Open Joint Stock Company "BANK URALSIB"
Consolidated Financial Statements

Year ended December 31, 2009

Together with Independent Auditors' Report

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The Supervisory Board and the Management Board of Open joint stock company "BANK URALSIB" were appointed in accordance with the legislation of Russia and consists of the following members as of December 31, 2009:

The Supervisory Board

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

The Management Board

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

* At December 31, 2009 Andrey M. Donskikh held a position of Chairman of the Management Board of the Open joint stock company "BANK URALSIB". In January 2010 Andrey M. Donskikh resigned and holds a position of Deputy Chairman of Sberbank of Russia at the date these consolidated financials statements are issued. Ildar R. Muslimov was appointed Chairman of the Management Board of the Open joint stock company "BANK URALSIB" in January 2010.
Evgeny A. Guryev and Svetlana B. Bastrykina were appointed Deputies of the Chairman of the Management Board of the Open joint stock company "BANK URALSIB" in March 2010.

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Independent Auditors' Report

To the Shareholders and the Board of Directors
Open Joint Stock Company "BANK URALSIB"

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "BANK URALSIB" and its subsidiaries (the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2009, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

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

ZAO KPMG

ZAO KPMG
April 15, 2010

Consolidated statement of financial position

as of December 31, 2009

(Millions of Russian Rubles)

	Notes	2009	2008 (Restated)*	2007 (Restated)*
Assets				
Cash and cash equivalents	5	60,574	77,811	52,196
Obligatory reserves with the Central Bank		3,063	653	4,422
Amounts due from credit institutions	6	4,043	4,453	1,249
Trading securities	7	11,394	25,271	46,712
Available-for-sale securities	8	33,818	10,040	3,292
Held-to-maturity securities	9	3,145	6,216	-
Derivative financial assets	10	93	104	1,130
Assets held for sale	11	8,764	-	-
Loans to customers	12	218,360	277,782	245,506
Net investments in finance leases	13	20,514	31,881	20,480
Investment property	14	19,255	6,334	45
Property and equipment	15	12,087	10,862	10,728
Goodwill	16	4,527	4,527	4,527
Other assets	18	17,022	14,191	9,267
Total assets		**416,659**	**470,125**	**399,554**
Liabilities				
Derivative financial liabilities	10	20	143	836
Amounts due to credit institutions	20	46,478	139,833	85,060
Amounts due to customers	21	281,166	246,196	237,231
Promissory notes and certificates of deposit issued	22	11,589	9,170	14,809
Other borrowed funds	23	12,270	17,434	5,109
Other liabilities	18	4,686	4,818	5,289
Total liabilities		**356,209**	**417,594**	**348,334**
Equity	24			
Share capital		40,898	34,808	34,808
Additional paid-in capital		4,174	5,926	5,926
Revaluation reserve for available-for-sale securities		276	(1,617)	55
Revaluation surplus for property		2,946	3,706	3,293
Retained earnings		10,165	8,875	6,561
Total equity attributable to shareholders of the Parent		**58,459**	**51,698**	**50,643**
Minority interest		1,991	833	577
Total equity		**60,450**	**52,531**	**51,220**
Total equity and liabilities		**416,659**	**470,125**	**399,554**

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

Ildar R. Muslimov — Chairman of the Management Board

Yury V. Petukhov — Chief Accountant

April 15, 2010

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

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

Consolidated income statement

for the year ended December 31, 2009

(Millions of Russian Rubles)

	Notes	*2009*	*2008 (Restated)**
Interest income			
Loans to customers		38,271	36,051
Net investment in finance leases		6,013	5,593
Securities		3,629	3,751
Amounts due from credit institutions		1,440	4,370
		49,353	**49,765**
Interest expense			
Amounts due to customers		(18,664)	(12,354)
Amounts due to credit institutions		(7,849)	(7,024)
Other borrowed funds		(1,927)	(984)
Promissory notes and certificates of deposit issued		(703)	(784)
		(29,143)	**(21,146)**
Net interest income		**20,210**	**28,619**
Impairment of interest earning assets	6, 8, 12, 13	(12,275)	(10,509)
Net interest income after impairment of interest earning assets		**7,935**	**18,110**
Fee and commission income		7,250	8,520
Fee and commission expense		(2,214)	(1,936)
Net fee and commission income	26	**5,036**	**6,584**
Net gains (losses) from trading securities	27	6,477	(3,257)
Net realized (losses) gains from available-for-sale securities	27	(1,373)	86
Net gains (losses) from derivatives		604	(226)
Net gains from foreign currencies	28	346	1,647
Net losses from operations with precious metals		(395)	(132)
Net gains (losses) from revaluation of buildings and revaluation and disposal of investment property		1,185	(267)
Other income	29	1,563	1,116
Other non interest income (loss)		**8,407**	**(1,033)**
Personnel expenses	30	(8,520)	(9,702)
Administrative and operating expenses	30	(7,906)	(8,920)
Depreciation and amortisation		(1,222)	(900)
Impairment of other assets	18	(1,172)	(265)
Other non interest expense		**(18,820)**	**(19,787)**
Profit before income tax expense		**2,558**	**3,874**
Income tax expense	17	(733)	(1,396)
Profit for the year		**1,825**	**2,478**
Attributable to:			
- shareholders of the Parent		1,723	2,404
- minority interest		102	74
		1,825	**2,478**
Earnings per share (in Ruble):			
Basic and diluted		**0.007**	**0.011**

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

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

Consolidated statement of comprehensive income

for the year ended December 31, 2009

(Millions of Russian Rubles)

	2009	*2008 (Restated)**
Profit for the year	**1,825**	**2,478**
Other comprehensive income		
Effect of change in income tax rate	-	176
Revaluation reserve for available-for-sale securities:		
- Net change in fair value of available-for-sale securities, net of tax	861	(1,647)
- Net change in fair value of available-for-sale securities transferred to profit or loss, net of tax	1,032	(27)
Revaluation of buildings, net of tax	(693)	254
Total other comprehensive income (expense), net of tax	**1,200**	**(1,244)**
Total comprehensive income	**3,025**	**1,234**
Attributable to:		
- shareholders of the Parent	2,923	1,160
- minority interest	102	74
Total comprehensive income	**3,025**	**1,234**

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

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

Consolidated statement of changes in equity

for the year ended December 31, 2009

(Millions of Russian Rubles)

	Attributable to equity holders of the Parent							
	Share capital	Additional paid-in capital	Revaluation reserve for available-for-sale securities	Revaluation surplus for property	Retained earnings	Total equity attributable to shareholders of the Parent	Minority interest	Total equity
Balance as at January 1, 2009	**34,808**	**5,926**	**(1,617)**	**3,706**	**8,875**	**51,698**	**833**	**52,531**
Total comprehensive income								
Profit for the year	-	-	-	-	1,723	**1,723**	102	**1,825**
Other comprehensive income								
Net change in fair value of available-for-sale securities, net of deferred tax of RUB 215	-	-	861	-	-	**861**	-	**861**
Net change in fair value of available-for-sale securities transferred to profit or loss, net of deferred tax of RUB 258	-	-	1,032	-	-	**1,032**	-	**1,032**
Transfer of revaluation reserve on disposal of buildings previously revalued, net of deferred tax of RUB 5	-	-	-	(19)	19	**-**	-	**-**
Revaluation of buildings, net of deferred tax of RUB 185	-	-	-	(741)	48	**(693)**	-	**(693)**
Total other comprehensive income	-	**-**	**1,893**	**(760)**	**67**	**1,200**	**-**	**1,200**
Total comprehensive income	-	**-**	**1,893**	**(760)**	**1,790**	**2,923**	**102**	**3,025**
Contribution of building and cash to share capital	6,090	(1,935)	-	-	-	**4,155**	-	**4,155**
Other contributions from shareholders, net of deferred tax of RUB 130	-	519	-	-	-	**519**	-	**519**
Acquisition of subsidiary	-	-	-	-	-	**-**	1,182	**1,182**
Change of minority share in subsidiaries	-	-	-	-	-	**-**	(126)	**(126)**
Dividends paid	-	-	-	-	(500)	**(500)**	-	**(500)**
Other distributions to shareholders, net of deferred tax of RUB 84	-	(336)	-	-	-	**(336)**	**-**	**(336)**
Balance as at December 31, 2009	**40,898**	**4,174**	**276**	**2,946**	**10,165**	**58,459**	**1,991**	**60,450**

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

Consolidated statement of changes in equity

for the year ended December 31, 2008

(Millions of Russian Rubles)

	Attributable to equity holders of the Parent							
	Share capital	Additional paid-in capital	Revaluation reserve for available-for-sale securities	Revaluation surplus for property	Retained earnings	Total equity attributable to shareholders of the Parent	Minority interest	Total equity
Balance as at January 1, 2008 (restated)*	**34,808**	**5,926**	**55**	**3,293**	**6,561**	**50,643**	**577**	**51,220**
Total comprehensive income (restated)								
Profit for the year (restated)	-	-	-	-	2,404	**2,404**	74	**2,478**
Other comprehensive income (restated)								
Effect of change in income tax rate (restated)	-	-	2	174	-	**176**	-	**176**
Net change in fair value of available-for-sale securities, net of deferred tax of RUB 412 (restated)	-	-	(1,647)	-	-	**(1,647)**	-	**(1,647)**
Net change in fair value of available-for-sale securities transferred to profit or loss, net of deferred tax of RUB 7 (restated)	-	-	(27)	-	-	**(27)**	-	**(27)**
Transfer of revaluation reserve on disposal of buildings previously revalued, net of deferred tax of RUB 4 (restated)	-	-	-	(15)	15	**-**	-	**-**
Revaluation of buildings, net of deferred tax of RUB 64 (restated)	-	-	-	254	-	**254**	-	**254**
Total other comprehensive expense (restated)	**-**	**-**	**(1,672)**	**413**	**15**	**(1,244)**	**-**	**(1,244)**
Total comprehensive income (restated)	**-**	**-**	**(1,672)**	**413**	**2,419**	**1,160**	**74**	**1,234**
Change of minority share in subsidiaries (restated)	-	-	-	-	-	**-**	72	**72**
Purchase of minority stakes in subsidiaries (restated)	-	-	-	-	-	**-**	319	**319**
Dividends paid (restated)	-	-	-	-	(105)	**(105)**	(209)	**(314)**
Balance as at December 31, 2008 (restated)	**34,808**	**5,926**	**(1,617)**	**3,706**	**8,875**	**51,698**	**833**	**52,531**

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

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

Consolidated statement of cash flows

for the year ended December 31, 2009

(Millions of Russian Rubles)

	Notes	*2009*	*2008 (Restated)**
Cash flows from operating activities			
Interest received		48,789	49,362
Interest paid		(30,146)	(19,400)
Fees and commissions received		7,045	8,270
Fees and commissions paid		(2,302)	(1,966)
Net receipts (payments) from trading securities		4,936	(3,184)
Net receipts from derivatives		493	240
Net receipts from dealing in foreign currencies		1,443	2,112
Net payments from dealing in precious metals		(395)	(197)
Dividends received		289	70
Other income received		1,590	1,097
Personnel expenses paid		(8,565)	(10,804)
Operating and administrative expenses paid		(7,161)	(9,897)
Cash flows from operating activities before changes in operating assets and liabilities		**16,016**	**15,703**
Net (increase) decrease in operating assets			
Amounts due from credit institutions and obligatory reserves with the CBR		(1,791)	2,978
Trading securities		16,096	15,596
Loans to customers		50,833	(29,804)
Net investment in finance leases		9,890	(11,448)
Other assets		(4,064)	(4,787)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions, other than subordinated and syndicated loans		(73,435)	49,070
Amounts due to customers		31,364	4,190
Promissory notes and certificates of deposit issued		2,270	(5,888)
Other liabilities		(2,195)	710
Net cash flows from operating activities before income tax		**44,984**	**36,320**
Income tax reimbursed (paid)		447	(2,821)
Net cash from operating activities		**45,431**	**33,499**
Cash flows from investing activities			
Purchase of available-for-sale securities		(26,313)	(5,829)
Proceeds from sale of available-for-sale securities		3,600	718
Purchase of securities held to maturity		-	(2,684)
Proceeds from repayment of securities held to maturity		2,990	-
Purchase of property and equipment		(1,088)	(1,179)
Proceeds from sale of property and equipment		641	613
Purchase of investment property		(9,693)	(3,689)
Proceeds from sale of investment property		258	-
Purchase of subsidiaries		(126)	(1,655)
Proceeds from disposal of subsidiaries		-	62
Purchase of assets held for sale		(9,184)	-
Net cash flows used in investing activities		**(38,915)**	**(13,643)**
Cash flows from financing activities			
Contribution into share capital		1,400	-
Proceeds from syndicated loans		-	9,496
Syndicated loans repaid		(22,212)	(20,300)
Proceeds from subordinated loan and deposit		-	6,000
Subordinated loans repaid		-	(66)
Proceeds from Credit Linked Notes and bonds issued		129	7,249
Repayment of Credit Linked Notes and bonds issued		(3,785)	-
Dividends paid to shareholders of the Bank		(500)	(314)
Sale of minority stakes in subsidiaries		-	72
Net cash (used in) from financing activities		**(24,968)**	**2,137**
Effect of exchange rates changes on cash and cash equivalents		1,215	3,622
Net (decrease) increase in cash and cash equivalents		**(17,237)**	**25,615**
Cash and cash equivalents, beginning		77,811	52,196
Cash and cash equivalents, ending	5	**60,574**	**77,811**

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

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

(Millions of Russian Rubles)

1. Principal activities

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

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending and issuing guarantees, cash and settlement operations, operations with securities, asset management, investment banking and foreign exchange. The Bank's leasing subsidiaries are engaged in provision of finance leases to companies within Russia. The subsidiary banks (OJSC AKB "Stroyvestbank" ("Stroyvestbank") and OJSC "URALSIB-YUG BANK" ("Yug Bank") are established regional commercial banks in Russian North-West and South regions, respectively.

The activities of the Bank and its banking subsidiaries are regulated by the Central Bank of the Russian Federation ("CBR"). The Bank and its banking subsidiaries each have a general banking license and are members of the state deposit insurance system in the Russian Federation.

Subsidiaries and branches

Open joint stock company "BANK URALSIB" was established in 1993 in the Russian Federation, where it currently has 40 branches from which it conducts business. The registered address of the head office is Moscow, 119048, Efremova Street, 8. The majority of the assets and liabilities are located in the Russian Federation. The average number of people employed during the year was 11,231 (2008: 13,886). The consolidated financial statements include the following main incorporated subsidiaries at December 31, 2009:

Subsidiary	*Control, %*	*Country*	*Date of establishment*	*Industry*
OJSC AKB "Stroyvestbank"	86.77%	Russia	January 24, 1992	Banking
OJSC "URALSIB-YUG BANK"	100%	Russia	October 10, 1990	Banking
LLC "Operating Factoring Company URALSIB-Factoring"	100%	Russia	February 27, 2002	Factoring
LLC "UralSib Electronic Technologies"	100%	Russia	March 4, 2003	Consulting
LLC "Ufa-City"	100%	Russia	April 29, 2002	Construction
LLC "Amador"	100%	Russia	April 4, 2009	Investments on land market
CJSC "Krasnogorskstroykomplekt"	100%	Russia	July 19, 2007	Investments on land market
LLC "Sportventure Moskva"	74.99%	Russia	July 19, 1993	Investments on land market
Members of Leasing Group Uralsib				
LLC "URALSIB Leasing Company"	87.61%	Russia	October 9, 1990	Leasing
LLC "Region- Leasing- Ufa"	99%	Russia	November 10, 2000	Leasing
LLC "Region- Leasing- Consult"	99%	Russia	November 12, 2001	Leasing
NIKOIL Leasing Company LLC	100%	Azerbaijan	December 11, 2007	Leasing
Hambridge Investments Ltd	100%	Cyprus	July 20, 2004	Leasing

LLC "URALSIB Leasing Company" was registered in 2000 in Russia. Its main office is in Moscow and it has 60 branches (2008: 71).

On November 26, 2009 LLC "URALSIB Leasing Company", a subsidiary of the Bank, acquired 100% of shares of Hambridge Investment Ltd ("Hambridge"), a company incorporated under the laws of the Republic of Cyprus. Hambridge operates in the financial services industry holding a portfolio of leasing contracts. Total assets, total liabilities and negative net assets of Hambridge at the date of acquisition comprised RUB 229, RUB 239 and RUB 10 respectively. The purchase price for 100% shares of Hambridge comprised RUB 74 thousand, which was paid in cash.

On November 17, 2009 the Bank acquired 74.99% shares of LLC "Sportventure Moskva", a company which operates on the Moscow land market. The acquisition was made from a related party. Refer to note 33. Total assets, total liabilities and net assets of LLC "Sportventure Moskva" at the date of acquisition comprised RUB 4,630, RUB 5 and RUB 4,625 respectively. The purchase price for 74.99% shares of LLC "Sportventure Moskva" comprised RUB 3,463, which was paid in cash.

In August 2009 the Bank acquired 100% of LLC "Amador" and CJSC "Krasnogorskstroykomplekt". The companies hold a portfolio of plots of land located in the Moscow region. Total assets, total liabilities and net assets of LLC "Amador" and CJSC "Krasnogorskstroykomplekt" at the date of acquisition comprised RUB 2,034, RUB 11 and RUB 2,023 respectively. The purchase price for 100% of LLC "Amador" and CJSC "Krasnogorskstroykomplekt" comprised RUB 2,023, which was paid in cash.

(Millions of Russian Rubles)

The consolidated financial statements include the following main incorporated subsidiaries at December 31, 2008:

Subsidiary	*Control, %*	*Country*	*Date of establishment*	*Industry*
OJSC AKB "Stroyvestbank"	86.77%	Russia	January 24, 1992	Banking
LLC "Operating Factoring Company URALSIB-Factoring"	100%	Russia	February 27, 2002	Factoring
LLC "UralSib Electronic Technologies"	100%	Russia	March 4, 2003	Consulting
LLC "Ufa-City"	100%	Russia	April 29, 2002	Construction
Members of Leasing Group Uralsib				
LLC "URALSIB Leasing company"	87.61%	Russia	October 9, 1990	Leasing
LLC "Region- Leasing- Ufa"	99%	Russia	November 10, 2000	Leasing
LLC "Region- Leasing- Consult"	99%	Russia	November 12, 2001	Leasing
NIKOIL Leasing company LLC	100%	Azerbaijan	December 11, 2007	Leasing

The consolidated financial statements include also the following unincorporated subsidiaries at December 31, 2009:

Subsidiary	*Control, %*	*Country*	*Date of establishment*	*Industry*
Closed Unit Investment Fund of stock "Strategic management"	100%	Russia	November 1, 2007	Investment
Closed Unit Investment Fund of property "URALSIB - REGION"	100%	Russia	November 1, 2007	Investment
Closed Unit Investment Fund of property "URALSIB - ARENDA"	100%	Russia	November 1, 2007	Investment
Closed Unit Investment Fund of real estate "URALSIB real estate"	100%	Russia	February 26, 2008	Investment
Closed Unit Investment Fund of real estate "URALSIB –Investment in real estate"	100%	Russia	August 5, 2008	Investment
Closed Unit Investment Fund of real estate "Construction Investments"	97.15%	Russia	October 13, 2004	Investment
Closed Unit Investment Fund of real estate "URALSIB –Land investments"	92.3%	Russia	February 18, 2008	Investment
Closed Unit Investment Fund of real estate "URALSIB – Development of Regions"	100%	Russia	December 9, 2008	Investment
Closed Unit Investment Fund of credit facilities "Corporate"	100%	Russia	November 10, 2009	Investment
Closed Unit Investment Fund of stock "Strategic"	100%	Russia	August 19, 2009	Investment
Closed Unit Investment Fund of stock "Active-City"	100%	Russia	November 12, 2009	Investment

The consolidated financial statements include also the following unincorporated subsidiaries at December 31, 2008:

Subsidiary	*Control, %*	*Country*	*Date of establishment*	*Industry*
Closed Unit Investment Fund of stock "Strategic management"	100%	Russia	November 1, 2007	Investment
Closed Unit Investment Fund of property "URALSIB - REGION"	100%	Russia	November 1, 2007	Investment
Closed Unit Investment Fund of property "URALSIB - ARENDA"	100%	Russia	November 1, 2007	Investment
Closed Unit Investment Fund of real estate "URALSIB real estate"	100%	Russia	February 26, 2008	Investment
Closed Unit Investment Fund of real estate "URALSIB –Investment in real estate"	100%	Russia	August 5, 2008	Investment
Closed Unit Investment Fund of real estate "Construction Investments"	95.01%	Russia	October 13, 2004	Investment
Closed Unit Investment Fund of real estate "URALSIB –Land investments"	88.92%	Russia	February 18, 2008	Investment

(Millions of Russian Rubles)

During 2009 the Bank acquired minority stakes equal to 2.14% and 3.38% in Closed Unit Investment Funds of real estate "Construction Investments" and "URALSIB – Land investments" respectively.

During 2009 the Bank also acquired 100% of units in newly established Closed Unit Investment Fund of real estate "URALSIB – Development of Regions", Closed Unit Investment Fund of credit facilities "Corporate", Closed Unit Investment Funds of stock "Strategic" and "Active-City" at their nominal amount.

The effects on the operations of the Bank from acquisitions during 2009 are not signifiacnt.

Combination of entities under common control

Yug Bank was established in Russia in 1990 and became a member of OJSC "Financial Corporation URALSIB" in 2005. During 2009 OJSC "Financial Corporation URALSIB", being a common majority shareholder for both OJSC "URALSIB" and Yug Bank, decided to merge the latter into the Bank. At the end of June 2009 the Board of Directors of OJSC "Financial Corporation URALSIB" made a decision to vest in the Chairman of the Management Board of OJSC "URALSIB" the authority to govern policies of Yug bank in order for it to successfully merge into OJSC "URALSIB", thus de facto granting full control over Yug Bank. In addition during 2009 all members of the Board of Directors of Yug Bank were made up of top managers of OJSC "URALSIB". Thus OJSC "URALSIB" had control over Yug Bank despite the fact that it did not own any shares in the latter. And finally in March 2010 the immediate parent of Yug Bank issued an order to the Board of Directors of Yug Bank prescribing that no dividends should be declared and paid as a result of 2009, and that all profits starting from 2009 will be retained by Yug Bank until the merger into OJSC "URALSIB" planned for the end of 2010. For additional information about the merger of Yug Bank, see note 24.

The consolidated statement of financial position as at December 31, 2009, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and their related comparatives have been restated as though Yug Bank has always been part of the Bank.

Shareholders

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

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

Shareholder	*2009* %	*2008* %
OJSC "Financial Corporation URALSIB"	46.15	53.06
LLC "Active-holding"	26.21	33.62
CJSC "UralSib Business Centre"	19.67	2.57
OJSC "URALSIB – Wealth Management"	3.85	5.00
Deutsche Bank, London Branch	1.64	2.12
Morgan Stanley	1.64	2.12
Other	0.84	1.51
Total	**100.00**	**100.00**

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

Russian business environment

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

2. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

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

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

Use of estimates and judgments

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

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

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

Critical judgments relating to the consolidation of Yug Bank are described in note 1.

3. Summary of accounting policies

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

BASIS OF CONSOLIDATION

Subsidiaries

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

Acquisitions of entities under common control

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

Acquisitions and disposals of minority interest

A difference between the consideration paid to acquire a minority interest, and the carrying amount of that minority interest, is recognised as goodwill. Transactions with minority interest without losing control are accounted for as transactions with shareholders, i.e. resulting differences are recognized in equity. Any difference between the consideration received upon disposal of a minority interest, and the carrying amount of that portion of the Bank's interest in the subsidiary including attributable goodwill, is recognised in profit or loss.

Associates

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

Transactions eliminated on consolidation

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the net identifiable assets of the acquired subsidiary/associated at the date of acquisition. 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.

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

Minority interest

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

Minority interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the OJSC "URALSIB". Minority interest in profit or loss and other comprehensive income is separately disclosed in the consolidated statement of comprehensive income.

Foreign currency transactions

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

Cash and cash equivalents

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

FINANCIAL INSTRUMENTS

Classification

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

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

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

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

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

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

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

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

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

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

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

- intends to sell immediately or in the near term

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

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

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

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

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

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

- meet the definition of loans and receivables.

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

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

Recognition

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

Measurement

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

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

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

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

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

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

Fair value measurement principles

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

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

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

Gains and losses on subsequent measurement

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

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

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

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

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Bank also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

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

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

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

Offsetting

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

Leases

i. Finance - Bank as lessor

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

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

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

ii. Operating - Bank as lessee

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

iii. Operating - Bank as lessor

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

PROPERTY AND EQUIPMENT

Owned assets

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

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

Revaluation

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

Depreciation

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

The estimated useful lives are as follows:

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

INTANGIBLE ASSETS

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

INVESTMENT PROPERTY

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

ASSETS HELD FOR SALE

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

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

IMPAIRMENT

Financial assets carried at amortized cost

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

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

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

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

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

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

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

Financial assets carried at cost

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

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

Available-for-sale assets

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

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

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

Non financial assets

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

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

Provisions

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

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

CREDIT RELATED COMMITMENTS

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

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

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

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

SHARE CAPITAL

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

Repurchase of share capital

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

Dividends

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

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

TAXATION

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

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

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

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

INCOME AND EXPENSE RECOGNITION

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

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

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

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

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

INFLATION ACCOUNTING

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

SEGMENT REPORTING

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

CHANGES IN ACCOUNTING POLICIES

Starting from January 1, 2009 the Bank adopted the revised version of IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after January 1, 2009). As a result in addition to the income statement the Bank discloses a statement of comprehensive income that also includes all non-owner changes in equity, such as the revaluation of available-for-sale assets and revaluation of buildings. The balance sheet is renamed to the statement of financial position and the cash flow statement is renamed to the statement of cash flows. According to the revised IAS 1, a statement of financial position at the beginning of the earliest comparative period is presented whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

Various Improvements to IFRSs are dealt with on a standard-by-standard basis.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective as at December 31, 2009, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations. The Bank plans to adopt these pronouncements when they become effective. The Bank has not yet analysed the likely impact of these pronouncements on its financial statements.

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

- IFRS 3 "Business Combinations" (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009). The revised IFRS 3 allows entities to choose to measure minority interest using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer must remeasure its previously held equity interest in the acquiree at its acquisition date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer must recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

- Revised IAS 24 "Related Party Disclosures" (2009) (effective for annual periods beginning on or after January 1, 2011) 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.

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

- IFRS 9 "Financial Instruments" will be effective for annual periods beginning on or after January 1, 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 "Financial Instruments: Recognition and Measurement" once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Bank recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Bank's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" (effective for annual periods beginning on or after January 1, 2010) clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

- Amendment to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective for annual periods beginning on or after July 1, 2009) clarifies the classification of assets and liabilities on disposal of a subsidiary.

- IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective for annual periods beginning on or after July 1, 2009) addresses the accounting for non-cash dividend distributions to owners. The interpretation clarifies when and how the non-cash dividend should be recognised and how the differences between the dividend paid and the carrying amount of the net assets distributed should be recognised.

Various improvements to IFRSs which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than January 1, 2010.

4. Segment analysis

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

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

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

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

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

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

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

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

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

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

In 2009 due to changes in the structure of its internal organisation the Bank revised its approach to the distribution of securities portfolio and cash and cash equivalents between Investment Banking and Corporate Investments and other operations segments as well as classification of investment property and customer accounts between the Corporate banking, Private banking and asset management and the Corporate investments and other operations segments. In addition, certain non-core banking services such as property management, catering and medicine services are transferred from Corporate Investments and other operations segment to Shared services segment.

The presentation of comparative information for 2008 has been reclassified for these changes.

Information about major customers

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

(Millions of Russian Rubles)

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

	2009	*2008 (Restated)*
Profit before income tax expense per management accounting (unaudited)	**4,766**	**7,306**
Consolidation adjustments	1,026	691
Interest and commission accrued	(724)	65
Conversion to finance lease accounting	420	494
Fair value and other adjustments to securities	(1,195)	(964)
Fair value adjustment to derivative financial instruments	122	(980)
Personnel, administrative and operating expenses accrued	(541)	(1,144)
Rent expenses not recognized in management accounting	41	39
Adjustment of impairment allowance	(1,243)	(1,385)
Other adjustments	(114)	(248)
Profit before income tax expense per IFRS financials	**2,558**	**3,874**

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

	2009		*2008 (Restated)*	
	Assets	*Liabilities*	*Assets*	*Liabilities*
Total assets/liabilities per management accounting (unaudited)	**432,613**	**376,982**	**474,719**	**426,067**
Netting of accounts receivable and payable on securities operations in management accounting	(8,064)	(5,364)	(272)	(8)
Accrual of administrative and operating expenses	744	297	1,985	861
Consolidation adjustments	9,662	2,416	3,919	229
Elimination of intragroup balances	(13,146)	(13,146)	(7,819)	(7,819)
Conversion to finance lease accounting	(1,136)	(2,629)	459	(1,402)
Revaluation and other adjustments to buildings	1,153	24	1,454	12
Revaluation and other adjustments to accumulated depreciation on property and equipment	(348)	-	(826)	-
Adjustment of current and deferred tax assets and liabilities	(1,638)	(553)	(1,329)	275
Accrual of interest and commissions	(851)	(889)	(1,533)	(1,495)
Adjustments to impairment allowances	(2,747)	(90)	(1,523)	(530)
Fair value adjustment to derivative financial instruments	93	20	105	154
Fair value adjustment to securities	892	-	319	-
Fair value adjustment to assets held for sale	(336)	-	-	-
Accrual of employee compensation payable	-	(22)	-	526
Other adjustments	(232)	(837)	467	724
Total assets/liabilities per IFRS financials	**416,659**	**356,209**	**470,125**	**417,594**

(Millions of Russian Rubles)

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

	Corporate banking	Retail banking	Leasing	Investment banking	Private banking and asset management	Treasury and ALM unit	Corporate investments and other operations	Shared services	Inter-segmental operations	Total
Assets										
Cash and cash equivalents	-	214	473	-	9	33,182	72	-	(552)	33,398
Obligatory reserves with the Central Bank	-	-	-	-	-	3,063	-	-	-	3,063
Amounts due from credit institutions	-	-	827	-	-	29,544	-	-	(763)	29,608
Trading securities	-	-	-	14,204	-	1,009	13,814	-	-	29,027
Available-for-sale securities	-	-	-	4,965	-	14,754	954	-	-	20,673
Held-to-maturity securities	-	-	-	1,696	-	-	1,371	-	-	3,067
Total securities	-	-	-	20,865	-	15,763	16,139	-	-	52,767
Loans to corporate entities (gross)	128,954	-	1,803	436	-	5,819	33,797	-	(5,819)	164,990
Less impairment allowance	(17,659)	-	(191)	-	-	-	(84)	-	-	(17,934)
Total loans to corporate entities (net)	111,295	-	1,612	436	-	5,819	33,713	-	(5,819)	147,056
Loans to individuals (gross)	-	73,777	-	-	1,598	-	-	-	-	75,375
Less impairment allowance	-	(6,590)	-	-	(173)	-	-	-	-	(6,763)
Total loans to individuals (net)	-	67,187	-	-	1,425	-	-	-	-	68,612
Total loans to customers (net)	111,295	67,187	1,612	436	1,425	5,819	33,713	-	(5,819)	215,668
Net investment in finance leases	-	-	18,925	-	-	-	-	-	-	18,925
Property and equipment	-	-	14	-	-	-	3,051	8,977	-	12,042
Other assets	7,689	1,147	12,372	-	1	8,496	37,788	-	(351)	67,142
Total assets	**118,984**	**68,548**	**34,223**	**21,301**	**1,435**	**95,867**	**90,763**	**8,977**	**(7,485)**	**432,613**
Liabilities										
Amounts due to credit institutions	-	3,382	-	-	751	29,942	13,561	-	(129)	47,507
Current accounts of corporate clients	53,843	-	-	-	667	469	5,966	-	(469)	60,476
Time deposits of corporate clients	114,255	-	-	-	1,395	717	5,174	-	(717)	120,824
Total amounts due to corporate clients	168,098	-	-	-	2,062	1,186	11,140	-	(1,186)	181,300
Current accounts of individuals	-	24,100	-	-	568	-	-	-	-	24,668
Time deposits of individuals	-	67,045	-	-	8,385	-	-	-	-	75,430
Total amounts due to individual clients	-	91,145	-	-	8,953	-	-	-	-	100,098
Total amounts due to customers	168,098	91,145	-	-	11,015	1,186	11,140	-	(1,186)	281,398
Promissory notes and certificates of deposit	3,641	315	-	-	-	7,240	291	-	-	11,487
Other borrowed funds	-	-	27,809	436	-	-	-	-	(6,170)	22,075
Other liabilities	716	119	3,744	2	11	9,450	152	321	-	14,515
Total liabilities	**172,455**	**94,961**	**31,553**	**438**	**11,777**	**47,818**	**25,144**	**321**	**(7,485)**	**376,982**

(Millions of Russian Rubles)

Segment breakdown of assets and liabilities as of December 31, 2008 (restated) is set out below:

	Corporate banking	Retail banking	Leasing	Investment banking	Private banking and asset management	Treasury and ALM unit	Corporate investments and other operations	Shared services	Inter-segmental operations	Total
Assets										
Cash and cash equivalents	1	218	565	-	9	64,302	491	-	(433)	65,153
Obligatory reserves with the Central Bank	-	-	-	-	-	653	-	-	-	653
Amounts due from credit institutions	-	-	740	-	-	17,091	-	-	(700)	17,131
Trading securities	-	-	-	1,091	26	3,034	5,144	-	-	9,295
Available-for-sale securities	-	-	-	4,703	-	12,428	7,600	-	-	24,731
Held-to-maturity securities	-	-	-	4,065	-	-	2,086	-	-	6,151
Total securities	-	-	-	9,859	26	15,462	14,830	-	-	40,177
Loans to corporate entities (gross)	154,473	-	633	104	-	7,335	41,209	-	(7,335)	196,419
Less impairment allowance	(11,308)	-	-	-	-	-	(419)	-	-	(11,727)
Total loans to corporate entities (net)	143,165	-	633	104	-	7,335	40,790	-	(7,335)	184,692
Loans to individuals (gross)	-	88,997	-	-	2,053	-	-	-	-	91,050
Less impairment allowance	-	(4,466)	-	-	(65)	-	-	-	-	(4,531)
Total loans to individuals (net)	-	84,531	-	-	1,988	-	-	-	-	86,519
Total loans to customers (net)	143,165	84,531	633	104	1,988	7,335	40,790	-	(7,335)	271,211
Net investment in finance leases	-	-	27,292	-	-	-	-	-	-	27,292
Property and equipment	-	-	9	-	-	-	3,268	7,341	-	10,618
Other assets	14,702	918	10,168	13	-	5,379	13,901	-	(2,597)	42,484
Total assets	**157,868**	**85,667**	**39,407**	**9,976**	**2,023**	**110,222**	**73,280**	**7,341**	**(11,065)**	**474,719**
Liabilities										
Amounts due to credit institutions	1,745	3,633	-	-	156	121,761	13,345	-	-	140,640
Current accounts of corporate clients	64,754	-	-	-	1,280	433	4,303	-	(433)	70,337
Time deposits of corporate clients	93,123	-	-	-	5	700	1,466	-	(700)	94,594
Total amounts due to corporate clients	157,877	-	-	-	1,285	1,133	5,769	-	(1,133)	164,931
Current accounts of individuals	-	18,695	-	-	541	-	-	-	-	19,236
Time deposits of individuals	-	48,363	-	-	6,815	-	-	-	-	55,178
Total amounts due to individual clients	-	67,058	-	-	7,356	-	-	-	-	74,414
Total amounts due to customers	157,877	67,058	-	-	8,641	1,133	5,769	-	(1,133)	239,345
Promissory notes and certificates of deposit	3,698	146	-	-	-	3,615	241	-	-	7,700
Other borrowed funds	-	-	33,675	-	-	-	412	-	(9,932)	24,155
Other liabilities	1,812	74	3,216	1	-	8,900	224	-	-	14,227
Total liabilities	**165,132**	**70,911**	**36,891**	**1**	**8,797**	**135,409**	**19,991**	**-**	**(11,065)**	**426,067**

(Millions of Russian Rubles)

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

	Corporate banking	Retail banking	Leasing	Investment banking	Private banking and asset management	Treasury and ALM unit	Corporate investments and other operations	Shared services	Intersegmental operations	Total
Interest income										
Loans to customers	20,355	11,289	125	143	231	-	5,597	-	-	37,740
Net investment in finance leases	-	-	4,751	-	-	-	-	-	-	4,751
Amounts due from credit institutions	-	2	15	-	-	1,260	-	-	(6)	1,271
Transfer income	18,155	9,204	92	-	1,181	57,584	5,582	-	(91,798)	-
	38,510	**20,495**	**4,983**	**143**	**1,412**	**58,844**	**11,179**	**-**	**(91,804)**	**43,762**
Interest expense										
Amounts due to customers	(11,151)	(5,896)	-	-	(892)	(721)	(520)	-	-	(19,180)
Amounts due to credit institutions	(30)	(29)	-	-	-	(6,087)	(1,312)	-	6	(7,452)
Promissory notes and certificates of deposit issued	(178)	(6)	-	-	-	(453)	(51)	-	-	(688)
Other borrowed funds	-	-	(2,758)	-	-	(10)	-	-	-	(2,768)
Transfer expense	(19,439)	(9,890)	(1,006)	(1,803)	(263)	(49,204)	(8,524)	(1,669)	91,798	-
	(30,798)	**(15,821)**	**(3,764)**	**(1,803)**	**(1,155)**	**(56,475)**	**(10,407)**	**(1,669)**	**91,804**	**(30,088)**
Net interest income (expense)	**7,712**	**4,674**	**1,219**	**(1,660)**	**257**	**2,369**	**772**	**(1,669)**	**-**	**13,674**
Impairment of interest earning assets	(6,674)	(2,125)	(773)	-	(108)	2	335	-	-	(9,343)
Net interest income (expense) after impairment of interest earning assets	**1,038**	**2,549**	**446**	**(1,660)**	**149**	**2,371**	**1,107**	**(1,669)**	**-**	**4,331**
Fee and commission income	4,436	3,763	-	314	16	266	28	-	(3)	8,820
Fee and commission expense	(186)	(1,320)	(192)	(3)	(13)	(239)	(249)	-	3	(2,199)
Intersegment fee income	340	-	181	-	129	343	92	-	(1,085)	-
Intersegment fee expense	(328)	(13)	(31)	-	(7)	(706)	-	-	1,085	-
Net fee and commission income (expense)	**4,262**	**2,430**	**(42)**	**311**	**125**	**(336)**	**(129)**	**-**	**-**	**6,621**
Net gains from securities	-	-	2	3,199	36	1,007	5,179	-	-	9,423
Net gains (losses) from foreign currency	339	693	(286)	-	1	370	(85)	-	-	1,032
Net gains (losses) from operations with precious metals	(55)	3	-	-	-	1	-	-	-	(51)
Other income (expense)	(1,646)	(887)	489	(7)	(3)	14	1,054	1,895	(1,788)	(879)
	(1,362)	**(191)**	**205**	**3,192**	**34**	**1,392**	**6,148**	**1,895**	**(1,788)**	**9,525**
Personnel expenses	(1,252)	(1,122)	(402)	(26)	(180)	(134)	(55)	(5,760)	-	(8,931)
Administrative and operating expenses	(326)	(975)	(133)	(13)	(105)	(54)	(22)	(5,902)	1,788	(5,742)
Depreciation and amortisation	(124)	(182)	(5)	(1)	(9)	(6)	(2)	(709)	-	(1,038)
Impairment of other assets	403	(28)	-	-	-	(270)	(105)	-	-	-
	(1,299)	**(2,307)**	**(540)**	**(40)**	**(294)**	**(464)**	**(184)**	**(12,371)**	**1,788**	**(15,711)**
Profit (loss) before income tax expense	**2,639**	**2,481**	**69**	**1,803**	**14**	**2,963**	**6,942**	**(12,145)**	**-**	**4,766**
Income tax expense	-	-	-	-	-	-	-	(2,204)	-	(2,204)
Profit (loss) for the year	**2,639**	**2,481**	**69**	**1,803**	**14**	**2,963**	**6,942**	**(14,349)**	**-**	**2,562**
External revenue	**24,791**	**15,054**	**4,893**	**3,656**	**283**	**2,533**	**10,804**	**-**	**(9)**	**62,005**

(Millions of Russian Rubles)

Segment information for the main reportable segments for the year ended December 31, 2008 (restated) is set out below:

	Corporate banking	Retail banking	Leasing	Investment banking	Private banking and asset management	Treasury and ALM unit	Corporate investments and other operations	Shared services	Intersegmental operations	Total
Interest income										
Loans to customers	21,122	10,910	130	175	181	25	4,405	-	-	36,948
Net investments in finance leases	-	-	4,807	-	-	-	-	-	-	4,807
Amounts due from credit institutions	-	-	2	-	-	1,214	-	-	-	1,216
Transfer income	13,561	6,597	31	-	869	44,613	4,606	-	(70,277)	-
	34,683	**17,507**	**4,970**	**175**	**1,050**	**45,852**	**9,011**	**-**	**(70,277)**	**42,971**
Interest expense										
Amounts due to customers	(7,191)	(3,905)	-	-	(696)	(190)	(522)	-	-	(12,504)
Amounts due to credit institutions	(79)	(24)	-	-	-	(4,754)	(559)	-	-	(5,416)
Promissory notes and certificates of deposit issued	(142)	(6)	-	-	-	(634)	(1)	-	-	(783)
Other borrowed funds	-	-	(1,849)	-	-	-	(1)	-	-	(1,850)
Transfer expense	(17,176)	(9,151)	(702)	(941)	(226)	(37,240)	(4,008)	(833)	70,277	-
	(24,588)	**(13,086)**	**(2,551)**	**(941)**	**(922)**	**(42,818)**	**(5,091)**	**(833)**	**70,277**	**(20,553)**
Net interest income (expense)	**10,095**	**4,421**	**2,419**	**(766)**	**128**	**3,034**	**3,920**	**(833)**	**-**	**22,418**
Impairment of interest earning impairment of interest earning assets	(4,501)	(1,555)	(950)	-	(58)	37	(260)	-	-	(7,287)
Net interest income (expense) after impairment of interest earning assets	**5,594**	**2,866**	**1,469**	**(766)**	**70**	**3,071**	**3,660**	**(833)**	**-**	**15,131**
Fee and commission income	5,116	3,642	-	131	37	273	33	-	-	9,232
Fee and commission expense	(209)	(376)	(257)	(1)	(24)	(450)	(114)	-	-	(1,431)
Intersegment fee income	472	323	18	7	226	400	41	-	(1,487)	-
Intersegment fee expense	(601)	(334)	(66)	(1)	(4)	(479)	(2)	-	1,487	-
Net fee and commission income (expense)	**4,778**	**3,255**	**(305)**	**136**	**235**	**(256)**	**(42)**	**-**	**-**	**7,801**
Net gains (losses) from securities	-	-	-	1,161	(207)	309	(1,476)	-	-	(213)
Net gains (losses) from foreign currency	409	770	10	-	1	1,043	(42)	-	-	2,191
Net gains from operations with precious metals	96	3	-	-	-	-	-	-	-	99
Other income (expense)	103	(346)	(524)	(12)	2	(27)	455	2,462	(2,299)	(186)
	608	**427**	**(514)**	**1,149**	**(204)**	**1,325**	**(1,063)**	**2,462**	**(2,299)**	**1,891**
Personnel expenses	(963)	(1,244)	(342)	(337)	(236)	(136)	(36)	(6,523)	-	(9,817)
Administrative and operating expenses	(487)	(1,365)	(139)	(59)	(139)	(42)	(25)	(6,461)	2,299	(6,418)
Depreciation and amortisation	(75)	(120)	(5)	(3)	(11)	(5)	(1)	(611)	-	(831)
Impairment of other assets	(426)	-	-	-	-	(1)	(24)	-	-	(451)
	(1951)	**(2,729)**	**(486)**	**(399)**	**(386)**	**(184)**	**(86)**	**(13,595)**	**2,299**	**(17,517)**
Profit (loss) before income tax expense	**9,029**	**3,819**	**164**	**120**	**(285)**	**3,956**	**2,469**	**(11,966)**	**-**	**7,306**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,386)**	**-**	**(2,386)**
Profit (loss) for the year	**9,029**	**3,819**	**164**	**120**	**(285)**	**3,956**	**2,469**	**(14,352)**	**-**	**4,920**
External revenue	**26,238**	**14,552**	**4,939**	**1,467**	**11**	**1,821**	**2,962**	**-**	**-**	**51,990**

(Millions of Russian Rubles)

5. Cash and cash equivalents

Cash and cash equivalents as of December 31 comprise:

	2009	*2008 (Restated)*
Cash on hand	16,459	20,561
Current accounts with the CBR	13,074	37,558
Time deposits with credit institutions up to 90 days		
-OECD banks	15,037	8,339
-Other Russian banks	8,429	2,355
-Largest 30 Russian banks	1,972	846
-Other foreign banks	629	615
-Russian subsidiaries of OECD banks	-	1,560
Current accounts with other credit institutions		
-OECD banks	2,585	4,789
-Largest 30 Russian banks	306	357
-Other Russian banks	381	311
-Other foreign banks	6	13
-Russian subsidiaries of OECD banks	-	2
Accounts with stock exchanges	1,247	505
Time deposits with the CBR	15	-
Reverse repurchase agreements with credit institutions up to 90 days		
-Largest 30 Russian banks	434	-
Cash and cash equivalents	**60,574**	**77,811**

6. Amounts due from credit institutions

Amounts due from credit institutions as of December 31 comprise:

	2009	*2008 (Restated)*
Time deposits for more than 90 days or past due		
-OECD banks	1,524	11
-Other foreign banks	1,395	1,614
-Other Russian banks	1,171	868
-Largest 30 Russian banks	-	2,006
Promissory notes		
-Other Russian banks	-	100
	4,090	**4,599**
Less allowance for impairment	(47)	(146)
Amounts due from credit institutions	**4,043**	**4,453**

As of December 31, 2009, the gross amount of past due amounts due from credit institutions is RUB 47 (2008 – RUB 146).

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

	2009	*2008 (Restated)*
January 1	**146**	**123**
(Reversal)/Charge	(99)	23
December 31	**47**	**146**

(Millions of Russian Rubles)

7. Trading securities

Trading securities as of December 31 comprise:

	2009	2008 (Restated)
Trading securities unpledged		
- Government and municipal bonds		
Russian State bonds (OFZ)	577	650
US Treasury bills	-	9,289
Municipal and government bonds	-	139
- Corporate bonds and promissory notes		
Corporate Ruble bonds	378	6,342
Rated from BBB- to BBB+	-	*776*
Rated from BB- to BB+	*37*	*401*
Rated below B+	-	*533*
Not rated	*341*	*4,632*
Corporate Promissory notes	784	1,715
Rated from BBB- to BBB+	-	*1,023*
Rated from BB- to BB+	-	*30*
Rated below B+	*784*	*440*
Not rated	-	*222*
Corporate Eurobonds	263	1,254
Rated from BBB- to BBB+	*263*	*559*
Rated from BB- to BB+	-	*158*
Rated below B+	-	*330*
Not rated	-	*207*
- Equity investments		
OJSC "TD Kopeika" ordinary shares	9,392	-
OJSC "LUKOIL" ordinary shares	-	1,828
Total trading securities, unpledged	**11,394**	**21,217**
Trading securities pledged under repurchase agreements		
- Government and municipal bonds		
Russian State bonds (OFZ)	-	4,054
Total trading securities, pledged under repurchase agreements	**-**	**4,054**
Total trading securities	**11,394**	**25,271**

During 2009 a closed unit investment fund controlled by the Bank acquired shares of the retail discounter OJSC "TD Kopeika", bringing its ownership as of December 31, 2009 to 25.01%. Despite the fact that the Bank controls more than 20% of shares in OJSC "TD Kopeika" the Bank recorded this investment at fair value through profit or loss because the closed unit investment fund that acquired the shares meets definition of a venture capital organisation. Under IFRS, venture capital organisations are allowed to classify investments as held for trading with changes in fair value recognised in profit or loss. The Bank acquired part of these securities below their fair value from a related party. The difference between fair value at the date of acquisition and purchase price of RUB 519, net of deferred tax is recognised directly in equity as additional paid-in capital.

(Millions of Russian Rubles)

8. Available-for-sale securities

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

	2009	*2008 (Restated)*
Corporate Ruble bonds	9,710	6,316
Rated from BBB- to BBB+	*1,917*	*2,748*
Rated from BB- to BB+	*276*	*30*
Rated below B+	*3,341*	*1,446*
Not rated	*4,176*	*2,092*
Corporate shares	8,841	985
Government bonds of foreign countries	3,735	-
Rated AAA	*3,735*	-
Russian State bonds (OFZ)	3,651	409
Corporate Eurobonds	3,345	149
Rated from BBB- to BBB+	*2,229*	-
Rated from BB- to BB+	*517*	-
Rated below B+	*411*	-
Not rated	*188*	*149*
Municipal and government bonds	1,922	2,014
US Treasury bills	1,913	-
Units in closed unit investment funds	1,252	746
Share participation in limited liability companies and other equity investments	406	131
	34,775	**10,750**
Less allowance for impairment	(957)	(710)
Available-for-sale securities	**33,818**	**10,040**

The gross amount of impaired available-for-sale securities as of December 31, 2009 is equal to RUB 1,130 for which a RUB 957 impairment allowance is created (2008 - RUB 1,210 and RUB 710, respectively).

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

	2009	*2008 (Restated)*
January 1	**710**	-
Charge	247	710
December 31	**957**	**710**

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

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

	December 31, 2009		**December 31, 2008**		**July 1, 2008**
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Carrying and fair value**
Trading securities reclassified to available-for-sale securities	**1,401**	**1,401**	**1,380**	**1,380**	**2,075**

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

(Millions of Russian Rubles)

	Year ended December 31, 2009		Year ended December 31, 2008 (Restated)	
	Recognised for reclassified assets	**Would have been recognized if the reclassifications were not made**	**Recognised for reclassified assets**	**Would have been recognized if the reclassifications were not made**
Interest income	360	360	331	331
Net losses from trading securities	-	(586)	(320)	(1,425)
Net realized (losses) gains from available-for-sale securities	(607)	-	52	-
Impairment of interest earning assets	(214)	-	(404)	-
Total amount recognized in the consolidated income statement, before tax	**(461)**	**(226)**	**(341)**	**(1,094)**
Net change in fair value of available-for-sale securities	235	-	(602)	-
Net change in fair value of available-for-sale securities transferred to profit or loss	510	-	-	-
Total amount recognized in the consolidated statement of comprehensive income, before tax	**284**	**(226)**	**(943)**	**(1,094)**

9. Held-to-maturity securities

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

	2009	*2008 (Restated)*
Corporate bonds	2,227	4,825
Corporate Eurobonds	918	1,391
Held-to-maturity securities	**3,145**	**6,216**

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

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

	December 31, 2009		December 31, 2008		July 1, 2008
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Carrying and fair value**
Trading securities reclassified to held-to-maturity securities	**679**	**629**	**853**	**613**	**861**

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

	Year ended December 31, 2009		Year ended December 31, 2008	
	Recognised for reclassified assets	**Would have been recognized if the reclassifications were not made**	**Recognised for reclassified assets**	**Would have been recognized if the reclassifications were not made**
Interest income	137	127	150	109
Gains (losses) from trading securities	-	310	(13)	(393)
Total amount recognized in the consolidated income statement, before tax	**137**	**437**	**137**	**(284)**

(Millions of Russian Rubles)

10. Derivative financial instruments

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

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

	2009			*2008 (Restated)*		
	Notional principal	*Fair values*		*Notional principal*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Precious metals contracts						
Forwards and Swaps – foreign counterparties	1,920	93	20	2,169	86	139
Forwards and Swaps – domestic counterparties	107	-	-	-	-	-
Foreign exchange contracts						
Forwards and Swaps – domestic counterparties	-	-	-	17	-	-
Equity contracts						
Forwards – foreign counterparties	-	-	-	5,496	11	4
Forwards – domestic counterparties	-	-	-	54	7	-
Total derivative	**2,027**	**93**	**20**	**7,736**	**104**	**143**

11. Assets held for sale

In August 2009, two closed unit investment funds controlled by the Bank jointly purchased 40% of shares of CJSC "Insurance Group UralSib" ("IG") at a price above their fair value from a related party. The difference between fair value at the date of acquisition and purchase price of RUB 336, net of deferred tax, is recognised directly in equity as distribution to shareholders. The purpose of the acquisition is to hold these shares for a short period of time and sell them in 2010. There are several sale scenarios approved by the shareholders, which include sales to an independent third-party buyer or to a buyer that could be a related party to the Bank. Management has begun consultations with investment banks as to determine the best disposal approach. The expected timing of the sale is the end of 2010, whereas all 40% of shares are expected to be sold in one single transaction.

As of December 31, 2009, the estimated fair value less costs to sell of the Bank's 40-percent share of IG amounts to RUB 8,764, remaining the same as at the acquisition date in August 2009. Disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets held for sale are allocated to the "Corporate investments and other operations" operating segment. Please refer to note 4.

The Bank used several alternative valuation models to determine and confirm the fair value of IG. The Bank applied discounted cash flows and dividend discount model for the assessment.

The following key assumptions were used by management in estimating the fair value of the Bank's share in IG:

Factor	**Assumption**
Forecast period used in projection	2010 - 2027
Main macroeconomic assumptions throughout 2027	Claims-to-premiums ratio similar to European insurance market; Insurance market share similar to other East-European countries; Growth is organic (no major M&A activities)
Full recovery and reaching the pre-crisis level of operations	2011
Annual growth of gross written premiums from 2010 onwards	From 2% to 18% in the period from 2010 to 2015 and 15% thereafter
Annual net premiums growth	Average rate of 9%
Annual net claims growth	Average rate of 5% yielding average net claims/premiums ratio at 64%
Annual growth on net acquisition costs	10%
Annual growth of administrative expenses	12%
Cash flow discount factor	16%

(Millions of Russian Rubles)

12. Loans to customers

Loans to customers as of December 31 comprise:

	2009	*2008 (Restated)*	*2007 (Restated)*
Loans to corporate entities, gross	166,384	203,238	188,021
Less allowance for impairment	(18,390)	(12,290)	(7,896)
Loans to corporate entities, net	147,994	190,948	180,125
Loans to individuals, gross	77,147	91,379	68,310
Less allowance for impairment	(6,781)	(4,545)	(2,929)
Loans to individuals, net	70,366	86,834	65,381
Total loans to customers	**218,360**	**277,782**	**245,506**

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

	2009	*2008 (Restated)*	*2007 (Restated)*
Loans to corporate entities	166,384	203,238	188,021
Loans to individuals:			
Residential mortgages	40,202	44,273	29,604
Consumer lending	16,328	22,721	19,384
Auto loans	12,553	18,135	16,120
Credit cards	2,219	1,987	1,530
Other loans to individuals	5,845	4,263	1,672
Gross loans to customers	**243,531**	**294,617**	**256,331**
Less allowance for impairment	(25,171)	(16,835)	(10,825)
Loans to customers	**218,360**	**277,782**	**245,506**

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

	Corporate lending	*Residential mortgages*	*Consumer lending*	*Auto loans*	*Credit cards*	*Other*	*Total*
At January 1, 2009	12,290	544	3,055	623	285	38	**16,835**
Charge (recovery)	8,279	1,209	805	437	(1)	373	**11,102**
Amounts written off	(2,179)	-	(587)	-	-	-	**(2,766)**
At December 31, 2009	**18,390**	**1,753**	**3,273**	**1,060**	**284**	**411**	**25,171**

	Corporate lending	*Residential mortgages*	*Consumer lending*	*Auto loans*	*Credit cards*	*Other*	*Total*
At January 1, 2008 (restated)	7,896	53	2,215	451	188	22	**10,825**
Charge (restated)	6,603	491	848	172	97	16	**8,227**
Amounts written off (restated)	(2,209)	-	(8)	-	-	-	**(2,217)**
At December 31, 2008 (restated)	**12,290**	**544**	**3,055**	**623**	**285**	**38**	**16,835**

The Bank estimated loan impairment for loans to corporate entities based on an analysis of the future cash flows for impaired loans and based on its past experience.

Changes in these estimates could effect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the level of impairment as of December 31, 2009 would be RUB 1,480 (2008 - RUB 1,909) lower/higher.

The Bank estimates loan impairment for loans to individuals based on its past historical loss experience on these types of loans. Management estimated losses based on historic loss migration pattern for the past 36 months.

(Millions of Russian Rubles)

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loan impairment on loans to individuals as of December 31, 2009 would be RUB 704 (2008 - RUB 868) lower/higher.

Concentration of loans to customers

As of December 31, 2009, the Bank has a concentration of loans represented by RUB 21,376 due from the ten largest third party borrowers (9% of gross loan portfolio) (2008 – RUB 19,813 or 7%). An allowance for impairment of RUB 1,324 (2008 – RUB 933) is recognised against these loans.

As of December 31, 2009, the Bank participates in three syndicated loans in the amount of RUB 10,275, RUB 9,983 and RUB 6,662 organized by international banks for the related parties of the Bank (entities under common control). The loans provided by the Bank are denominated in USD and RUB and carry interest rates of 15% per annum; RUB 10,275 matures in November 2010, RUB 9,983 matures in September 2011 and RUB 6,662 matures in February 2011. The funds are used by the related parties to finance their business activity. Note 33 discloses the full amount of loans to related parties.

Loans to customers as of December 31 comprise:

	2009	*2008 (Restated)*	*2007 (Restated)*
Loans to customers	242,427	288,111	241,252
Loans granted under reverse repurchase agreements	905	988	9,401
Overdrafts	162	5,429	5,563
Factoring	30	48	68
Promissory notes	7	41	47
	243,531	**294,617**	**256,331**
Less allowance for loan impairment	(25,171)	(16,835)	(10,825)
Loans to customers	**218,360**	**277,782**	**245,506**

Reverse repurchase agreements

At December 31, 2009, loans granted under reverse repurchase agreements include RUB 905 (2008 – RUB 885) placed with related parties. Fair value of corporate shares pledged under these reverse repurchase agreements is equal to RUB 1,059 (2008 – RUB 1,090).

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

	2009	*2008 (Restated)*
Individuals	77,147	91,379
Trading enterprises	44,419	64,927
Financial services, other than credit institutions	38,177	40,984
Real estate construction	21,062	35,847
Food processing	12,261	12,126
Manufacturing	11,617	11,088
Machine-building	5,591	7,479
Gold mining	5,135	2,998
Metallurgy	4,570	4,009
Oil and gas	3,261	2,984
Energy	3,201	2,717
Agriculture	2,364	3,516
Leasing	2,364	2,009
Chemical	2,105	2,149
Transport	1,697	2,114
Metal mining and refinery	1,372	503
Services	837	703
Light industry	562	475
Government and municipal bodies	399	170
Forestry	393	492
Telecommunication	245	153
Other	4,752	5,795
	243,531	**294,617**

(Millions of Russian Rubles)

13. Net investments in finance leases

Net investments in finance leases as of December 31 comprise:

	2009	*2008 (Restated)*	*2007 (Restated)*
Gross investments in finance leases	32,211	47,658	29,139
Less unearned finance lease income	(8,472)	(13,577)	(8,008)
	23,739	**34,081**	**21,131**
Less allowance for impairment	(3,225)	(2,200)	(651)
Net investments in finance leases	**20,514**	**31,881**	**20,480**

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

There is no residual value related to lease contracts existing as of December 31, 2009 and 2008. Future minimum lease payments to be received following December 31 are disclosed below:

	2009	*2008 (Restated)*
Within 1 year	14,948	18,564
From 1 to 5 years	14,886	24,447
More than 5 years	2,377	4,647
Minimum lease payments receivable	**32,211**	**47,658**

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

	2009	*2008 (Restated)*
RUB	10,917	22,671
USD	14,911	14,641
EUR	6,383	10,346
Gross investments in finance leases	**32,211**	**47,658**

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

	2009	*2008 (Restated)*
January 1	**2,200**	**651**
Charge	1,025	1,549
December 31	**3,225**	**2,200**

14. Investment property

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

The Bank rents out trade premises to third parties under operating lease arrangements. During 2009, the Bank received RUB 327 of rental income from this investment property (2008: RUB 226).

The basis used to estimate the fair value of investment property is the market approach. The market approach is based upon an analysis of the results of comparable sales and/or offers of similar premises.

Changes in the estimates above could affect the estimate of fair value of the investment property. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the estimate of fair value of the investment property as of December 31, 2009 would be RUB 578 higher/lower (2008 – RUB 190 higher/lower).

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

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

(Millions of Russian Rubles)

The movements in the investment property for the year ended December 31, 2008 were as follows:

	Residential and commercial property	Plots of land	Total
January 1, 2008	**45**	**-**	**45**
Acquisitions	6,627	1	6,628
Revaluation	(294)	-	(294)
Disposals	(45)	-	(45)
December 31, 2008	**6,333**	**1**	**6,334**

15. Property and equipment

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

	Land and buildings	*Furniture, computers, office equipment and motor vehicles*	*Assets under construction*	*Total*
Cost or revalued amount				
December 31, 2007 (restated)	**8,351**	**3,672**	**668**	**12,691**
Additions (restated)	69	616	494	**1,179**
Disposals (restated)	(86)	(270)	(395)	**(751)**
Netting of accumulated depreciation due to revaluation (restated)	(330)	-	-	**(330)**
Revaluation (restated)	288	-	-	**288**
Transfer (restated)	38	232	(270)	**-**
December 31, 2008 (restated)	**8,330**	**4,250**	**497**	**13,077**
Additions	2,810	616	417	**3,843**
Disposals	(46)	(375)	(536)	**(957)**
Netting of accumulated depreciation due to revaluation	(335)	-	-	**(335)**
Revaluation	(887)	-	-	**(887)**
Transfer	9	259	(268)	**-**
December 31, 2009	**9,881**	**4,750**	**110**	**14,741**
Accumulated depreciation				
December 31, 2007 (restated)	**90**	**1,873**	**-**	**1,963**
Charge for the year (restated)	245	521	-	**766**
Disposals (restated)	(5)	(179)	-	**(184)**
Netting of accumulated depreciation due to revaluation (restated)	(330)	-	-	**(330)**
December 31, 2008 (restated)	**-**	**2,215**	**-**	**2,215**
Charge for the year	335	705	-	**1,040**
Disposals	-	(266)	-	**(266)**
Netting of accumulated depreciation due to revaluation	(335)	-	-	**(335)**
December 31, 2009	**-**	**2,654**	**-**	**2,654**
Net book value				
December 31, 2007 (restated)	**8,261**	**1,799**	**668**	**10,728**
December 31, 2008 (restated)	**8,330**	**2,035**	**497**	**10,862**
December 31, 2009	**9,881**	**2,096**	**110**	**12,087**

Buildings were independently valued at December 31, 2009. The valuation was carried out by an independent firm of appraisers who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category.

(Millions of Russian Rubles)

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

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

- net income for the base year was calculated using information on actual rental rates, possible vacancy losses, operating and maintenance expenses
- vacancy and collection losses as a percentage of potential gross rent income were estimated in range from 2% to 15%
- buildings maintenance and general administrative expenses were estimated in range from 10% to 20% of effective gross rent income
- capitalisation rates of 10% to 17.5% were applied to capitalise net income for base year.

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

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

	2009	*2008 (Restated)*
Cost	9,059	4,330
Less accumulated depreciation	(927)	(759)
Net carrying amount	**8,132**	**3,571**

16. Goodwill

Goodwill as of December 31 relates to:

	2009	*2008 (Restated)*
URALSIB Banking Group	1,897	1,897
OJSC "AVTOBANK-NIKOIL"	2,630	2,630
Goodwill	**4,527**	**4,527**

Impairment testing of goodwill and other intangible assets with indefinite lives

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

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

Key assumptions used in value in use calculations

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

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

The effective discount rate applied to cash flow projections is based on Weighted Average Cost of Capital ("WACC") methodology, takes into account the inflation rate at the end of the reporting period and is equal to 15%.

(Millions of Russian Rubles)

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

Interest margins

Interest margins are increased during the first budget year and gradually decreased over the remaining budget period reaching in the long term 50% – 70% of the 2010 level.

Discount rates

Discount rates reflect management's estimate of return of capital employed ("ROCE") required in each line of business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated based on a WACC formula.

Financial market recovery rate

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

Forecasted foreign exchange rates

The RUB/US Dollar exchange rate used in the calculation of the goodwill impairment test is set at the level of the beginning of 2010 and is presumed not to fluctuate significantly over the next five years.

Sensitivity to changes in assumptions

Management believes that reasonably unfavourable changes to the above key assumptions used to determine the recoverable segment amounts will also not result in an impairment of goodwill.

17. Taxation

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

	2009	*2008 (Restated)*
Current tax		
Current year	437	2,198
Deferred tax		
Origination and reversal of temporary differences	296	(802)
Total income tax expense in the consolidated income statement	**733**	**1,396**

The Bank is liable to current profit tax in Russia on its taxable profit and capital gains other than profits on certain types of securities at a rate of 20% (2008 – 24%). Pursuant to Russian profits tax law interest income on certain types of securities is subject to profits tax at a rate of 15%, 9% or nil. At December 31, 2009 the rate of tax applicable for deferred taxes is 20% (2008 – 20%).

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

	2009		*2008 (Restated)*	
Profit before income tax expense	**2,558**	**%**	**3,874**	**%**
Income tax at the applicable tax rate	512	20%	930	24%
Non-deductible costs	246	10%	303	8%
Effect of change in income tax rate	-	-	237	6%
Income taxed at different tax rates	(112)	(4%)	(65)	(2%)
Under (over) provided in prior years	87	3%	(9)	0%
	733	**29%**	**1,396**	**36%**

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as of December 31, 2009 and 2008.

(Millions of Russian Rubles)

These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values as at December 31:

	Assets		*Liabilities*		*Net*	
	2009	*2008 (Restated)*	*2009*	*2008 (Restated)*	*2009*	*2008 (Restated)*
Amounts due from credit institutions	-	-	17	94	(17)	(94)
Trading securities	-	-	115	101	(115)	(101)
Available-for-sale securities	-	401	72	-	(72)	401
Held-to-maturity securities	-	11	23	-	(23)	11
Assets held for sale	84	-	-	-	84	-
Loans to customers	811	1,367	-	-	811	1,367
Net investment in finance leases	645	440	160	714	485	(274)
Property and equipment	-	-	1,051	1,236	(1,051)	(1,236)
Other assets including investment property	546	759	831	516	(285)	243
Promissory notes and certificates of deposit issued	71	38	-	-	71	38
Other borrowed funds	-	-	34	34	(34)	(34)
Other liabilities	86	61	-	-	86	61
Tax loss carry-forwards	38	221	-	-	38	221
Net deferred tax assets/(liabilities)	**2,281**	**3,298**	**2,303**	**2,695**	**(22)**	**603**
Comprising of:						
Deferred tax liabilities					(392)	(258)
Deferred tax assets					370	861

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

	1 January (Restated)	*Recognised in income*	*Recognised in equity*	*31 December*
Amounts due from credit institutions	(94)	77	-	(17)
Trading securities	(101)	116	(130)	(115)
Available-for-sale securities	401	-	(473)	(72)
Held-to-maturity securities	11	(34)	-	(23)
Assets held for sale	-	-	84	84
Loans to customers	1,367	(556)	-	811
Net investment in finance leases	(274)	759	-	485
Property and equipment	(1,236)	(5)	190	(1,051)
Other assets including investment property	243	(528)	-	(285)
Promissory notes and certificates of deposit issued	38	33	-	71
Other borrowed funds	(34)	-	-	(34)
Other liabilities	61	25	-	86
Tax loss carry-forwards	221	(183)	-	38
	603	**(296)**	**(329)**	**(22)**

(Millions of Russian Rubles)

Movement in temporary differences during the year ended December 31, 2008 are as follows:

	1 January (Restated)	*Recognised in income*	*Recognised in equity*	*31 December (Restated)*
Amounts due from/to credit institutions	(82)	(12)	-	(94)
Trading securities	(249)	148	-	(101)
Available-for-sale securities	(41)	21	421	401
Held-to-maturity securities	-	11	-	11
Loans to customers	636	731	-	1,367
Net investment in finance leases	57	(331)	-	(274)
Property and equipment	(1,356)	6	114	(1,236)
Other assets including investment property	124	119	-	243
Promissory notes and certificates of deposit issued	18	20	-	38
Other borrowed funds	-	(34)	-	(34)
Other liabilities	159	(98)	-	61
Tax loss carry-forwards	-	221	-	221
	(734)	**802**	**535**	**603**

18. Other assets and liabilities

Other assets as of December 31 comprise:

	2009	*2008 (Restated)*
Inventory in transit	4,533	1,989
Other prepaid taxes	3,867	4,540
Intangible assets, net	1,655	1,236
Prepayments and receivables	1,612	2,152
Settlements on disposal of investment property	1,549	-
Trade debtors on operations with securities and promissory notes	1,544	467
Settlements on cession contracts	1,195	-
Current tax assets	535	1,416
Deferred tax assets (note 17)	370	861
Settlements under sale-purchase agreements	174	301
Bullions	157	49
Investments in associates (note 19)	134	126
Other	1,081	1,375
	18,406	**14,512**
Less allowance for impairment of other assets	(1,384)	(321)
Other assets	**17,022**	**14,191**

Inventory in transit is generally represented by inventory repossessed by the Bank as foreclosed collateral from delinquent lessees under terminated non-performing finance lease contracts.

Prepaid operating taxes comprise of RUB 2,936 (2008 – RUB 3,558) recorded in the financial statements of LLC "URALSIB Leasing Company" and represent excess input VAT over the output VAT. In accordance with tax legislation excess input VAT is subject to recovery either through offset against output VAT or cash refund. The excess input VAT is to be offset automatically against output VAT within three months from the end of the tax period when the excess input VAT was declared, i.e. when the respective VAT declaration was submitted. Upon the expiration of the three month period the remainder of input VAT that was not offset by the tax authorities is to be refunded to the taxpayer in cash upon its written claim or the taxpayer is eligible to apply the alternative method of VAT recovery (offset against other taxes).

(Millions of Russian Rubles)

Other liabilities as of December 31 comprise:

	2009	*2008 (Restated)*
Trade creditors	2,586	2,534
Accrued compensation and bonuses	442	475
Settlements under finance lease contracts	432	340
Deferred tax liabilities (note 17)	392	258
Settlements under sale-purchase agreements	291	161
Operating taxes	187	503
Accrued contribution under obligatory deposit insurance system	81	11
Rent settlements	28	81
Dividend settlements	11	188
Deferred commission income	10	16
Other	226	251
Other liabilities	**4,686**	**4,818**

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

	2009	*2008 (Restated)*
January 1	**321**	**56**
Charge	1,172	265
Write-offs	(109)	-
December 31	**1,384**	**321**

19. Investments in associate

The following associate is accounted for under the equity method:

2009

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

During 2007, the Bank lost control over OJSC "Bashprombank" ("BPB"), which occurred without a change in the ownership interest of the Bank in that subsidiary. BPB became subject to the new governance rules and a new structure of the Board of Directors which led to the Bank effectively losing control over BPB.

The loss of control over BPB resulted in lowering the level of influence held by the Bank to "significant influence". Therefore, the remaining interest in the carrying amount of the BPB's assets and liabilities at the date of loss of the control was deemed to be the associate's cost.

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

	2009	*2008 (Restated)*
Investments in associate, beginning of the year	126	112
Share of profit	8	14
Investments in associate, end of the year	**134**	**126**

(Millions of Russian Rubles)

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

Aggregated assets and liabilities of associate	*2009*	*2008 (Restated)*
Assets	992	1,082
Liabilities	(717)	(822)
Net assets	**275**	**260**

Aggregated revenue and profit of associate	*2009*	*2008 (Restated)*
Revenue	101	73
Profit	16	28

20. Amounts due to credit institutions

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

	2009	*2008 (Restated)*
Time deposits and loans	30,568	99,902
Subordinated loans	7,485	7,216
Current accounts	4,744	4,736
Syndicated loans	3,247	24,052
Repurchase agreements	434	3,927
Amounts due to credit institutions	**46,478**	**139,833**

As of December 31, 2009 the nominal amount of syndicated loans comprises USD 107 million from OECD banks. The contractual maturity of syndicated loans is 2013, and the interest rate is LIBOR plus 3-3.45 per cent.

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

21. Amounts due to customers

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

	2009	*2008 (Restated)*	*2007 (Restated)*
Time deposits	**189,430**	**156,270**	**127,266**
- Time deposits of corporate clients	112,724	100,558	72,824
- Time deposits of individuals	76,706	55,712	54,442
Current accounts	**91,736**	**89,926**	**109,965**
- Current accounts of corporate clients	67,735	71,592	83,122
- Current accounts of individuals	24,001	18,334	26,843
Amounts due to customers	**281,166**	**246,196**	**237,231**

At December 31, 2009, amounts due to customers of RUB 54,525 or 19% are due to the ten largest third party customers (2008 - RUB 78,909 or 32%).

Included in time deposits are deposits of individuals in the amount of RUB 76,706 (2008 – RUB 55,712). In accordance with the Russian Civil Code, the Bank is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

(Millions of Russian Rubles)

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

	2009	*2008 (Restated)*
Private enterprises	142,003	126,184
Individuals	98,876	72,584
State and budgetary organisations	38,456	45,966
Employees	1,831	1,462
Amounts due to customers	**281,166**	**246,196**

An analysis of customer accounts by economic sector follows:

	2009	*2008 (Restated)*
Individuals	100,707	74,046
Investment and finance	55,821	46,798
Government bodies	35,863	45,602
Real estate construction	20,806	17,611
Trade and food processing	19,726	20,091
Energy	16,616	20,389
Services	7,121	5,514
Transport and communication	5,902	3,208
Production and manufacturing	5,003	5,983
City and municipal bodies	2,125	33
Chemical	1,716	774
Other	9,760	6,147
Amounts due to customers	**281,166**	**246,196**

22. Promissory notes and certificates of deposit issued

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

	2009	*2008 (Restated)*
Promissory notes	11,558	9,170
Certificates of deposit	31	-
Promissory notes	**11,589**	**9,170**

Promissory notes and certificates of deposit issued by the Bank as of December 31, 2009, bear annual interest rates ranging from 4.02% to 18.00% (2008 - from 4.04% to 21.19%).

23. Other borrowed funds

Other borrowed funds as of December 31 comprised the following:

	2009	*2008 (Restated)*
Bonds (LLC "Uralsib Leasing Company")	6,375	7,530
Subordinated deposit	5,895	5,896
Credit Linked Notes (LLC "Uralsib Leasing Company")	-	2,602
Syndicated loans	-	1,406
Other borrowed funds	**12,270**	**17,434**

In December 2007, LLC "Uralsib Leasing Company" completed the issue of non-convertible documentary bonds totalling RUB 2,700, maturing in 2010 with a current interest rate of 18% and payable semi-annually.

In July 2008, LLC "Uralsib Leasing Company" completed the issue of non-convertible documentary bonds totalling RUB 5,000 maturing in 2011 with a current interest rate of 12.99% and payable semi-annually.

In January 2009, LLC "Uralsib Leasing Company" completed the issue of non-convertible documentary bonds totalling RUB 5,000 maturing in 2012 with a current interest rate of 17.5% and payable semi-annually.

(Millions of Russian Rubles)

In February 2009, LLC "Uralsib Leasing Company" completed the issue of non-convertible documentary bonds totalling RUB 1,500 maturing in 2012 with a current interest rate of 17.5% and payable semi-annually.

These bond issues were partially purchased by the Bank.

On January 28, 2009 the Bank repaid Credit Linked Notes with a nominal amount of RUB 2,500.

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

24. Equity

The movements in Share capital for the year ended December 31 are as follows:

	Number of shares		*Nominal amount*		*Effect of Yug Bank merger*	*Inflation Adjustment*	*Total*
	Preferred	*Ordinary*	*Preferred*	*Ordinary*			
December 31, 2008	-	**204,184,218,350**	-	**20,418**	**2,201**	**12,189**	**34,808**
Issue of ordinary shares	-	60,899,347,688	-	6,090	-	-	6,090
December 31, 2009	-	**265,083,566,038**	-	**26,508**	**2,201**	**12,189**	**40,898**

Subsequent to June 30, 2009 OJSC "URALSIB" obtained from entities under common control the power to govern the financial and operating policies of Yug Bank so as to obtain benefits from its activities. An addition agreement between OJSC "URALSIB" and Yug Bank about merging of the latter in OJSC "URALSIB" was signed in early 2010 which formalizes payment details of the control acquired by OJSC "URALSIB" in 2009. In accordance with this agreement 100% of Yug Bank common and preferred shares are to be exchanged into the common shares of OJSC "URALSIB". The established conversion proportion of 113 shares of OJSC "URALSIB" for each common and preferred share of Yug Bank was approved by both parties. As a result of this conversion, a total of 7,395,631 preferred shares and 187,442,979 ordinary shares of Yug Bank will be exchanged for 22,016,762,930 of newly-issued ordinary shares of OJSC "URALSIB" and additional paid-in capital of OJSC "URALSIB" decreased by RUB 1,757. The merger will result in Yug Bank ceasing to exist as a separate legal entity, and its operations and assets being incorporated, in their entirety, into the Bank's operations. The merger is expected to be fully completed during 2010.

During 2009 the Bank issued and duly registered 60,899,347,688 new common shares with the nominal value of RUB 6,090 in return for the cash contribution of RUB 1,400 and an office building located in Moscow, with the title of ownership received on April 30, 2009 and a fair value of RUB 2,755. The difference of RUB 1,935 between nominal value of issued share capital and fair value of assets received from the shareholder as a payment was recognized in equity as a distribution to shareholders of additional paid-in capital.

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

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

Nature and purpose of other reserves

Property revaluation surplus

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

Revaluation reserve for available-for-sale securities

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

(Millions of Russian Rubles)

25. Commitments and contingencies

Legal

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

Taxation

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

As of December 31, 2009, management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

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

	2009	*2008 (Restated)*
Credit related commitments		
-Undrawn loan commitments		
Russian Federation companies	37,323	60,737
Total undrawn loan commitments	**37,323**	**60,737**
-Letters of credit		
Russian Federation companies	2,491	4,919
OECD companies	-	6,195
Total letters of credit	**2,491**	**11,114**
-Guarantees issued		
Russian Federation companies	17,251	12,157
OECD companies	27	408
Total guarantees issued	**17,278**	**12,565**
Total credit related commitments	**57,092**	**84,416**
Operating lease commitments		
Not later than 1 year	1,070	1,932
Later than 1 year but not later than 5 years	1,653	3,940
Later than 5 years	597	989
	3,320	**6,861**
Capital expenditure commitments	**1,365**	**973**
	61,777	**92,250**
Less cash held as security against letters of credit	(14)	(16)
Less promissory notes held as security against guarantees	(655)	(625)
Commitments and contingencies	**61,108**	**91,609**

Insurance

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

(Millions of Russian Rubles)

26. Net fee and commission income

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

	2009	2008 (Restated)
Settlements operations	4,217	4,175
Cash operations	1,960	2,990
Guarantees and letters of credit	748	821
Foreign exchange operations	232	327
Underwriting	16	146
Securities operations	15	7
Other	62	54
Fee and commission income	**7,250**	**8,520**
Settlements operations	1,099	1,004
Trust operations	481	252
Cash operations	345	328
Collection agencies services	109	177
Currency conversion operations	77	137
Guarantees	72	15
Securities operations	20	20
Other	11	3
Fee and commission expense	**2,214**	**1,936**
Net fee and commission income	**5,036**	**6,584**

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

27. Net gains (losses) from trading securities and net realized (losses) gains from available-for-sale securities

Gains less losses derived from various classes of securities for the year ended December 31 is as follows:

	2009	2008 (Restated)
Corporate shares and ADRs	4,287	(860)
Corporate and municipal bonds	1,048	(2,268)
Other securities	(231)	(43)
Total net gains (losses) from securities	**5,104**	**(3,171)**

Net gains (losses) from corporate shares and ADRs include a net gain from operations with OJSC "TD Kopeika" ordinary shares of RUB 2,547 (2008 – nil) and net gain from operations with OJSC "LUKOIL" ordinary shares and ADRs of RUB 2 169 (2008 – net loss of RUB 960).

28. Net gains from foreign currencies

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

	2009	2008 (Restated)
Dealing gains	1,443	2,109
Translation differences	(1,097)	(462)
Net gains from foreign currencies	**346**	**1,647**

(Millions of Russian Rubles)

29. Other income

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

	2009	*2008 (Restated)*
Rent income	556	444
Penalties	289	134
Dividend income	289	70
Brokerage	45	97
Gain on disposal of equipment	-	106
Other operating income	384	265
Other income	**1,563**	**1,116**

30. Personnel expenses, administrative and operating expenses

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

	2009	**2008 (Restated)**
Salaries and bonuses	7,470	8,471
Social security costs	1,050	1,231
Personnel expenses	**8,520**	**9,702**
Rental fees	1,821	1,908
Operating taxes	1,531	1,514
Repairs and maintenance of property and equipment	705	857
Marketing and advertising	635	565
Communications	524	596
Security costs	349	362
Data processing	319	278
Obligatory deposit insurance system contributions	293	339
Insurance	259	278
Penalties incurred	192	29
Loss on property and equipment disposals	178	-
Charity	157	149
Office materials	150	504
Business travel and related expenses	133	202
Business development	114	334
Professional services	102	101
Personnel training	12	76
Other	432	828
Administrative and operating expenses	**7,906**	**8,920**

(Millions of Russian Rubles)

31. Risk management

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

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

Risk management structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Millions of Russian Rubles)

Credit risk

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

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

	2009	*2008 (Restated)*
Balance sheet instruments carrying credit risk:		
Cash and cash equivalents	44,115	57,250
Amounts due from credit institutions	4,043	4,453
Trading securities	2,002	23,443
Available-for-sale securities	23,442	8,270
Held-to-maturity securities	3,145	6,216
Derivative financial assets	93	104
Loans to customers	218,360	277,782
Net investments in finance leases	20,514	31,881
Other assets	5,771	3,974
	321,485	**413,373**
Commitments carrying credit risk:		
Undrawn loan commitments	37,323	60,737
Letters of credit	2,491	11,114
Guarantees issued	17,278	12,565
	57,092	**84,416**
Total credit risk exposure	**378,577**	**497,789**

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

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

	2009				*2008 (Restated)*			
	Russia	*OECD*	*Other countries*	*Total*	*Russia*	*OECD*	*Other countries*	*Total*
Assets								
Cash and cash equivalents	25,858	17,622	635	**44,115**	43,494	13,128	628	**57,250**
Amounts due from credit institutions	1,124	1,524	1,395	**4,043**	2,828	11	1,614	**4,453**
Trading securities	1,739	263	-	**2,002**	12,899	10,544	-	**23,443**
Available-for-sale securities	15,696	7,685	61	**23,442**	8,122	148	-	**8,270**
Held-to-maturity securities	3,145	-	-	**3,145**	4,825	1,391	-	**6,216**
Derivative financial assets	-	93	-	**93**	8	96	-	**104**
Loans to customers	218,360	-	-	**218,360**	276,031	1,751	-	**277,782**
Net investments in finance leases	20,514	-	-	**20,514**	31,881	-	-	**31,881**
Other assets	5,749	22	-	**5,771**	3,974	-	-	**3,974**
Total	**292,185**	**27,209**	**2,091**	**321,485**	**384,062**	**27,069**	**2,242**	**413,373**

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

(Millions of Russian Rubles)

Loans to large corporate customers

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

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

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

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

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

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

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

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

Loans to small and medium-sized entities

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

Retail lending

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

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

(Millions of Russian Rubles)

Collateral for operations with credit risk

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

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

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

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

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

As of December 31, 2009, impaired loans to legal entities with a gross value of RUB 11,754 (2008 – RUB 4,058) are secured by pledge of real estate with a fair value of RUB 37,818 (2008 – RUB 9,412). For the remaining part of impaired loans to legal entities with a gross value of RUB 45,204 (2008 – RUB 11,991) it is impracticable to determine fair value of collateral.

As of December 31, 2009, impaired net investments in finance leases contracts with a gross value of RUB 2,166 (2008 – RUB 3,276) are secured by pledge of real estate with a fair value of RUB 5,145 (2008 – RUB 6,699). For the remaining part of impaired net investments in finance leases contracts with a gross value of RUB 15,029 (2008 – RUB 17,678) it is impracticable to determine fair value of collateral.

As of December 31, 2009, loans to individuals past due more than 30 days with a gross value of RUB 3,130 (2008 – RUB 1,281) are secured by pledge of real estate with a fair value of RUB 4,391 (2008 – RUB 1,175). Loans to individuals past due more than 30 days with a gross value of RUB 1,325 (2008 – RUB 927) are secured by pledge of cars with a fair value of RUB 1,525 (2008 – RUB 919). For the remaining loans to individuals past due more than 30 days of RUB 5,029 (2008 – RUB 4,342) it is impracticable to determine fair value of collateral or there is no collateral.

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

During 2009 the Bank obtained the assets by taking control of collateral accepted as security for commercial loans of RUB 5,369.

Credit quality of financial assets

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

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

(Millions of Russian Rubles)

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

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans, %
Corporate lending				
Loans for which no evidence of impairment has been identified	109,426	(1,788)	107,638	1.6%
Impaired loans:				
- not past due	31,686	(4,594)	27,092	14.5%
- past due less than 90 days	2,280	(573)	1,707	25.1%
- past due more than 90 days and less than 1 year	14,676	(6,456)	8,220	44.0%
- past due more than 1 year	8,316	(4,979)	3,337	59.9%
Total impaired loans	56,958	(16,602)	40,356	29.1%
Total corporate loans	**166,384**	**(18,390)**	**147,994**	**11.1%**
Net investments in finance leases				
Loans for which no evidence of impairment has been identified	6,544	(261)	6,283	4,0%
Impaired loans:				
- not past due	7,944	(663)	7,281	8,3%
- past due less than 90 days	3,792	(330)	3,462	8,7%
- past due more than 90 days and less than 1 year	3,181	(1,026)	2,155	32,3%
- past due more than 1 year	2,278	(945)	1,333	41,5%
Total impaired loans	17,195	(2,964)	14,231	17,2%
Total net investments in finance leases	**23,739**	**(3,225)**	**20,514**	**13,6%**

The following table provides information on the credit quality of the loans to legal entities and net investment in finance leases (restated) as at December 31, 2008:

	Gross loans (restated)	Impairment allowance (restated)	Net loans (restated)	Impairment to gross loans, %
Corporate lending				
Loans for which no evidence of impairment has been identified	187,189	(6,463)	180,726	3.5%
Impaired loans:				
- not past due	2,764	(119)	2,645	4.3%
- past due less than 90 days	6,849	(2,135)	4,714	31.2%
- past due more than 90 days and less than 1 year	3,518	(1,177)	2,341	33.5%
- past due more than 1 year	2,918	(2,396)	522	82.1%
Total impaired loans	16,049	(5,827)	10,222	36.3%
Total corporate loans	**203,238**	**(12,290)**	**190,948**	**6.0%**
Net investments in finance leases				
Loans for which no evidence of impairment has been identified	13,127	(714)	12,413	5.4%
Impaired loans:				
- not past due	1,629	(41)	1,588	2.5%
- past due less than 90 days	15,784	(476)	15,308	3.0%
- past due more than 90 days and less than 1 year	3,024	(802)	2,222	26.5%
- past due more than 1 year	517	(167)	350	32.3%
Total impaired loans	20,954	(1,486)	19,468	7.1%
Total net investments in finance leases	**34,081**	**(2,200)**	**31,881**	**6.5%**

(Millions of Russian Rubles)

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

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

(Millions of Russian Rubles)

The following table provides information on the credit quality of loans to individuals (restated) as at December 31, 2008:

	Gross loans (restated)	Impairment allowance (restated)	Net loans (restated)	Impairment to gross loans, %
Consumer loans				
Not past due	18,096	(179)	17,917	1.0%
Past due less than 30 days	749	(100)	649	13.4%
Past due 30-89 days	855	(286)	569	33.5%
Past due 90-179 days	250	(191)	59	76.4%
Past due 180-360 days	367	(317)	50	86.4%
Past due more than 360 days	2,404	(1,982)	422	82.4%
Total consumer loans	**22,721**	**(3,055)**	**19,666**	**13.4%**
Auto loans				
Not past due	16,649	(46)	16,603	0.3%
Past due less than 30 days	521	(18)	503	3.5%
Past due 30-89 days	232	(41)	191	17.7%
Past due 90-179 days	120	(55)	65	45.8%
Past due 180-360 days	151	(93)	58	61.6%
Past due more than 360 days	462	(370)	92	80.1%
Total auto loans	**18,135**	**(623)**	**17,512**	**3.4%**
Credit cards				
Not past due	1,690	(142)	1,548	8.4%
Past due less than 30 days	16	(2)	14	12.5%
Past due 30-89 days	7	(1)	6	14.3%
Past due 90-179 days	11	(1)	10	9.1%
Past due 180-360 days	32	(5)	27	15.6%
Past due more than 360 days	231	(134)	97	58.0%
Total credit cards	**1,987**	**(285)**	**1,702**	**14.3%**
Mortgage loans				
Not past due	41,172	(120)	41,052	0.3%
Past due less than 30 days	1,800	(84)	1,716	4.7%
Past due 30-89 days	585	(86)	499	14.7%
Past due 90-179 days	249	(52)	197	20.9%
Past due 180-360 days	364	(108)	256	29.7%
Past due more than 360 days	103	(94)	9	91.3%
Total mortgage loans	**44,273**	**(544)**	**43,729**	**1.2%**
Other loans to individuals				
Not past due	4,024	(5)	4,019	0.1%
Past due less than 30 days	112	-	112	0.0%
Past due 30-89 days	75	(7)	68	9.3%
Past due 90-179 days	20	(4)	16	20.0%
Past due 180-360 days	14	(5)	9	35.7%
Past due more than 360 days	18	(17)	1	94.4%
Total other loans to individuals	**4,263**	**(38)**	**4,225**	**0.9%**
Total loans to individuals	**91,379**	**(4,545)**	**86,834**	**5.0%**

As of December 31, 2009 the Bank renegotiated loans to corporate entities and net investments in finance leases contracts that would otherwise be past due in the gross amount of RUB 41,044. Such restructuring activity is aimed at managing customer relationships and maximizing collection opportunities.

(Millions of Russian Rubles)

Liquidity risk

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

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

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

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

In accordance with the CBR's requirements, the Bank maintains an obligatory reserve with the CBR. As of December 31, 2009, the obligatory reserve with the CBR amounts to RUB 3,063 (2008 - RUB 653). All banks included into these consolidated financial statements meet the following CBR's liquidity requirements:

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

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

- debt trading securities (2008 - all trading securities) that are shown in the category "Less than 3 months", because the management believes that all of these debt securities can be liquidated within 3 months in the normal course of business
- equity trading securities and assets held for sale (2008 – nil) that are shown in the category "3 months to 1 year" because the management intends to sell these assets in 2010
- part of the investment property represented by residential apartments of RUB 4,916 (2008 – nil) is shown in the category "Less than 3 months" as management intends to sell this property in 2010
- certain part of amounts due to customers represented by stable balances on the client current accounts of RUB 65,147 (2008 – RUB 55,990) that are shown in the category "1 to 3 years", based on an analysis of the statistical data on the movement of balances on the client accounts in the past.

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

(Millions of Russian Rubles)

	2009								
	On demand	*Less than 3 months*	*3 months to 1 year*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Past due*	*No stated maturity*	*Total*
Assets									
Cash and cash equivalents	36,685	23,889	-	-	-	-	-	-	**60,574**
Obligatory reserves with the Central Bank	310	911	1,101	724	-	17	-	-	**3,063**
Amounts due from credit institutions	22	1,998	940	590	-	493	-	-	**4,043**
Trading securities	-	2,002	9,392	-	-	-	-	-	**11,394**
Available-for-sale securities	-	176	2,007	13,375	3,430	4,453	-	10,377	**33,818**
Held-to-maturity securities	-	105	-	613	1,782	645	-	-	**3,145**
Derivative financial assets	-	38	55	-	-	-	-	-	**93**
Assets held for sale	-	-	8,764	-	-	-	-	-	**8,764**
Loans to customers	24	24,733	59,682	51,537	21,550	46,637	14,197	-	**218,360**
Net investments in finance leases	-	1,545	6,598	5,595	2,783	1,358	2,635	-	**20,514**
Investment property	-	4,916	-	-	-	-	-	14,339	**19,255**
Property and equipment	-	-	-	-	-	-	-	12,087	**12,087**
Goodwill	-	-	-	-	-	-	-	4,527	**4,527**
Other assets	1,282	6,904	5,632	845	3	385	182	1,789	**17,022**
	38,323	**67,217**	**94,171**	**73,279**	**29,548**	**53,988**	**17,014**	**43,119**	**416,659**
Liabilities									
Derivative financial liabilities	-	5	15	-	-	-	-	-	**20**
Amounts due to credit institutions	4,977	5,635	15,041	6,812	3,697	10,316	-	-	**46,478**
Amounts due to customers	28,795	81,616	100,258	69,127	7	1,363	-	-	**281,166**
Promissory notes and certificates of deposit issued	787	5,556	4,931	36	10	269	-	-	**11,589**
Other borrowed funds	-	-	980	5,406	-	5,884	-	-	**12,270**
Other liabilities	121	2,214	1,412	547	-	392	-	-	**4,686**
	34,680	**95,026**	**122,637**	**81,928**	**3,714**	**18,224**	**-**	**-**	**356,209**
Net position	**3,643**	**(27,809)**	**(28,466)**	**(8,649)**	**25,834**	**35,764**	**17,014**	**43,119**	**60,450**
Accumulated gap	**3,643**	**(24,166)**	**(52,632)**	**(61,281)**	**(35,447)**	**317**	**17,331**	**60,450**	

(Millions of Russian Rubles)

	2008 (Restated)								
	On demand	*Less than 3 months*	*3 months to 1 year*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Past due*	*No stated maturity*	*Total*
Assets									
Cash and cash equivalents	70,219	7,592	-	-	-	-	-	-	**77,811**
Obligatory reserves with the Central Bank	91	163	221	175	-	3	-	-	**653**
Amounts due from credit institutions	3	209	3,043	762	-	436	-	-	**4,453**
Trading securities	-	25,271	-	-	-	-	-	-	**25,271**
Available-for-sale securities	-	123	1,063	1,322	4,130	1,632	-	1,770	**10,040**
Held-to-maturity securities	-	274	328	1,204	2,965	1,445	-	-	**6,216**
Derivative financial assets	-	78	26	-	-	-	-	-	**104**
Loans to customers	686	50,273	85,393	39,706	37,419	55,351	8,954	-	**277,782**
Net investments in finance leases	-	4,642	7,488	12,111	4,142	3,098	400	-	**31,881**
Investment property	-	-	-	-	-	-	-	6,334	**6,334**
Property and equipment	-	-	-	-	-	-	-	10,862	**10,862**
Goodwill	-	-	-	-	-	-	-	4,527	**4,527**
Other assets	937	8,703	2,304	3	15	866	-	1,363	**14,191**
	71,936	**97,328**	**99,866**	**55,283**	**48,671**	**62,831**	**9,354**	**24,856**	**470,125**
Liabilities:									
Derivative financial liabilities	-	86	57	-	-	-	-	-	**143**
Amounts due to credit institutions	25,904	44,848	45,621	10,031	2,296	11,133	-	-	**139,833**
Amounts due to customers	35,149	59,889	82,063	68,150	48	897	-	-	**246,196**
Promissory notes and certificates of deposit issued	529	3,988	4,226	159	13	255	-	-	**9,170**
Other borrowed funds	-	2,602	1,417	7,530	-	5,885	-	-	**17,434**
Other liabilities	360	3,201	996	4	-	257	-	-	**4,818**
	61,942	**114,614**	**134,380**	**85,874**	**2,357**	**18,427**	**-**	**-**	**417,594**
Net position	**9,994**	**(17,286)**	**(34,514)**	**(30,591)**	**46,314**	**44,404**	**9,354**	**24,856**	**52,531**
Accumulated gap	**9,994**	**(7,292)**	**(41,806)**	**(72,397)**	**(26,083)**	**18,321**	**27,675**	**52,531**	

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

As of December 31, 2009 and 2008 the Bank had a negative accumulated liquidity gap. The Bank's liquidity risk management policy seeks to ensure that any negative liquidity gap can be maintained at a level that the Bank can comfortably fulfil. This policy prescribes the weekly monitoring of assets and liabilities behaviour, active management of their structure, and use of various treasury tools and methodologies.

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

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

(Millions of Russian Rubles)

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

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

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

	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*More than 3 years*	*Total gross amount outflow/ (inflow)*	*Carrying amount*
Amounts due to credit institutions	8,648	1,913	19,247	15,102	14,872	**59,782**	**46,478**
Amounts due to customers	119,701	56,517	103,553	4,057	1,571	**285,399**	**281,166**
Promissory notes and certificates of deposit issued	2,007	4,432	5,319	42	616	**12,416**	**11,589**
Other borrowed funds	832	107	2,178	7,041	11,368	**21,526**	**12,270**
Other liabilities	121	1,990	1,411	494	-	**4,016**	**4,016**
Derivative financial instruments							
-inflow	(952)	(8)	(1,067)	-	-	**(2,027)**	**(93)**
-outflow	919	8	1,027	-	-	**1,954**	**20**
Total financial liabilities	**131,276**	**64,959**	**131,668**	**26,736**	**28,427**	**383,066**	**355,446**
Credit related commitments	**38,195**	**2,619**	**15,787**	**491**	**-**	**57,092**	**57,092**

The maturity profile of financial liabilities and credit related commitments at December 31, 2008 (restated) based on contractual undiscounted repayment obligations is as follows:

	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*More than 3 years*	*Total gross amount outflow/ (inflow)*	*Carrying amount*
Amounts due to credit institutions	35,055	36,595	48,379	10,358	18,561	**148,948**	**139,833**
Amounts due to customers	105,811	45,578	83,725	14,011	1,032	**250,157**	**246,196**
Promissory notes and certificates of deposit issued	2,324	2,435	4,973	208	466	**10,406**	**9,170**
Other borrowed funds	2,982	108	2,747	10,614	12,287	**28,738**	**17,434**
Other liabilities	360	2,670	996	4	-	**4,030**	**4,030**
Derivative financial instruments							
-inflow	(658)	(183)	(6,944)	-	-	**(7,785)**	**(104)**
-outflow	589	172	6,970	-	-	**7,731**	**143**
Total financial liabilities	**146,463**	**87,375**	**140,846**	**35,195**	**32,346**	**442,225**	**416,702**
Credit related commitments	**67,865**	**4,274**	**11,844**	**433**	**-**	**84,416**	**84,416**

Market risk

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

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

Market risk assessment methods

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

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

(Millions of Russian Rubles)

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

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

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

The sensitivity analysis results for trading and available-for-sale debt securities using the modified duration method and based on an assumption of 100 basis point decrease in interest rates for positions existing as at December 31, 2009 and 2008 are following:

Trading portfolio:	*Fair value December 31, 2009*	*Effect on net profit*	*Effect on equity*	*Fair value December 31, 2008 (restated)*	*Effect on net profit (restated)*	*Effect on equity (restated)*
- Government and municipal bonds	**577**	**6**	**6**	**14,132**	**298**	**298**
Russian State bonds (OFZ)	577	6	6	4,704	93	93
Municipal and government bonds	-	-	-	139	3	3
Treasury bills of foreign governments	-	-	-	9,289	202	202
- Corporate bonds and promissory notes	**1,425**	**15**	**15**	**9,311**	**74**	**74**
Corporate Promissory notes	784	2	2	1,715	9	9
Corporate Ruble bonds	378	1	1	6,342	37	37
Corporate Eurobonds	263	12	12	1,254	28	28

Available-for-sale portfolio:	*Fair value December 31, 2009*	*Effect on net profit*	*Effect on equity*	*Fair value December 31, 2008 (restated)*	*Effect on net profit (restated)*	*Effect on equity (restated)*
- Government and municipal bonds	**11,221**	**-**	**361**	**2,423**	**-**	**30**
Government bonds of foreign countries	3,735	-	50	-	-	-
Russian State bonds (OFZ)	3,651	-	61	409	-	4
Municipal and government bonds	1,922	-	32	2,014	-	26
Treasury bills of foreign governments	1,913	-	218	-	-	-
- Corporate bonds	**12,221**	**-**	**158**	**5,847**	**-**	**29**
Corporate Ruble bonds	8,876	-	118	5,698	-	27
Corporate Eurobonds	3,345	-	40	149	-	2

An analysis of sensitivity of net profit for the year and equity to changes in equity securities prices based on positions existing as at December 31, 2009 and 2008 and a simplified scenario of a 5% change in all equity security prices is as follows:

	Change in net profit		*Change in equity*	
	2009	*2008 (Restated)*	*2009*	*2008 (Restated)*
Trading portfolio				
5% increase in equity securities prices	376	73	376	73
5% decrease in equity securities prices	(376)	(73)	(376)	(73)
Available-for-sale portfolio				
5% increase in equity securities prices	-	-	417	74
5% decrease in equity securities prices	-	-	(417)	(74)

(Millions of Russian Rubles)

Currency risk

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

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

	2009					*2008 (Restated)*				
	Rubles	*USD*	*EUR*	*Other*	*Total*	*Rubles*	*USD*	*EUR*	*Other*	*Total*
Assets:										
Cash and cash equivalents	36,495	8,817	14,944	318	**60,574**	36,927	27,209	13,556	119	**77,811**
Obligatory reserves with the CBR	3,063	-	-	-	**3,063**	653	-	-	-	**653**
Amounts due from credit institutions	934	1,586	1,523	-	**4,043**	2,840	1,604	9	-	**4,453**
Trading securities	10,487	-	907	-	**11,394**	14,728	10,283	260	-	**25,271**
Available-for-sale securities	15,598	11,749	5,866	605	**33,818**	9,132	345	4	559	**10,040**
Held-to-maturity securities	2,227	918	-	-	**3,145**	5,179	1,037	-	-	**6,216**
Derivative financial assets	-	-	-	93	**93**	7	11	-	86	**104**
Assets held for sale	8,764	-	-	-	**8,764**	-	-	-	-	**-**
Loans to customers	153,417	54,170	10,773	-	**218,360**	211,120	57,299	9,363	-	**277,782**
Net investment in finance leases	20,514	-	-	-	**20,514**	15,214	9,367	7,300	-	**31,881**
Investment property	19,255	-	-	-	**19,255**	6,334	-	-	-	**6,334**
Property and equipment	12,087	-	-	-	**12,087**	10,862	-	-	-	**10,862**
Goodwill	4,527	-	-	-	**4,527**	4,527	-	-	-	**4,527**
Other assets	15,631	326	910	155	**17,022**	12,874	1,175	131	11	**14,191**
	302,999	**77,566**	**34,923**	**1,171**	**416,659**	**330,397**	**108,330**	**30,623**	**775**	**470,125**
Liabilities:										
Derivative financial liabilities	-	-	-	20	**20**	4	-	-	139	**143**
Amounts due to credit institutions	13,660	21,239	11,578	1	**46,478**	61,680	62,495	15,655	3	**139,833**
Amounts due to customers	189,066	62,867	27,088	2,145	**281,166**	183,862	45,676	16,050	608	**246,196**
Promissory notes and certificates of deposit issued	11,250	281	58	-	**11,589**	7,231	1,686	253	-	**9,170**
Other borrowed funds	12,270	-	-	-	**12,270**	16,028	1,406	-	-	**17,434**
Other liabilities	4,142	345	199	-	**4,686**	3,015	572	1,231	-	**4,818**
	230,388	**84,732**	**38,923**	**2,166**	**356,209**	**271,820**	**111,835**	**33,189**	**750**	**417,594**
Net balance sheet position	**72,611**	**(7,166)**	**(4,000)**	**(995)**	**60,450**	**58,577**	**(3,505)**	**(2,566)**	**25**	**52,531**
Net off balance sheet position – derivatives	**(107)**	**(1,846)**	**-**	**1,953**	**-**	**17**	**203**	**(638)**	**418**	**-**
Credit related commitments	**46,227**	**10,220**	**645**	**-**	**57,092**	**61,073**	**20,495**	**2,848**	**-**	**84,416**

(Millions of Russian Rubles)

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

	2009	*2008 (Restated)*	*2009*	*2008 (Restated)*
Currency	*Change in currency rate*		*Effect on profit before tax*	
USD	+5.0%	+5.0%	(451)	(165)
	-5.0%	-5.0%	451	165
EUR	+5.0%	+5.0%	(200)	(160)
	-5.0%	-5.0%	200	160
Other currencies	+5.0%	+5.0%	48	22
	-5.0%	-5.0%	(48)	(22)

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

Interest rate repricing risk

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

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

An analysis of sensitivity of net interest income for the year and equity to interest rate repricing risk based on a simplified scenario of a 100 and 50 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at December 31, 2009 and 2008 is as follows:

Change in interest rates in basis points	*2009*	*2008 (Restated)*	*2009*	*2008 (Restated)*
	Sensitivity of net interest income		*Change in equity*	
+100	(793)	(723)	(634)	(578)
-100	793	723	634	578
+50	(397)	(332)	(318)	(266)
-50	397	332	318	266

Operational risk

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

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

(Millions of Russian Rubles)

32. Fair values of financial instruments

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

	2009		*2008 (Restated)*	
	Carrying value	*Fair value*	*Carrying value*	*Fair value*
Financial assets				
Cash and cash equivalents	60,574	60,574	77,811	77,811
Amounts due from credit institutions	4,043	5,029	4,453	4,239
Trading securities	11,394	11,394	25,271	25,271
Available-for-sale securities	33,818	33,818	10,040	10,040
Held-to-maturity securities	3,145	3,021	6,216	4,913
Derivative financial assets	93	93	104	104
Loans to customers	218,360	205,722	277,782	266,566
Net investments in finance leases	20,514	19,129	31,881	28,603
Financial liabilities				
Amounts due to credit institutions	46,478	45,880	139,833	139,949
Derivative financial liabilities	20	20	143	143
Amounts due to customers	281,166	279,790	246,196	238,747
Promissory notes and certificates of deposits issued	11,589	10,808	9,170	9,016
Other borrowed funds	12,270	13,035	17,434	16,413

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

Financial instruments recorded at fair value

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

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

(Millions of Russian Rubles)

	2008 (Restated)			
	Quoted market price	*Valuation techniques – market observable inputs*	*Valuation techniques – non-market observable inputs*	*Total*
Financial assets				
Trading securities	25,271	-	-	**25,271**
Available-for-sale securities	8,129	443	1,468	**10,040**
Derivative financial assets	-	104	-	**104**
Financial liabilities				
Derivative financial liabilities	-	143	-	**143**

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

	Available-for-sale securities
At January 1, 2009	**1,468**
Acquisitions	521
Change in fair value	332
Disposals	(177)
At December 31, 2009	**2,144**

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

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

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

- Multiples to EBITDA and revenues (depending on industry): 8 to 13 and 0.5 to 1.0, respectively
- Discount rates of 12% to 16% - for discounting future cash flows of privately held investees
- Discount rate of 16% for further discounting for the absence of the readily available market and illiquidity of shares.

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

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

(Millions of Russian Rubles)

33. Related party transactions

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

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

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

The volumes of related party transactions, outstanding balances as at December 31, and related expense and income for the year ended December 31, 2009 and 2008 are as follows:

	2009			*2008 (Restated)*		
	Companies of Financial Corporation Uralsib	*Other entities under common control*	*Key management personnel*	*Companies of Financial Corporation Uralsib*	*Other entities under common control*	*Key management personnel*
Cash and cash equivalents	-	1,549	-	-	2,349	-
Trading securities	-	9,392	-	-	3,711	-
Held-to-maturity securities	-	-	-	-	261	-
Amounts due from credit institutions, gross	-	2,497	-	-	2,358	-
Available–for–sale securities	3	2,619	-	-	1,314	-
Loans to customers (gross)	6,949	28,531	84	9,637	31,860	172
Less allowance for impairment	(43)	(21)	-	(36)	(318)	(2)
Loans to customers (net)	6,906	28,510	84	9,601	31,542	170
Assets held for sale	-	8,764	-	-	-	-
Other assets	1,357	2,270	-	1	314	-
Amounts due to credit institutions	-	685	-	-	798	-
Amounts due to customers	6,497	38,615	89	2,691	8,918	96
Promissory notes and certificates of deposit issued	22	912	-	1,568	144	-
Other borrowed funds	-	672	-	-	-	-
Other liabilities	3	1,555	-	1	1	-
Commitments and contingencies, gross	3,953	322	2	426	1,108	2
Interest income	514	4,522	15	547	4,049	10
Interest expense	(952)	(3,967)	(61)	(2)	(352)	(13)
Net gains (losses) from trading securities	-	2,547	-	(474)	(975)	-
Net realised (losses) gains from available-for-sale securities	(8)	2	-	-	(86)	-
Net gains from foreign currencies	136	38	-	111	57	-
Net fee and commission income						
– Fees and commission income	47	44	-	24	147	-
– Fees and commission expenses	(53)	-	-	(177)	(2)	-
Net fee and commission income	(6)	44	-	(153)	145	-
Other operating income	-	17	-	2	-	-
Administrative and operating expenses – Occupancy and rent	462	45	-	488	30	-
Salaries and other short-term benefits	-	-	989	-	-	434
Social security costs	-	-	31	-	-	16

(Millions of Russian Rubles)

On November 17, 2009 the Bank purchased plots of land through acquisition of 74.99% of shares of LLC "Sportventure Moskva" from the related party. The fair value of these plots of land as of December 31, 2009 comprised RUB 4 717.

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

34. Trust activities

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

	2009	*2008 (Restated)*
Marketable securities	10,316	14,387
Settlement accounts with MICEX and brokerage houses	123	526
Cash	-	1
Trust assets	**10,439**	**14,914**

35. Capital adequacy

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

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

Minimum capital requirement under Russian legislation

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

Capital adequacy under Russian Accounting Legislation

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

The CBR requires banks to maintain a capital adequacy ratio of 10% with respect to risk-weighted assets, as computed in accordance with Russian Accounting Standards. As of December 31, 2009 and 2008, the Bank's CBR-defined capital adequacy ratio exceeded the required statutory minimum.

	*2009**	*2008 (Restated)**
Main capital	30,315	29,321
Additional capital	16,655	19,779
Less: deductions from capital	(11)	(21)
Total regulatory capital	**46,959**	**49,079**
Risk-weighted assets	**319,156**	**384,884**
Capital adequacy ratio	14.7%	12.8%

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

(Millions of Russian Rubles)

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

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

1. Tier 1 capital is "core" bank capital and includes paid share capital (less the carrying value of treasury shares), minority interests in the equity of subsidiaries and retained earnings (including their allocations to reserves), less certain deductions, such as goodwill.
2. Tier II capital is "supplementary" bank capital that includes subordinated debt, hybrid instruments with characteristics of both capital and equity and certain revaluation reserves, such as unrealized gains on the revaluation of financial instruments classified as available-for-sale and property revaluation surplus.

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

The table below presents the composition of capital complying with Basel and discloses the capital adequacy ratio as of December 31, 2009 and 2008:

	2009	*2008 (Restated)*
Tier 1 capital	52,701	45,915
Tier 2 capital	16,592	15,190
Less investments in associates and shares of credit institutions	(134)	(174)
Total regulatory capital	**69,159**	**60,931**
Risk-weighted assets:		
On balance sheet	362,817	381,327
Off balance sheet	22,111	29,416
Total risk-weighted assets	**384,928**	**410,743**
Total capital	18.0%	14.8%
Tier 1	13.7%	11.2%

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the Basel Accord. As of December 31, 2009 and 2008, the Bank complied with Basel capital requirements.

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

As compared with 2008, the above policy of capital management remained unchanged.