guarantees to "Tatneft-Centroresource" LLC secured by pledge of promissory notes issued by the Group at 31 December 2010. This exposure represents a significant credit risk exposure to the Group.

As at 31 December 2010 the Group has a commitment to purchase 2 206 kg of gold (31 December 2009: 1 111 kg) under contracts to be settled at the market price at the date of maturity.

31 Operating leases

Leases as lessee

The Group leases a number of premises and equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals or non-cancellable payments.

32 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

In the ordinary course of business, the Group 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.

Management is unaware of any significant actual, pending or threatened claims against the Group.

(c) Taxation contingencies

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

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

33 Cash and cash equivalents

	2010 RUB'000	**2009 RUB'000**
Cash on hand	**1 125 962**	**813 752**
Nostro accounts with the CBR	**1 895 727**	**1 276 042**
Nostro accounts with other banks		
- Other Russian banks	224 702	224 426
- OECD banks	121 733	857 721
- Other foreign banks	22 414	65 588
- Largest 30 Russian banks	5 539	91 814
Total nostro accounts with other banks	**374 388**	**1 239 549**
- Term deposits with the CBR	**700 058**	**-**
- Term deposits with other banks		
- OECD banks	601 381	-
- Largest 30 Russian banks	180 000	300 000
- Other Russian banks	-	101 269
Total term deposits with other banks	**781 381**	**401 269**
Total cash and cash equivalents	**4 877 516**	**3 730 612**

None of cash and cash equivalents are impaired or past due.

34 Related party transactions

(a) Control relationships

The Group's parent company is LLC "PPFIN Region" (Russian Federation). As of 31 December 2010, the ultimate beneficial owners of the Group were Mr. Andrey Vdovin (the owner of 16.8975%), Mr. Kirill Yakubovsky (the owner of 16.8975%), Mr. Pavel Maslovsky (the owner of 16.8975%), Mr. Peter Hambro (the owner of 16.8975%), East Capital Explorer Financial Institution Fund (Sweden) (the owner of 17.91%), International Finance Corporation (6.99%) and Mr. Evgeniy Aksenov (the owner of 5.21%).

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2010 and 2009 is as follows:

	2010 RUB'000	2009 RUB'000
Short term employee benefits	164 254	68 843
	164 254	**68 843**

These amounts include non-cash benefits in respect of the members of the Board of Directors and the Management Board.

The outstanding balances and average interest rates as at 31 December 2010 and 2009 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2010 RUB'000	Average interest rate, %	2009 RUB'000	Average interest rate, %
Consolidated statement of financial position				
ASSETS				
Loans to customers	-	-	1 105	10.72%
Other assets	-	-	150	-
LIABILITIES				
Current accounts and deposits	20 669	10.97%	119 091	8.40%

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the year ended 31 December are as follows:

	2010 RUB'000	2009 RUB'000
Profit or loss		
Interest income	83	140
Interest expense	(3 096)	(11 883)
Commission income	45	34
Commission expense	(1)	-
Net foreign exchange income	-	107
Other income	3	2

(c) Transactions with shareholders

The outstanding balances and average interest rates as at 31 December 2010 and 2009 for transactions with shareholders:

	2010 RUB’000	Average interest rate, %	2009 RUB’000	Average interest rate, %
Consolidated statement of financial position				
LIABILITIES				
Current accounts and deposits	471 000	12.92%	302 327	17.40%

Amounts included in profit or loss in relation to transactions with shareholders for the year ended 31 December are as follows:

	2010 RUB’000	2009 RUB’000
Profit or loss		
Interest expense	(77 676)	(35 898)

During 2009 the Group made a cash distribution to shareholders in the amount of RUB 28 000 thousand. No distribution was made in 2010.

(d) Transactions with Banking Holding Group

The group is part of a holding group (the “Banking Holding Group”) which as at 31 December 2010 includes VMHY Holding, the parent company of LLC “PPFIN Region”.

As at 31 December 2009 the Banking Holding Group included OJSC “Kamchatprombank”, OJSC “Kolyma-Bank” and VMHY Holding.

The outstanding balances and average interest rates as at 31 December 2010 and 2009 for transactions with the Banking Holding Group are as follows:

	2010 RUB’000	Average interest rate, %	2009 RUB’000	Average interest rate, %
Consolidated statement of financial position				
ASSETS				
Placements with banks	-	-	43	-
Loans to customers	155 000	13%	225 046	17.14%
Other assets	-	-	1 012	-
LIABILITIES				
Deposits and balances from banks	-	-	225 429	-
Current accounts and deposits	2	-	123 441	4.02%

Amounts included in profit or loss in relation to transactions with the Banking Holding Group for the year ended 31 December are as follows:

	2010 RUB’000	2009 RUB’000
Profit or loss		
Interest income	19 505	13 471
Interest expense	-	(32 494)

	2010 RUB'000	2009 RUB'000
Commission income	962	916
Net foreign exchange income (expense)	(638)	1 250
Other income	-	10
Impairment loss	(3 280)	(4 109)

(e) Transactions with other related parties

The outstanding balances and average interest rates as at 31 December 2010 and 2009 for transactions with other related parties are as follows:

	2010 RUB'000	Average interest rate, %	2009 RUB'000	Average interest rate, %
Consolidated statement of financial position				
ASSETS				
Placements with banks	1 545	-	90 248	-
Loans to customers	223 091	12.25%	323 600	15.05%
Other assets	-	-	2 529	-
LIABILITIES				
Deposits and balances from banks	80 338	15.00%	4	-
Current accounts and deposits	220 949	4.70%	450 169	10.08%
Subordinated debt	156 610	11.00%	155 414	11.00%
Commitments				
Undrawn loan commitments and overdraft	-	-	16 500	-

Amounts included in profit or loss in relation to transactions with other related parties for the year ended 31 December are as follows:

	2010 RUB'000	2009 RUB'000
Profit or loss		
Interest income	80 371	116 494
Interest expense	(36 555)	(61 485)
Commission income	8 941	18 484
Net foreign exchange income (expense)	12 885	(19 228)
Other income	17 394	120
Other expense	-	(601)
Impairment loss	(439)	(145 676)

As at 31 December 2010 the Group has a commitment to purchase 1 044 kg of gold (31 December 2009: 570 kg) under contracts with other related parties to be settled at the market price at the date of maturity.

35 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

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

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

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

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2010:

	2010 RUB'000 Carrying value	2010 RUB'000 Fair value	2009 RUB'000 Carrying value	2009 RUB'000 Fair value
ASSETS				
Cash	1 125 962	1 125 962	813 752	813 752
Placements with the Central Bank	2 817 189	2 817 189	1 378 708	1 378 708
Financial instruments at fair value through profit or loss	7 387 175	7 387 175	3 758 682	3 758 682
Available-for-sale financial assets	98 150	98 150	-	-
Due from banks	1 437 200	1 437 200	1 715 282	1 715 282
Amounts receivable under reverse repurchase agreements	5 726 883	5 726 883	315 283	315 283
Loans to customers	20 315 830	21 044 380	9 743 109	10 036 354
Net investments in finance leases	582 577	582 577	-	-
Other financial assets	91 393	91 393	593 772	593 772
LIABILITIES				
Derivative financial instruments	950	950	1 798	1 798
Deposits and balances from banks	1 722 893	1 722 893	541 628	541 628
Current accounts and deposits from customers	32 322 052	32 437 240	16 047 526	16 047 526
Promissory notes	1 518 137	1 518 137	208 208	208 208
Subordinated borrowings	156 610	156 610	155 414	155 414

As at 31 December 2010 and 31 December 2009, the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. 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.

Fair value hierarchy

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

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

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

RUB '000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	3 351 824	4 025 431	7 377 255
- Equity investments	6 251	-	6 251
- Derivative assets	3 669	-	3 669
- Derivative liabilities	(950)	-	(950)
Available-for-sale financial assets			
- Debt and other fixed income instruments	98 150	-	98 150
	3 458 944	**4 025 431**	**7 484 375**

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

RUB ’000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	1 306 358	2 451 827	3 758 185
- Derivative assets	497	-	497
- Derivative liabilities	(1 798)	-	(1 798)
	1 305 057	**2 451 827**	**3 756 884**

36 Acquisitions

Business combination with LLC “Expo-Leasing”

In October 2010 the Group acquired all of the shares in LLC “Expo-Leasing” for RUB 321 600 thousand, which was settled in cash. This merger transaction has been accounted for in these financial statements as an acquisition under common control.

The amounts of assets and liabilities of the acquired subsidiary recognised in the Group’s consolidated financial statements were as follows at the date of acquisition:

RUB’000	Acquired carrying amount as at 1 October 2010
ASSETS	
Cash	30 420
Placements with banks	50 000
Loans to customers	126 327
Net investments in finance leases	414 659
Property, equipment and intangible assets	69 959
Deferred tax asset	12 859
Other assets	96 643
LIABILITIES	
Deposits and balances from banks	(526 886)
Other liabilities	(25 953)
Net identifiable assets and liabilities	**248 028**
Consideration paid	321 600
Effect from acquisition of subsidiary	**(73 572)**

The following table presents the cash flows of this acquisition:

Consideration paid	(321 600)
Cash acquired	80 420
Net cash outflow	**(241 180)**

The table below summarises information about gross contractual amounts receivable and the amounts of contractual cash flows, which are not expected to be collected:

	Carrying amount RUB’000	Gross amounts receivable RUB’000	Amounts not expected to be collected RUB’000
Loans to customers	126 327	144 821	(18 494)
Net investments in finance leases	414 659	444 683	(30 024)

The following amounts were recognised in the consolidated financial statements in the period from the acquisition date to 31 December 2010 in respect of the above company:

	RUB’000
Total revenue	66 775
Net profit	7 290

Business combination with OJSC “Kamchatprombank” and OJSC “Kolyma-Bank”

On 7 May 2010 OJSC “Kamchatprombank” and OJSC “Kolyma-Bank” merged with the Group. As a result of this transaction all the assets, liabilities and operations OJSC “Kamchatprombank” and OJSC “Kolyma-Bank” were transferred to the Group. This merger transaction has been accounted for in these financial statements as an acquisition under common control.

The assets and liabilities acquired were recognised at their book values as recorded in the financial statements of OJSC “Kamchatprombank” and OJSC “Kolyma-Bank”, adjusted where relevant in order to align accounting policies with those of OJSC “Asian-Pacific Bank”.

The assets and liabilities of OJSC "Kamchatprombank" and OJSC "Kolyma-Bank" were as follows at the date of acquisition:

RUB'000	OJSC "Kamchatprombank"	OJSC "Kolyma-Bank"	Total acquired carrying amount as at 7 May 2010
ASSETS			
Cash	142 175	253 536	395 711
Placements with the Central Bank	110 310	236 328	346 638
Financial instruments at fair value through profit or loss	961 375	767 900	1 729 275
Placements with banks	409 499	570 886	980 385
Loans to customers	1 150 356	2 022 787	3 173 143
Property, equipment and intangible assets	85 688	106 706	192 394
Other assets	64 444	52 535	116 979
LIABILITIES			
Deposits and balances from banks	(2 422)	-	(2 422)
Current accounts and deposits from customers	(2 585 328)	(3 297 768)	(5 883 096)
Promissory notes	(5 583)	-	(5 583)
Deferred tax liabilities	(1 179)	(34 565)	(35 744)
Other liabilities	(4 490)	(9 266)	(13 756)
Net identifiable assets and liabilities	**324 845**	**669 079**	**993 924**
Issue of ordinary shares related to business combination	115 794	50 996	166 790
Effect from busines combination	**209 051**	**618 083**	**827 134**

The following table presents the cash flows of this acquisition:

Consideration paid	-
Cash and cash equivalents acquired	1 684 754
Net cash inflow	**1 684 754**

The table below summarises information about gross contractual amounts receivable and the amounts of contractual cash flows, which are not expected to be collected:

	Carrying amount RUB'000	Gross amounts receivable RUB'000	Amounts not expected to be collected RUB'000
Loans to customers	3 173 143	3 666 931	(493 788)
Other assets	130 582	157 206	(26 624)