ABH Financial Limited

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

31 December 2009

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of ABH Financial Limited:

1 We have audited the accompanying consolidated financial statements of ABH Financial Limited and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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

2 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

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

23 April 2010
Moscow, Russian Federation

In millions of US Dollars	Note	31 December 2009	31 December 2008
ASSETS			
Cash and cash equivalents	7	1 966	3 860
Mandatory cash balances with central banks		150	79
Trading securities	8	1 372	588
Repurchase receivables relating to trading securities	8	-	151
Due from other banks	9	2 270	1 837
Loans and advances to customers	10	13 449	17 970
Investments	11	1 508	372
Repurchase receivables relating to investments	11	-	215
Other financial assets	12	251	1 195
Other assets	13	277	371
Premises and equipment	14	366	390
Deferred tax asset	29	37	24
TOTAL ASSETS		**21 646**	**27 052**
LIABILITIES			
Due to other banks	15	1 108	7 407
Customer accounts	16	13 686	12 582
Debt securities issued	17	1 565	2 391
Syndicated and other debt	18	295	1 064
Subordinated debt	19	1 747	464
Other financial liabilities	20	322	833
Other liabilities	21	123	110
Deferred tax liability	29	102	39
TOTAL LIABILITIES		**18 948**	**24 890**
EQUITY			
Share capital	22	1 265	945
Fair value reserve for investments available for sale		54	(45)
Revaluation reserve for premises		33	53
Cumulative translation reserve		(304)	(359)
Retained earnings		1 647	1 554
Net assets attributable to the Company's owners		**2 695**	**2 148**
Non-controlling interests		3	14
TOTAL EQUITY		**2 698**	**2 162**
TOTAL LIABILITIES AND EQUITY		**21 646**	**27 052**

These consolidated financial statements were approved for issue by the Board of Directors of ABH Financial Limited on 23 April 2010 and any further changes require approval of this body.

The notes set out on pages 5 to 93 form an integral part of these consolidated financial statements.

In millions of US Dollars	**Note**	**2009**	**2008**
Interest income	23	2 519	2 824
Interest expense	23	(1 403)	(1 406)
Expenses directly attributable to leasing and deposit insurance	23	(41)	(37)
Net margin		**1 075**	**1 381**
Provision for loan impairment	9, 10	(589)	(956)
Net margin after provision for loan impairment		**486**	**425**
Fee and commission income	24	339	421
Fee and commission expense	24	(84)	(80)
Gains less losses arising from trading securities		173	(42)
Gains less losses arising from interest based derivatives		(118)	116
Gains less losses arising from foreign currencies and precious metals	25	(51)	281
Gains less losses arising from investments	11	(3)	(23)
Gains arising from acquisition of own debts	26	49	139
Other provisions	12, 13, 21, 33	5	(53)
Loss of disposal of subsidiaries	1	(5)	-
Other operating income	27	80	79
Operating expenses	28	(747)	(813)
Share of results and impairment of associates		-	(49)
Profit before tax		**124**	**401**
Income tax expense	29	(47)	(171)
Profit for the year		**77**	**230**
Other comprehensive income:			
Available for sale investments:			
- Fair value gains less losses during the year	11	85	(61)
- Reclassification adjustments for losses included in profit or loss	11	33	5
Revaluation of premises	14	(19)	(5)
Effect of translation of the financial statements to US Dollars as presentation currency		(6)	(390)
Net change in hedge of net investment in foreign operations	34	61	249
Share of other comprehensive income of associates		-	(1)
Income tax recorded directly in other comprehensive income	29	(15)	15
Other comprehensive income/(loss) for the year		**139**	**(188)**
Total comprehensive income for the year		**216**	**42**
Profit is attributable to:			
The Company's owners		88	230
Non-controlling interests		(11)	-
Profit for the year		**77**	**230**
Total comprehensive income is attributable to:			
The Company's owners		227	43
Non-controlling interests		(11)	(1)
Total comprehensive income for the year		**216**	**42**

The notes set out on pages 5 to 93 form an integral part of these consolidated financial statements.

In millions of US Dollars	**Attributable to the Company's owners**						**Non-controlling interests**	**Total equity**
	Share capital (Note 22)	**Fair value reserve for investments available for sale**	**Revaluation reserve for premises**	**Cumulative translation reserve**	**Retained earnings**	**Total**		
Balance as at 1 January 2008	**695**	**-**	**57**	**(218)**	**1 321**	**1 855**	-	**1 855**
Total comprehensive income for the year	-	(45)	(1)	(141)	230	43	(1)	42
Realised revaluation reserve	-		(3)	-	3	-	-	-
Business combinations (Note 37)	-	-	-	-	-	-	15	15
Share capital contribution	250	-	-	-	-	250	-	250
Balance as at 31 December 2008	**945**	**(45)**	**53**	**(359)**	**1 554**	**2 148**	**14**	**2 162**
Total comprehensive income for the year	-	99	(15)	55	88	227	(11)	216
Realised revaluation reserve	-	-	(5)	-	5	-	-	-
Share capital contribution	320	-	-	-	-	320	-	320
Balance as at 31 December 2009	**1 265**	**54**	**33**	**(304)**	**1 647**	**2 695**	**3**	**2 698**

The notes set out on pages 5 to 93 form an integral part of these consolidated financial statements.

In millions of US Dollars	Note	2009	2008
Cash flows from operating activities			
Interest received		2 448	2 837
Interest paid, other than on debt securities issued, syndicated and other debt and on subordinated debt		(1 222)	(1 071)
Expense directly attributable to the lending operations		(42)	(36)
Fees and commissions received		354	420
Fees and commissions paid		(87)	(81)
Net income received from trading securities		240	(169)
Net income received from trading in foreign currencies		228	(507)
Net income received from interest rate derivatives		48	(6)
Other operating income received		95	45
Staff costs paid		(360)	(453)
Other operating expenses paid		(289)	(329)
Income tax paid		(25)	(117)
Cash flows from operating activities before changes in operating assets and liabilities		**1 388**	**533**
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with central banks		(71)	193
Net (increase)/decrease in trading securities and repurchase receivables		(586)	141
Net increase in due from other banks		(510)	(96)
Net decrease/(increase) in loans and advances to customers		3 628	(4 307)
Net decrease in other assets and other financial assets		102	45
Net (decrease)/increase in due to other banks		(5 980)	5 306
Net increase in customer accounts		1 432	1 076
Net decrease in other liabilities and other financial liabilities		(127)	(106)
Net cash (used in)/from operating activities		**(724)**	**2 785**
Cash flows from investing activities			
Acquisition of investments available for sale	11	(1 161)	(421)
Proceeds from disposal of investments available for sale	11	337	13
Acquisition of investments at fair value through profit or loss		(10)	(6)
Disposal of investments at fair value through profit or loss		8	14
Proceeds from disposal of investment property		-	53
Acquisition of premises, equipment and intangible assets	13,14	(65)	(68)
Proceeds from disposal of premises, equipment and intangible assets	13,14	18	10
Proceeds from disposal of subsidiaries, net of cash disposed of	1	(60)	-
Acquisition of subsidiaries, net of cash acquired	37	-	(104)
Dividend income received	27	1	3
Net cash used in investing activities		**(932)**	**(506)**
Cash flows from financing activities			
Share capital contribution	22	320	250
Proceeds from syndicated and other debt	18	-	578
Repayment of syndicated and other debt	18	(749)	(885)
Interest paid on syndicated and other loans	23	(22)	(61)
Proceeds from debt securities issued	17	538	815
Repayment of debt securities issued	17	(1 384)	(1 321)
Interest paid on debt securities in issue	23	(155)	(234)
Proceeds from subordinated debt		1 308	-
Repayment of subordinated debt		(18)	(35)
Interest paid on subordinated debt	23	(72)	(46)
Net cash used in financing activities		**(234)**	**(939)**
Net (decrease)/increase in cash and cash equivalents		**(1 890)**	**1 340**
Cash and cash equivalents at the beginning of the year	7	3 860	2 634
Effect of exchange rate changes on cash and cash equivalents		(4)	(114)
Cash and cash equivalents as at the end of the year	**7**	**1 966**	**3 860**

The notes set out on pages 5 to 93 form an integral part of these consolidated financial statements.

1 Introduction

ABH Financial Limited (the "Company"), a limited liability company registered in the British Virgin Islands, and its subsidiaries (the "Group") comprise three main business segments: corporate and investment banking, retail banking and treasury operations (Note 30). The corporate banking, retail banking and treasury operations of the Group are carried out principally by Open Joint Stock Company Alfa-Bank ("Alfa-Bank") and its subsidiaries. The investment banking activities of the Group are carried out mainly by Alfa Capital Holdings (Cyprus) Limited together with certain other subsidiaries. A substantial part of the Group's activities are carried out in the Russian Federation.

The Company is wholly owned by ABH Russia Limited (Cyprus), which is in turn a wholly owned subsidiary of ABH Holdings S.A. ("ABHH"), a Luxembourg registered company, owned by six individuals. Mr. Fridman, Mr. Khan and Mr. Kuzmichev (the "Controlling Shareholders") collectively control and own a 77.86% interest in ABHH. None of the Controlling Shareholders individually controls and/or owns a 50% or more interest in ABHH. The Controlling Shareholders have entered into an agreement to vote as if they were a single shareholder in relation to all matters relating to ABHH.

With effect from 31 December 2009, ABHH has re-domiciled from the British Virgin Islands to Luxembourg, and has changed its name from ABH Holdings Corp. to ABH Holdings S.A. The registered office of ABH Holdings S.A. has changed to 3 Boulevard du Prince Henri, L-1724 Luxembourg, Grand Duchy of Luxembourg.

As at 31 December 2009 the Group had 326 offices (including branches, regional branches and outlets), most of which were operated by Alfa-Bank (2008: 364 offices).

Alfa-Bank is a wholly owned subsidiary of the Company. It is registered in the Russian Federation to carry out banking and foreign exchange activities and has operated under a full banking license issued by the Central Bank of the Russian Federation (the "CBRF") since 1991. Alfa-Bank operates in all banking sectors of the Russian financial markets, including interbank, corporate and retail loans and deposits, foreign exchange operations and debt and equity trading. In addition, a complete range of banking services is provided in Russian Roubles ("RR") and foreign currencies to its customers. Alfa-Bank participates in the State deposit insurance scheme. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 0.7 million per individual in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments. Alfa-Bank is licensed by the Federal Commission on Securities Market for trading in securities. Alfa-Bank's major subsidiaries comprise Amsterdam Trade Bank N.V. (Netherlands) and OJSC Bank Severnaya Kazna (Russian Federation).

On 29 June 2009 the Company signed a call option agreement with ABHH, its controlling shareholder, whereby in exchange for an option premium of USD 63 million ABHH received a right to acquire for a fixed consideration, and at any time until 29 June 2014, shares representing a 100% interest in JSC SB Alfa-Bank Kazakhstan. This agreement effectively transferred to ABHH all potential voting rights and economic benefits relating to JSC SB Alfa-Bank Kazakhstan. The Group accounted for this transaction as a disposal of its interest in JSC SB Alfa-Bank Kazakhstan and recorded a loss on disposal of USD 5 million. At the time of disposal, the total assets of JSC SB Alfa-Bank were USD 268 million, of which cash and cash equivalents comprised USD 118 million, and total liabilities were USD 200 million.

Alfa-Bank's registered office is located at 27 Kalanchyovskaya Street, Moscow 107078, Russian Federation. Alfa-Bank's principal place of business is 9 Mashi Poryvaevoy Street, Moscow 107078, Russian Federation.

The Company is the parent company of Alfa Capital Holdings (Cyprus) Limited and certain other subsidiaries which are primarily involved in the investment banking business including proprietary trading and brokerage activities, investment and merchant banking and asset management. Alfa Capital Holdings (Cyprus) Limited is regulated by the Cyprus Securities and Exchange Commission and licensed principally for brokerage activities and proprietary trading (own trading in shares and debentures). The license entitles Alfa Capital Holdings (Cyprus) Limited to operate both locally (with certain restrictions) and outside Cyprus.

Alfa Capital Holdings (Cyprus) Limited is registered at Elenion Building, 5 Themistocles Dervis Street, 2nd floor, CY-1066 Nicosia, Cyprus.

2 Operating Environment of the Group

The Group, through its operations, has a significant exposure to the economy and financial markets of the Russian Federation.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. Despite strong economic growth in recent years, the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008.

The global financial crisis has had a severe effect on the Russian economy:

- Lower commodity prices have resulted in lower income from exports and thus lower domestic demand. Russia's economy contracted in 2009.
- The rise in Russian and emerging market risk premia resulted in a steep increase in foreign financing costs.
- The depreciation of the Russian Rouble against foreign currencies increased the burden of foreign currency corporate debt, which has risen considerably in recent years.
- As part of preventive steps to ease the effects of the situation in financial markets on the economy, the Government incurred a large fiscal deficit in 2009.

A number of measures have been undertaken to support the Russian financial markets, including the following:

- In October 2008 the CBRF raised the guarantee repayment of individual deposits under the State deposit insurance coverage to RR 700 thousand per individual in case of the withdrawal of a license of a bank or an imposed moratorium on payments by the CBRF.
- The list of assets which can be pledged under repurchase agreements with the CBRF was significantly extended.
- The CBRF made significant placements to the leading Russian banks collateralised by guarantees issued by third party banks.
- The CBRF provided additional liquidity through regular unsecured finance auctions.
- Vnesheconombank provided subordinated loans financed by the State to the leading Russian banks.

Management is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. The amount of provision for impaired loans is based on management's appraisals of these assets at the end of the reporting period after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Borrowers of the Group were adversely affected by the financial and economic environment, which in turn has had an impact on their ability to repay the amounts owed. Deteriorating economic conditions for borrowers were reflected in revised estimates of expected future cash flows in impairment assessments.

The market in Russia for many types of collateral, especially real estate, has been severely affected by the volatile global financial markets, resulting in a low level of liquidity for certain types of assets. As a result, the actual realisable value on future foreclosure may differ from the value ascribed in estimating allowances for impairment at the end of the reporting period.

The fair values of instruments quoted in active markets are based on current bid prices (financial assets) or current offer prices (financial liabilities). As a result of recent volatility in the financial markets there are no longer regularly occurring transactions on an arm' length basis for certain instruments and, as such, in the opinion of management certain instruments are no longer quoted in an active market. If there is no active market for a financial instrument, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The valuation models reflect current market conditions at the measurement date which may not be representative of market conditions either before or after the measurement date. Determining fair value requires consideration of current market conditions, including the relative liquidity of the market and current credit spreads. As at the balance sheet date management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

2 Operating Environment of the Group (Continued)

The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings or deposits and re-finance its existing borrowings or deposits at terms and conditions similar to those applied to earlier transactions.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management is unable to reliably determine the effects on the Group's future financial position of any potential further deterioration in liquidity of the financial markets and increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises, available for sale financial assets and financial instruments categorised as at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 5).

Alfa-Bank maintains its accounting records in accordance with Russian banking regulations. Other subsidiaries maintain their accounting records in accordance with accounting regulations or applicable companies' law in their respective jurisdictions. These consolidated financial statements have been prepared from those accounting records and adjusted as necessary in order to be in accordance with IFRS.

Presentation currency. These consolidated financial statements are presented in millions of US Dollars. The US Dollar has been selected as the presentation currency of the Group as US Dollar is the currency which Management of the Group uses to manage business risks and exposures, and measure the performance of its businesses. US Dollar amounts should not be construed as a representation that Russian Rouble amounts have been or could have been converted to US Dollars at the rates specified further in this Note.

Functional currencies. Different entities within the Group may have different functional currencies, based on the underlying economic conditions of their operations. In particular, OJSC Alfa-Bank and OJSC Bank Severnaya Kazna have Russian Roubles as their functional currency, as their activities are mostly based in the Russian Federation and are dependent on the condition of the Russian economy. Amsterdam Trade Bank N.V. has Euro as its functional currency, as its activities are mostly based in Europe and are dependent on the condition of the economy in Europe. ABH Financial Limited and Alfa Capital Holdings (Cyprus) Limited have US Dollars as their functional currency, as their operations are managed in US Dollars and the companies operate internationally on markets mainly influenced by the US Dollar (not Russian Rouble). Management evaluates the appropriateness of the respective functional currencies for the entities of the Group from time to time, so that the functional currency of any entity of the Group may change, once the economic conditions it is reliant on so dictate. Further information regarding the basis of translation of currencies in the preparation of these consolidated financial statements is provided under "Foreign Currency Translation" section of this note.

Consolidated financial statements. Subsidiaries are those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies usually accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

3 Summary of Significant Accounting Policies (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired (measured at the date of exchange) is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in profit or loss for the year.

Intercompany transactions, balances and unrealised gains on the transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interests is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interests form a separate component of the Group's equity.

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

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

Foreign currency translation. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at period-end exchange rates are recognised in profit or loss for the year. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The results and financial position of each Group entity (none of which is in a hyperinflationary economy) are translated into US Dollar as presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

3 Summary of Significant Accounting Policies (Continued)

The income and expenses of each Group entity for the nine months ended 30 September 2008 were translated at the average rate for this period, each consecutive month's income and expenses (October-December 2008) were translated at average rates for the corresponding month due to the increased volatility in the exchange rates in the last months of 2008.

When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

As at 31 December 2009 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 30.2442 (2008: USD 1 = RR 29.3804), the average exchange rate was USD 1 = RR 31.7231 (2008: USD 1 = RR 24.8553).

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

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

In other than active markets, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The most recent transaction prices are appropriately adjusted if they do not reflect current fair values, for example because the transaction was a distress sale. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale.

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

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

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

3 Summary of Significant Accounting Policies (Continued)

The effective interest method is a method of allocating the interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy within this note).

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

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

Mandatory cash balances with central banks. Mandatory balances with central banks represent mandatory reserve deposits with the Central Bank of the Russian Federation and other local central banks, which are not available to finance the Group's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within three months.

Trading securities are carried at fair value. Interest earned on trading securities, calculated using the effective interest method, is presented in profit or loss for the year as interest income. Dividends are included in dividend income within other operating income when the Group's right to receive dividend payment is established. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

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

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

3 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets carried at amortised cost. The Group assesses at each reporting period date whether there is objective evidence that a financial asset or group of financial assets are impaired. Impairment losses are recognised in profit or loss when incurred as a result of one or more events that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. This assessment is carried out individually on financial assets that are considered individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets for collective assessment. The primary factors that the Group considers whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- delinquency in contractual payments of principal and interest except delay caused by the settlement systems;
- breach of loan covenants or conditions;
- the borrower experiences significant financial difficulty as evidenced by the borrower's financial information that Management obtains;
- initiation of bankruptcy proceedings or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- the value of collateral significantly decreases as a result of deteriorating market conditions;
- there are significant changes in the borrower's management structure which is likely to cause late payment or no payment;
- third party actions: legal and/or tax claims against the borrower (guarantor, underwriter), arrest or seizure of the borrower's (guarantor's, underwriter's) property including property pledged with the Group;
- any encumbrance of the borrower's property (pledge, rent, trust management, etc.) without the Group's written approval, where required;
- damage or loss of collateral obtained;
- disablement or death of the borrower (guarantor, underwriter) or business owner (more than 50% of share capital);
- change of the borrower's (guarantor's, underwriter's) place of residence and/or place of work without written notice sent to the Group;
- there is reliable information that the borrower (guarantor, underwriter) or business owner (more than 50% of share capital) is missing or has been abroad for more than 1 year;
- the borrower (guarantor, underwriter) or business owner (more than 50% of share capital) is imprisoned or arrested;
- termination or change of the borrower's commercial activity.

The estimated period between a loss occurring and its identification is determined by Management for each identified portfolio, based on analysis of historical data. For the purposes of a collective impairment assessment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and experience of Management in respect of the extent to which amounts will become overdue as a result of past loss events and success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

3 Summary of Significant Accounting Policies (Continued)

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

Uncollectible assets including accrued interest are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Necessary procedures to recover the asset include: (i) sending a notification on the repayment of debt to the borrower and the surety, (ii) negotiations with the borrower's management and owners, (iii) analysing liquidity of the borrower's assets, which can be foreclosed to settle the debt, (iv) review condition of the pledged property, (v) submitting legal claims through the courts, and (vi) sale of foreclosed property. Loans to individuals are written off after 180 days of non-payment except for mortgage loans which are written off after 540 days of non-payment.

Subsequent recoveries of amounts previously written off are credited to the provision for loan impairment in profit or loss for the year.

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

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the purchase method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation). Accounting policy for associates is applied to repossessed shares where the Group obtains significant influence but not control. Cost of the investment in associate is the fair value of the loan settled by taking possession of the pledged shares.

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

Investments available for sale. This classification includes investments which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available for sale at the time of purchase.

Investments available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year. Dividends on available for sale equity instruments are recognised in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from other comprehensive income to profit and loss for the year.

3 Summary of Significant Accounting Policies (Continued)

Impairment losses are recognised in profit and loss when incurred as a result of one or more events that occurred after the initial recognition. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss - is reclassified from other comprehensive income to profit and loss for the year. Impairment losses on equity instruments are not reversed and subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale 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 through profit or loss for the year.

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

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. Securities sold under sale and repurchase agreements are not derecognised. The corresponding liability is presented within amounts due to other banks or customer accounts depending on counterparty. The difference between the sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest method.

Securities purchased under agreements to resell are recorded as due from other banks or loans and advances to customers as appropriate.

Securities lent to counterparties are retained in the consolidated financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses arising from trading securities in profit or loss for the year. The obligation to return them is recorded at fair value as a trading liability.

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

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisitions of associates is included in the investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

3 Summary of Significant Accounting Policies (Continued)

Premises and equipment. Equipment is stated at cost less accumulated depreciation and provision for impairment, where required.

Premises of the Group are subject to revaluation on a regular basis. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting period date. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised (i.e. as the asset is used by the Group). The amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Premises and equipment of acquired subsidiaries are initially recorded in the consolidated statement of financial position at their estimated fair value at the date of acquisition of the acquired subsidiary, being their cost to the Group.

Construction in progress is carried at cost less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying value. Construction in progress is not depreciated until the asset is available for use.

At each reporting date the Group assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Group estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell or its value in use. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to profit or loss for the year, unless it has previously been revalued, in which case the revaluation surplus is eliminated first and any additional loss is charged in profit or loss for the year. An impairment loss recorded for an asset in prior periods is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Gains and losses on disposal of premises and equipment are determined by comparing their carrying amount with the sale proceeds and are recognised in profit or loss for the year.

Customer relationship. Customer relationship includes relationships with the corporate and individual customers which kept current accounts with the bank at the time of the business combination. Customer relationship is amortised on a diminishing balance basis reflecting the pattern in which the asset's future economic benefits are expected to be consumed.

Computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Internal development costs that are directly associated with identifiable and unique software products controlled by the Group which will probably generate economic benefits exceeding costs beyond one year are recorded as intangible assets.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recorded as a capital improvement and added to the original cost of the software.

Computer software development costs recorded as assets are amortised using the straight-line method over their useful lives, not exceeding a period of ten years.

Depreciation. Depreciation is applied on a straight-line basis over the estimated useful lives of the assets using the following rates:

Premises	2% per annum;
Office equipment	16% - 20% per annum;
Computer equipment	25% - 33% per annum;
Leasehold improvements	over the term of the underlying lease;
Equipment under operating lease	10% per annum.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

3 Summary of Significant Accounting Policies (Continued)

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Finance leases. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the gross investment in the lease. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost.

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

Debt securities issued. Debt securities issued include promissory notes, bonds, commercial paper and term notes. Promissory notes issued by the Group have a fixed date of repayment. These may be issued against cash deposits or as a payment instrument, which the purchaser can discount in the over-the-counter secondary market. Debt securities are stated at amortised cost.

If the Group purchases its own debt securities issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recorded in profit or loss for the year as gains less losses arising from acquisition of own debts.

Syndicated loans. Syndicated loans are loans in which a group of financial institutions provides funds to the Group. Syndicated loans are carried at amortised cost.

Subordinated debt. Subordinated debt ranks behind all other creditors in case of liquidation. Subordinated debt is carried at amortised cost.

Acquired own subordinated notes are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recorded in profit or loss for the year as gains less losses arising from acquisition of own debts.

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the loans provided by the State at rates below market are recorded as deferred income and are credited to profit or loss for the year using a method achieving matching with respective expenses or losses. Such government grants are initially measured as the difference between the proceeds and the initial fair value of the loan, net of transaction costs.

Dividends. Dividends are recorded in equity in the period in which they are approved by the shareholders of the Company. Dividends that are declared after the end of the reporting period are disclosed as subsequent events.

Derivative financial instruments and hedge accounting. Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are carried at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative financial instruments are included in profit or loss for the year in gains less losses arising from foreign currencies and precious metals and gains less losses arising from trading securities, depending on the related contracts, unless the derivatives qualify as hedging instruments.

3 Summary of Significant Accounting Policies (Continued)

The Group designates certain derivatives as hedge of a part of the net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between the hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking the hedge. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the exposures to the hedged risks.

The effective portion of changes in the fair value of derivatives that are designated and qualify as hedges of net investment in foreign operations are recognised in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss for the year.

Accumulated gains or losses are recycled from other comprehensive income to profit or loss for the year in the periods when the hedged item is disposed of.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Taxation rates enacted or substantively enacted at the end of the reporting period which are expected to apply when the temporary difference reverses are used to determine deferred income tax balances. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

Revenues from the assignment of film rights for a fixed fee under non-cancellable contracts where the Group has no remaining obligations to perform are recognised at the time of sale and are included in other operating income.

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

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Expenses directly attributable to leasing and deposit insurance. Expenses directly attributable to leasing and deposit insurance comprise of property tax and insurance costs relating to the leased assets as well as contributions paid to the State Deposit Insurance Agency. These expenses are not incremental transaction costs that would have to be recognized as part of the effective interest rate.

Property tax and insurance costs relating to the leased assets are not subject to deduction from or offsetting with the minimum lease payments receivable because they are not reimbursable to the lessor. The lease contract has an option for the lessor to change lease payments if property tax, insurance, and borrowing costs change, but there is no obligation to do so, and the lessor has a primary responsibility for the payment of insurance and property tax.

Contributions paid to the State Deposit Insurance Agency are not linked to particular customer deposits or deposit products.

Fiduciary assets. The Group commonly acts as trustee and in other fiduciary capacities that result in the holding of assets on behalf of individuals and institutions. These assets and liabilities arising thereon are excluded from the consolidated financial statements, as they are not assets and liabilities of the Group. For the purposes of disclosure fiduciary activities do not encompass safe custody function. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting financial instruments. 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 offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount which are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3 Summary of Significant Accounting Policies (Continued)

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in accordance with the existing employee compensation plans. Discretionary employee compensations are subject to Management's approval and are disclosed within staff costs. Accrued staff costs if finally not approved are reversed through profit and loss.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

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

In millions of US Dollars	2008 (before reclassification)	Reclassification	2008 (as presented)
Consolidated statement of comprehensive income			
Gains less losses arising from trading securities	74	(116)	(42)
Gains less losses arising from interest based derivatives	-	116	116

Management carried out these reclassifications relating to the prior year figures reported in the consolidated financial statements in order to provide better information to the users of the financial statements.

In addition, during 2009 the Group improved its methodology for calculation of past due leasing balances and, to ensure comparability of the information, reclassified leasing balances in the amount of USD 769 million outstanding as at 31 December 2008 from current and not impaired loans to past due but not impaired loans. Refer to Note 10.

The revised IAS 1 which became effective from 1 January 2009 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period ("opening statement of financial position"), when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements. Therefore, an entity that makes such a prior period adjustment or reclassification normally presents, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

As detailed above in 2009, the Group made reclassifications that have not impact on the consolidated statement of financial position. IAS 1 suggests that the opening statement of financial position should be presented even if the restatements have an impact only on the other primary statements. In these circumstances, management considered whether omitting the opening statement of financial position as at 1 January 2008 would represent a material omission of information. In management's opinion, the omission of the opening consolidated statement of financial position, where the restatement or reclassification does not affect any consolidated statement of financial position (and that fact is disclosed), is not material and is therefore permitted. Management considered that materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statements.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in these consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

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

Impairment of loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease between actual loss experience and the loss estimates used will result in an additional or lower charge for loan loss impairment of USD 150 million (2008: USD 119 million), respectively.

Fair value of financial instruments. The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require the Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Refer to Note 35.

Due to instability in money and foreign exchange markets as at the end of 2008, different OTC market makers provided a wide spread of yield curves for selected currencies. Changing applied yield curves by +/- 10% would have resulted in increase or decrease in fair value of derivatives in foreign currencies and gains less losses from foreign currencies by USD 22 million. In 2009 the situation stabilized, and changing applied yield curves in a similar manner would not result in a significant change in gains less losses from foreign currencies.

Income taxes. There are many transactions and calculations in the ordinary course of business for which the ultimate tax determination is uncertain (Note 33). The Group records liabilities for completed and anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the current and deferred taxation in the period in which such determination is made.

Management applies its judgement in interpretation of existing tax legislation for the purposes of assessment of current and deferred taxation. Also, Management uses judgement to assess the realisability of deferred tax assets, which is subject to availability of profits and other circumstances, including the ability to claim full deduction of the expenses incurred in relation to the underlying assets and liabilities. Management reassesses current and deferred tax balances at each reporting date and adjusts them accordingly.

During 2008 the Russian tax authorities performed a tax audit of Alfa-Bank's operations for 2005-2006 and challenged the Group's interpretation and application of the tax legislation relating to deductibility for tax purposes of certain provisions for loan impairment. As a result, in 2008 the Group paid additional taxes for 2005-2006 and related fines in the amount of USD 38 million. Also, during 2008 the Group reassessed its estimates relating to deductibility of similar provisions for loan impairment in the periods subsequent to 2006 and (i) increased its current tax liabilities related to 2007 by USD 25 million and (ii) released deferred tax assets in the amount of USD 65 million which were recorded in prior periods.

Management believes that the previous assessment of deductibility for tax purposes of the above provisions for loan impairment was based on the best information then available including existing industry practices and results of previous tax audits.

This change in estimate was recorded through profit or loss for the year for 2008. See Note 29.

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

Functional currencies of different entities of the Group. Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination of what the specific underlying economic conditions are requires judgement. In making this judgement, the Group evaluates among other factors, the location of activities, the sources of revenue, risks associated with activities and denomination of currencies of operations of different entities. Specifically, in determination of the functional currencies of ABH Financial Limited and Alfa Capital Holdings (Cyprus) Limited, the Group based its judgement on the fact that the companies operate internationally on markets mainly influenced by the US Dollar (not Russian Rouble) and their major activities include provision of services to foreign investors. Moreover, the majority of their operations are denominated in US Dollars and also, the US Dollar is the currency in which their business risks and exposures are managed and the performance of their business is measured.

Accounting for subordinated loans from Vnesheconombank. On 29 January 2009 the Group received a subordinated loan from Vnesheconombank ("VEB") in the amount of RR 10 201 million bearing a fixed interest rate of 8% per annum payable quarterly until maturity on 25 December 2019, followed by the second tranche of that subordinated loan in the amount of RR 231 million received on 19 October 2009.

In October 2009 the Group received another subordinated loan from VEB in the amount of RR 29 181 million bearing a fixed interest rate of 9.5% per annum plus a fee of 0.03% per annum, which matures on 25 December 2020. The Group has an option to repay this loan at any time subject to approvals from the CBRF and VEB.

In accordance with the terms of the loan agreements Alfa-Bank is required (i) to maintain a portfolio of loans with a term of not less than six months issued to priority sectors of economy in Russia in the amount of the January 2009 subordinated loan outstanding; (ii) to maintain a portfolio of loans with a term of not less than one year issued to priority sectors of the economy in Russia in the amount of the October 2009 subordinated loan outstanding at interest rates less than or equal to the CBRF refinancing rate plus three percent; (iii) to obtain approval from VEB for certain significant transactions and (iv) to include VEB nominees in Alfa-Bank's management bodies. As at 31 December 2009 and as at the date of the consolidated financial statements no VEB nominees were officially represented in Alfa-Bank's management bodies.

Due to its unique terms and conditions, subordinated nature and absence of observable current market transactions providing evidence of a market rate for such instruments, the loans were originally recognized and subsequently carried on the statement of financial position at amortised contractual value.

If there was evidence that the market interest rate for such loans was higher than the contractual interest rates, the amortised contractual value of the loans would have been replaced by (i) amortised value of the loans determined based on the fair value of the loans at the date of origination and (ii) unamortised value of the government grants embedded in such low interest loans; there would have been no impact on the profit or loss for the year since the increased effective interest rates would have been offset by amortisation of the government grants.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 36.

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2009:

IFRS 8, Operating Segments. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The adoption of IFRS 8 has resulted in (i) a reduction of the number of segments as the previously separately reported Corporate Banking and Investment Banking segments have been merged in one segment, and (ii) a different presentation of segment revenues and results as some revenues and expenses were accounted for and allocated differently for the purposes of preparation of the segment information prior to the adoption of IFRS 8.

An operating segment is a component of the Group, that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The CODM has been identified as the members of the Group's Executive Board.

Comparative segment disclosures have been restated to conform to the presentation in the current period.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting.

The above amendments did not have an impact on the Group except:

- ***IAS 16, Property, Plant and Equipment (and consequential amendments to IAS 7).*** Under the amended standard, entities that routinely sell assets previously held for rental are required to classify such assets as inventories from the point that the assets cease to be leased and become held for sale, while the proceeds from sale are recognised as revenue. The rent and proceeds from sale have to be classified as cash flows from operating activities. The Group amended its accounting policies accordingly.
- ***IAS 20, Accounting for Government Grants and Disclosure of Government Assistance.*** The amendment requires benefits arising from government loans at below-market interest rates to be accounted for as government grants, with the benefit calculated as the difference between the proceeds and the initial fair value of the loan, net of transaction costs. The amendment applies prospectively to government loans received in periods beginning on or after 1 January 2009.
- ***IAS 40, Investment Property (and consequential amendments to IAS 16).*** Property that is under construction or development for future use as investment property is brought within the scope of the revised IAS 40. Where the fair value model is applied, such property is measured at fair value. Where the fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which the fair value becomes reliably measurable. The Group applied the amendment prospectively from 1 January 2009.

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

Adoption of IAS 1, Presentation of Financial Statements, revised in September 2007 and effective for annual periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available for sale financial assets. The revised IAS 1 also introduces a requirement to present (in the annual financial statements) a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's consolidated financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these consolidated financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except by the foreign operation that is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 did not have an impact on these consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has not early adopted:

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. Management is currently assessing the impact of the new interpretation on the Group's consolidated financial statements.

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

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity settles its debt by issuing its own equity instruments. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. IFRIC 19 is not expected to have any impact on the Group's consolidated financial statements.

6 New Accounting Pronouncements (Continued)

Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. Management is currently assessing the impact of this new pronouncement on the consolidated financial statements.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total profit or loss for the year 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 have to be measured at its fair value.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests 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 will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill.

An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be 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.

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009, with earlier application permitted). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. Management is currently assessing what impact the pronouncement will have on the Group's consolidated financial statements.

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

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). The IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

IFRS 9, Financial instruments part 1: Classification and measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

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

6 New Accounting Pronouncements (Continued)

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

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

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

7 Cash and Cash Equivalents

In millions of US Dollars	**2009**	**2008**
Cash on hand	506	791
Cash balances with central banks (other than mandatory cash balances)	935	2 287
Correspondent and settlement accounts with banks and financial institutions		
- Russian Federation	154	346
- Europe and USA	225	328
- Other countries	11	1
Overnight placements with other banks		
- Russian Federation	78	-
- Other countries	57	107
Total cash and cash equivalents	**1 966**	**3 860**

7 Cash and Cash Equivalents (Continued)

The credit quality of balances on correspondent and settlement accounts with banks and financial institutions is managed through a system of qualitative risk management procedures comprising credit risk assessment before acceptance. Furthermore, after establishing a correspondent account, depending on the magnitude of the balance, Management carries out regular monitoring of the financial position and performance of the counterparties.

The analysis by credit quality of overnight placements is based on their stratification by set limits. Higher limits are assigned to counterparties whose credit quality is better. Analysis by credit quality of overnight placements was as follows:

In millions of US Dollars	2009	2008
Neither past due nor impaired		
- limit above USD 100 million	108	100
- limit below USD 100 million	27	7
Total overnight placements	**135**	**107**

As at 31 December 2009 the ten largest aggregate balances on correspondent and settlement accounts and overnight placements with other banks and financial institutions amounted to USD 485 million (2008: USD 768 million) or 92.4 % (2008: 98.2%) of the correspondent and settlement accounts and overnight placements.

For the purposes of measurement the Group classified all balances included in cash and cash equivalents as loans and receivables. Currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

8 Trading Securities and Repurchase Receivables

In millions of US Dollars	2009	2008
Trading securities		
Corporate Eurobonds	554	346
Corporate bonds	383	91
Eurobonds of other states	347	96
Municipal Eurobonds	40	-
Municipal bonds	1	6
Russian Federation Eurobonds	-	2
Bonds of other states	-	30
Total debt trading securities	**1 325**	**571**
Corporate shares	30	11
ADRs and GDRs	17	6
Total trading securities	**1 372**	**588**
Repurchase receivables		
Corporate bonds	-	113
Corporate Eurobonds	-	22
Russian Federation Eurobonds	-	15
Municipal bonds	-	1
Total repurchase receivables	**-**	**151**
Total trading securities and repurchase receivables	**1 372**	**739**

8 Trading Securities and Repurchase Receivables (Continued)

Corporate Eurobonds are interest-bearing securities denominated in US Dollars, Russian Roubles and Euros, issued mainly by large Russian and CIS companies and freely tradable internationally. As at 31 December 2009 these bonds have maturity dates ranging from February 2010 to July 2035 (2008: from February 2009 to July 2035), coupon rates from 1.3% to 13.5% p.a. (2008: from 1.6% to 13.5% p.a.) and yields to maturity from 2.4% to 23.6% p.a. (2008: from 5.8% to 68.6% p.a.), depending on the type of bond issue.

Corporate bonds are interest-bearing securities issued by large Russian companies, denominated in Russian Roubles and freely tradable in the Russian Federation. As at 31 December 2009 these bonds have maturity dates ranging from February 2010 to November 2019 (2008: January 2009 to February 2017), coupon rates from 7.1% to 25.0% p.a. (2008: from 6.7% to 16.5% p.a.) and yields to maturity from 1.2% to 19.8% p.a. (2008: from 5.8% to 84.4% p.a.), depending on the type of bond issue.

Eurobonds of other states are interest-bearing securities denominated in Euros and US Dollars, issued mainly by European and CIS states, and freely tradable internationally. As at 31 December 2009 these bonds have maturity dates ranging from January 2010 to November 2017 (2008: January 2009 to November 2017), coupon rates from 2.5% to 6.8% p.a. (2008: from 2.8% to 6.8% p.a.) and yields to maturity from 0.3% to 13.6% p.a. (2008: from 1.8% to 31.6% p.a.), depending on the type of bond issue.

Repurchase receivables represent securities sold under sale and repurchase agreements with other banks (Note 15). The counterparty financial institutions have a right to resell or pledge these securities.

Analysis by credit quality of debt trading securities and repurchase receivables was as follows as at 31 December 2009:

In millions of US Dollars	**Corporate Eurobonds**	**Corporate bonds**	**Eurobonds of other states**	**Municipal Eurobonds**	**Municipal bonds**	**Total**
Neither past due nor impaired (at fair value)						
- limit above USD 50 million	18	67	337	40	-	462
- limit from USD 10 to 50 million	176	137	-	-	-	313
- limit below USD 10 million	7	-	-	-	-	7
- position hedged by derivatives	338	177	10	-	1	526
- other	12	2	-	-	-	14
Total neither past due nor impaired debt trading securities and repurchase receivables	**551**	**383**	**347**	**40**	**1**	**1 322**
Past due (at fair value)						
- 30 to 90 days overdue	3	-	-	-	-	**3**
Total debt trading securities and repurchase receivables	**554**	**383**	**347**	**40**	**1**	**1 325**

8 Trading Securities and Repurchase Receivables (Continued)

Analysis by credit quality of debt trading securities and repurchase receivables was as follows as at 31 December 2008:

In millions of US Dollars	Corporate Eurobonds	Corporate bonds	Eurobonds of other states	Bonds of other states	Russian Federation Eurobonds	Municipal bonds	Total
Neither past due nor impaired (at fair value)							
- limit above USD 50 million	18	47	-	-	17	-	82
- limit from USD 10 to 50 million	265	53	90	-	-	6	414
- limit below USD 10 million	9	6	6	-	-	-	21
- position hedged by derivatives	40	55	-	-	-	1	96
- other	36	43	-	30	-	-	109
Total debt trading securities and repurchase receivables	**368**	**204**	**96**	**30**	**17**	**7**	**722**

The above analysis by credit quality is based on the stratification by set limits. Larger limits are assigned to counterparties whose credit quality is better.

As at 31 December 2009 and as at 31 December 2008 the long balance sheet position of the Group in trading securities and repurchase receivables was partially hedged by an opposite position in derivative financial instruments for those securities. These economic hedges significantly reduce credit risk related to respective securities and therefore such securities are not covered by individual limits and disclosed separately in the table above. Refer to Note 34.

Trading securities and repurchase receivables are carried at fair value which also reflects any credit risk related write-downs. As at 31 December 2008 no amounts of the debt securities were past due.

For the purposes of measurement the Group classified all balances included in trading securities and repurchase receivables as financial assets at fair value through profit or loss held for trading.

The Group reclassified the following financial assets from held for trading category to the available for sale category during 2008:

In millions of US Dollars	Carrying value	Cash flows expected to be recovered	Effective interest rate, %
Russian Federation Eurobonds	25	46	7.5
Corporate bonds	61	79	11.1
Corporate Eurobonds	225	280	8.3
Total	**311**	**405**	

The reclassification was made effective from 1 July 2008 when, in Management's opinion, the third quarter 2008 collapse in financial markets liquidity and stability commenced, which has also led to the International Accounting Standards Board issuing the amendment allowing reclassifications from that date.

8 Trading Securities and Repurchase Receivables (Continued)

Management believed that the declines in market prices that occurred in the third quarter of 2008 represented a rare event as they were significantly out of line with historical volatilities observed in financial markets. The performance of market prices in 2009 confirmed that assessment in most cases.

As at 31 December 2009 the fair values of financial assets that have been reclassified during 2008 from trading securities to investment securities available for sale and which were not yet sold or otherwise derecognised, amounted to USD 35 million (2008: USD 186 million).

Interest income, foreign exchange gains less losses and impairment losses recognised in profit or loss for the year ended 31 December 2009 for the reclassified assets amounted to USD 5 million (2008: USD 3 million). Had the assets not been reclassified, fair value gains less losses recognised in profit or loss for the year ended 31 December 2009 would have been higher by USD 49 million (2008: lower by USD 49 million).

Currency, maturity and interest rates analyses of trading securities and repurchase receivables are disclosed in Note 31. The information on securities issued by related parties and owned by the Group is disclosed in Note 36.

9 Due from Other Banks

In millions of US Dollars	**2009**	**2008**
Term placements with other banks	2 260	1 732
Reverse sale and repurchase agreements with other banks	10	110
Less: Provision for impairment	-	(5)
Total due from other banks	**2 270**	**1 837**

As at 31 December 2009 reverse sale and repurchase agreements with other banks were effectively collateralised by securities purchased with estimated fair value of USD 10 million (2008: USD 128 million), all of which the Group had the right to sell or repledge.

As at 31 December 2009 the ten largest aggregate balances due from other banks amounted to USD 1 660 million (2008: USD 1 375 million) or 73.1% (2008: 74.9%) of total due from other banks.

Movements in the provision for impairment of due from other banks are as follows:

In thousands of Russian Roubles	**2009**	**2008**
Provision for impairment as at 1 January	5	-
(Recovery of provision)/provision for impairment during the year	(5)	5
Provision for impairment as at 31 December	**-**	**5**

9 Due from Other Banks (Continued)

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

In millions of US Dollars	Term placements with other banks	Reverse sale and repurchase agreements with other banks	Total
Neither past due nor impaired			
- limit above USD 200 million	411	-	411
- limit from USD 100 to 200 million	1 301	-	1 301
- limit below USD 100 million	541	10	551
- other	7	-	7
Total due from other banks	**2 260**	**10**	**2 270**

Analysis by credit quality of amounts due from other banks outstanding as at 31 December 2008 was as follows:

In millions of US Dollars	Term placements with other banks	Reverse sale and repurchase agreements with other banks	Total
Neither past due nor impaired			
- limit above USD 200 million	52	-	52
- limit from USD 100 to 200 million	1 233	-	1 233
- limit below USD 100 million	397	46	443
- other	33	64	97
Individually determined to be impaired	17	-	17
Provision for impairment	(5)	-	(5)
Total due from other banks	**1 727**	**110**	**1 837**

The above analysis by credit quality is based on the stratification by set limits. Larger limits are assigned to counterparties whose credit quality is better.

As at 31 December 2009 included within term placements with other banks are deposits placed under the Diversified Payment Rights Secured Debt Issuance Programme in the amount of USD 77 million (2008: USD 84 million). Refer to Note 17.

As at 31 December 2009 included within term placements with other banks are margin call deposits in the amount of USD 247 million (2008: USD 324 million) placed as collateral under transactions with derivatives and operations with securities.

As at 31 December 2009 and 2008 the fair value of each class of financial assets included in due from other banks approximated their carrying value. Refer to Note 35.

For the purposes of measurement the Group classified all balances included in due from other banks as loans and receivables. Currency, maturity and interest rate analyses of due from other banks are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

10 Loans and Advances to Customers

In millions of US Dollars	2009	2008
Corporate loans	11 461	14 798
Finance lease receivables	1 188	1 305
Loans to small and medium-size enterprises (SMEs)	117	284
Advances on lease operations	25	67
Reverse sale and repurchase receivables	58	19
Total gross loans and advances to corporate customers	**12 849**	**16 473**
Less: Provision for loan impairment	(1 403)	(1 073)
Total loans and advances to corporate customers	**11 446**	**15 400**
Loans to individuals - credit cards and personal instalment loans (PILs)	835	962
Loans to individuals - mortgage loans	428	509
Loans to individuals - consumer loans	387	499
Loans to individuals - car loans	426	705
Reverse sale and repurchase receivables	28	12
Total gross loans and advances to individuals	**2 104**	**2 687**
Less: Provision for loan impairment	(101)	(117)
Total loans and advances to individuals	**2 003**	**2 570**
Total loans and advances to customers	**13 449**	**17 970**

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

					Loans to individuals				
In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Advances on lease operations	Credit cards and PILs	Mortgage loans	Consumer loans	Car loans	Total
Provision for loan impairment as at 1 January 2009	**1 011**	**33**	**27**	**2**	**49**	**4**	**41**	**23**	**1190**
Provisions during the year	277	163	-	7	116	16	23	26	628
Amounts written off as uncollectible	(89)	-	-	-	(110)	-	(43)	(34)	(276)
Disposal of a subsidiary	(3)	-	-	-	-	-	-	-	(3)
Translation movement	(23)	(1)	(1)	-	(4)	-	(4)	(2)	(35)
Provision for loan impairment as at 31 December 2009	**1 173**	**195**	**26**	**9**	**51**	**20**	**17**	**13**	**1 504**

10 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2008 were as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Advances on lease operations	Loans to individuals: Credit cards and PILs	Loans to individuals: Mortgage loans	Loans to individuals: Consumer loans	Loans to individuals: Car loans	Total
Provision for loan impairment as at 1 January 2008	**269**	**13**	**8**	**-**	**37**	**1**	**32**	**21**	**381**
Provisions during the year	782	23	20	2	67	4	55	28	981
Amounts written off as uncollectible	(6)	-	-	-	(49)	(1)	(41)	(23)	(120)
Translation movement	(34)	(3)	(1)	-	(6)	-	(5)	(3)	(52)
Provision for loan impairment as at 31 December 2008	**1 011**	**33**	**27**	**2**	**49**	**4**	**41**	**23**	**1 190**

The provision for loan impairment during 2009 differs from the amount presented in profit or loss for the year due to USD 34 million (2008: USD 30 million) recovery during 2009 of amounts previously written off as uncollectible. This amount was credited directly to the provisions line in profit or loss for the year.

Economic sector risk concentrations within the loans and advances to customers were as follows:

In millions of US Dollars	2009 Amount	2009 %	2008 Amount	2008 %
Construction	2 129	16	3 238	17
Individuals	2 104	14	2 687	14
Railway transport	1 593	11	1 820	10
Trade and commerce	1 418	9	2 065	11
Power generation	1 120	7	988	5
Machinery and metal working	804	5	1 114	6
Finance and investment companies	756	5	882	5
Ferrous metallurgy	662	4	897	5
Nuclear industry	622	4	455	2
Armament production	549	4	703	4
Food industry	468	3	477	2
Chemistry and petro chemistry	379	3	208	1
Coal industry	359	2	213	1
Non-ferrous metallurgy	355	2	858	4
Diamond extraction and processing	275	2	302	2
Mass media and telecommunications	256	2	237	1
Aviation transport	247	2	302	2
Agriculture	182	1	251	1
Oil industry	77	1	815	4
Timber industry	35	-	48	-
Water transport	31	-	44	-
Natural gas industry	24	-	49	-
Other	508	3	507	3
Total gross loans and advances to customers	**14 953**	**100**	**19 160**	**100**

10 Loans and Advances to Customers (Continued)

As at 31 December 2009 aggregate loans and advances to the ten largest borrowers (or groups of related borrowers) amounted to USD 4 243 million (2008: USD 4 255 million) or 28.4% (2008: 22.2%) of the gross loans and advances to customers, while aggregate loans and advances to the 20 largest borrowers (or groups of related borrowers) amounted to USD 6 339 million (2008: USD 6 274 million) or 42.4% (2008: 32.7%) of the gross loans and advances to customers.

As at 31 December 2009 loans and advances to customers in the total amount of USD 268 million (2008: USD 837 million) were pledged as collateral for the financing received from the CBRF (Note 15) and USD 497 million (2008: USD 396 million) for the financing received from the State Deposit Insurance Agency (Note 18).

Analysis by credit quality of loans to corporate customers outstanding as at 31 December 2009 was as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Advances on lease operations	Reverse sale and repurchase receivables	Total
Neither past due nor impaired						
- Rating I	1 001	-	-	-	-	1 001
- Rating II	2 491	89	21	6	44	2 651
- Rating III	3 204	111	69	6	8	3 398
- Rating IV	160	3	-	-	6	169
- Loans renegotiated in 2009	1 561	154	-	-	-	1 715
Total gross neither past due nor impaired	**8 417**	**357**	**90**	**12**	**58**	**8 934**
Past due but not impaired						
- less than 30 days overdue	36	-	-	-	-	36
- 30 to 90 days overdue	-	-	-	-	-	-
Total gross past due but not impaired	**36**	**-**	**-**	**-**	**-**	**36**
Individually determined to be impaired						
- not past due	750	137	4	13	-	904
- less than 30 days overdue	218	-	1	-	-	219
- 30 to 90 days overdue	181	694	-	-	-	875
- 90 to 180 days overdue	144	-	4	-	-	148
- 180-360 days overdue	1 190	-	6	-	-	1 196
- over 360 days overdue	525	-	12	-	-	537
Total gross individually impaired loans	**3 008**	**831**	**27**	**13**	**-**	**3 879**
Total gross loans and advances	**11 461**	**1 188**	**117**	**25**	**58**	**12 849**
Provision for loan impairment	**(1 173)**	**(195)**	**(26)**	**(9)**	**-**	**(1 403)**
Total loans and advances to corporate customers	**10 288**	**993**	**91**	**16**	**58**	**11 446**

10 Loans and Advances to Customers (Continued)

Refer to Note 31 for the description of credit quality ratings. The Group created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the end of reporting period. The Group's policy is to classify each loan as "current and not impaired" until specific objective evidence of impairment of the loan is identified.

Current and not impaired, but renegotiated loans represent the carrying amount of loans to customers that would otherwise be past due or impaired had their terms not been renegotiated.

The amount of loans reported as past due represents the whole balance of such loans while for some of them only individual instalments may be past due. The amount of those past due instalments on loans to corporate customers as at 31 December 2009 was as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Total
- past due instalments	1 829	119	22	1 970
- current portion of past due loans	465	575	1	1 041
Total past due loans and advances to corporate customers	**2 294**	**694**	**23**	**3 011**

Analysis by credit quality of loans to corporate customers outstanding as at 31 December 2008 was as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Advances on lease operations	Reverse sale and repurchase receivables	Total
Neither past due nor impaired						
- Rating I	4 459	65	5	3	7	4 539
- Rating II	4 403	117	54	58	7	4 639
- Rating III	3 645	178	183	5	5	4 016
- Rating IV	344	60	3	-	-	407
Total gross neither past due nor impaired	**12 851**	**420**	**245**	**66**	**19**	**13 601**
Past due but not impaired						
- less than 30 days overdue	187	49	2	-	-	238
- 30 to 90 days overdue	-	826	-	-	-	826
Total gross past due but not impaired	**187**	**875**	**2**	**-**	**-**	**1 064**
Individually determined to be impaired						
- not past due	948	10	18	1	-	977
- less than 30 days overdue	405	-	4	-	-	409
- 30 to 90 days overdue	246	-	8	-	-	254
- 90 to 180 days overdue	69	-	4	-	-	73
- 180-360 days overdue	90	-	3	-	-	93
- over 360 days overdue	2	-	-	-	-	2
Total gross individually impaired loans	**1 760**	**10**	**37**	**1**	**-**	**1 808**
Total gross loans and advances	**14 798**	**1 305**	**284**	**67**	**19**	**16 473**
Provision for loan impairment	**(1 011)**	**(33)**	**(27)**	**(2)**	**-**	**(1 073)**
Total loans and advances to corporate customers	**13 787**	**1 272**	**257**	**65**	**19**	**15 400**

10 Loans and Advances to Customers (Continued)

The amount of loans reported as past due represents the whole balance of such loans while for some of them only individual instalments may be past due. The amount of those past due instalments on loans to corporate customers as at 31 December 2008 was as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Total
- past due instalments	956	106	3	1 065
- current portion of past due loans	43	769	18	830
Total past due loans and advances to corporate customers	**999**	**875**	**21**	**1 895**

Analysis by credit quality of loans to individuals outstanding as at 31 December 2009 was as follows:

In millions of US Dollars	Credit cards and PILs	Mortgage loans	Consumer loans	Car loans	Reverse sale and repurchase receivables	Total
Neither past due nor impaired	769	388	367	396	28	1 948
Total gross neither past due nor impaired	**769**	**388**	**367**	**396**	**28**	**1 948**
Past due but not impaired						
- less than 30 days overdue	25	7	9	13	-	54
Total gross past due but not impaired	**25**	**7**	**9**	**13**	**-**	**54**
Individually determined to be impaired						
- 30 to 90 days overdue	15	5	5	9	-	34
- 90 to 180 days overdue	26	8	6	8	-	48
- 180 to 360 days overdue	-	2	-	-	-	2
- over 360 days overdue	-	18	-	-	-	18
Total gross individually impaired loans	**41**	**33**	**11**	**17**	**-**	**102**
Total gross loans and advances to individuals	**835**	**428**	**387**	**426**	**28**	**2 104**
Provision for loan impairment	**(51)**	**(20)**	**(17)**	**(13)**	**-**	**(101)**
Total loans and advances to individuals	**784**	**408**	**370**	**413**	**28**	**2 003**

Current and not impaired loans to individuals represent loans without signs of individual impairment and originated on the basis of underwriting procedures (Note 31).

10 Loans and Advances to Customers (Continued)

The primary factors that the Group considers in determining whether a loan has become impaired are ability of borrowers to service their debt, loans and interest overdue status and realisability of related collateral, if any.

The amount of loans reported as past due represents the whole balance of such loans while for some of them only individual instalments may be past due. The amount of those past due instalments on loans to individuals as at 31 December 2009 was as follows:

In millions of US Dollars	Credit cards and PILs	Mortgage loans	Consumer loans	Car loans	Total
- past due instalments	32	25	8	8	73
- current portion of past due loans	34	15	12	22	83
Total past due loans and advances to individuals	**66**	**40**	**20**	**30**	**156**

Analysis by credit quality of loans to individuals outstanding as at 31 December 2008 was as follows:

In millions of US Dollars	Credit cards and PILs	Mortgage loans	Consumer loans	Car loans	Reverse sale and repurchase receivables	Total
Neither past due nor impaired	887	492	457	666	12	2 514
Total gross neither past due nor impaired	**887**	**492**	**457**	**666**	**12**	**2 514**
Past due but not impaired						
- less than 30 days overdue	34	11	21	21	-	87
Total gross past due but not impaired	**34**	**11**	**21**	**21**	**-**	**87**
Individually determined to be impaired						
- 30 to 90 days overdue	24	5	11	11	-	51
- 90 to 180 days overdue	17	1	10	7	-	35
Total gross individually impaired loans	**41**	**6**	**21**	**18**	**-**	**86**
Total gross loans and advances to individuals	**962**	**509**	**499**	**705**	**12**	**2 687**
Provision for loan impairment	**(49)**	**(4)**	**(41)**	**(23)**	**-**	**(117)**
Total loans and advances to individuals	**913**	**505**	**458**	**682**	**12**	**2 570**

10 Loans and Advances to Customers (Continued)

The amount of loans reported as past due represents the whole balance of such loans while for some of them only individual instalments may be past due. The amount of those past due instalments on loans to individuals as at 31 December 2008 was as follows:

In millions of US Dollars	Credit cards and PILs	Mortgage loans	Consumer loans	Car loans	Total
- past due instalments	22	1	28	9	60
- current portion of past due loans	53	16	14	30	113
Total past due loans and advances to individuals	**75**	**17**	**42**	**39**	**173**

Maturities of gross and net investments in finance lease are analysed as follows:

In millions of US Dollars	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Gross finance lease receivable as at 31 December 2009	**385**	**1 040**	**245**	**1 670**
Less future finance income on finance leases	(56)	(371)	(55)	(482)
Net investment in finance leases as at 31 December 2009	**329**	**669**	**190**	**1 188**
Gross finance lease receivable as at 31 December 2008	**377**	**1 220**	**346**	**1 943**
Less future finance income on finance leases	(86)	(510)	(42)	(638)
Net investment in finance leases as at 31 December 2008	**291**	**710**	**304**	**1 305**

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

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Car loans	Mortgage loans	Total
Fair value of collateral - loans past due but not impaired						
- residential real estate	3	-	-	-	7	10
- cash deposits	-	-	-	-	-	-
- other real estate	-	-	-			-
- equipment	33	-	-	-	-	33
- other assets	-	-	-	8	-	8
Fair value of collateral - individually impaired loans						
- residential real estate	-	-	-	-	33	33
- other real estate	838	-	7	-	-	845
- equipment	662	667	5	-	-	1 334
- other assets	96	-	-	11	-	107
Total	**1 632**	**667**	**12**	**19**	**40**	**2 370**

10 Loans and Advances to Customers (Continued)

Fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired as at 31 December 2008 was as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Mortgage loans	Car loans	Total
Fair value of collateral - loans past due but not impaired						
- residential real estate	16	-	-	10	-	26
- other real estate	87	-	-	-	-	87
- equipment	-	719	-	-	-	719
- other assets	3	-	-	-	14	17
Fair value of collateral - individually impaired loans						
- residential real estate	-	-	-	6	-	6
- other real estate	345	-	7	-	-	352
- equipment	809	8	3	-	-	820
- other assets	47	-	-	-	11	58
Total	**1 307**	**727**	**10**	**16**	**25**	**2 085**

Fair value of collateral was determined by the Group's lending department using the Group's internal guidelines on the basis of either internal expert evaluation, or an independent appraiser's evaluation or on the basis of the depreciated replacement cost of the collateral.

In the normal course of business the Group obtains collateral and/or guarantees for loans to legal entities. Acceptable collateral includes real estate, property, equipment, inventories, securities, contractual rights and certain other assets. Guarantees can be provided by controlling shareholders, government entities, banks and other solvent legal entities. As at 31 December 2009 corporate loans in the amount of USD 4 925 million (2008: USD 4 799 million) were not secured (or were secured by collateral which does not allow to classify the loan as secured using criteria of the Group) and loans in the amount of USD 1 545 million (2008: USD 2 471 million) were secured only by third party guarantees where guarantors considered to be related to the borrower itself. As at 31 December 2009 and 2008 most of the loans to small and medium size enterprises were secured by collateral or guarantees. Finance lease receivables are secured by the leased equipment the title to which is normally retained by the Group for the duration of the lease. Reverse sale and repurchase agreements are effectively collateralised by securities sold under those agreements. As at 31 December 2009 reverse sale and repurchase agreements were collateralised by securities purchased with estimated fair value of USD 81 million (2008: USD 39 million) all of which the Group had right to sell or repledge.

Credit cards, personal instalment and consumer loans to individuals are not secured. Car loans and mortgage loans to individuals are collateralised respectively by cars and property acquired.

The estimated fair value of loans and advances to customers was as follows:

	2009		2008	
In millions of US Dollars	Fair value	Carrying value	Fair value	Carrying value
Corporate loans	9 924	10 288	12 890	13 787
Finance lease receivables	833	993	1 245	1 272
Loans to individuals - credit cards and PILs	778	784	913	913
Loans to individuals - car loans	368	413	622	682
Loans to individuals - mortgage loans	364	408	466	505
Loans to individuals - consumer loans	382	370	458	458
Loans to SMEs	93	91	249	257
Reverse sale and repurchase receivables - corporate customers	58	58	19	19
Reverse sale and repurchase receivables - individuals	28	28	12	12
Advances on lease operations	14	16	65	65
Total loans and advances to customers	**12 842**	**13 449**	**16 939**	**17 970**

10 Loans and Advances to Customers (Continued)

Refer to Note 35 for the discount rates used for fair value calculation. For the purposes of measurement the Group classified all balances included in loans and advances to customers as loans and receivables. Currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

11 Investments and Repurchase Receivables Relating to Investments

In millions of US Dollars	**2009**	**2008**
Russian Federation bonds and Eurobonds	643	150
Corporate Eurobonds	366	138
Corporate bonds	-	29
Total debt investments available for sale	**1 009**	**317**
Russian Federation bonds and Eurobonds	-	215
Total repurchase receivables relating to debt investments available for sale	**-**	**215**
Total debt investments available for sale and repurchase receivables	**1 009**	**532**
Pamplona Credit Opportunities Fund	317	-
Pamplona Capital Partners I L.P.	97	-
Total equity investments available for sale	**414**	**-**
Equity investments at fair value through profit and loss	**85**	**55**
Total investments and repurchase receivables relating to investments	**1 508**	**587**

Debt investments available for sale and repurchase receivables relating to debt investments available for sale

Russian Federation bonds and Eurobonds are interest-bearing securities denominated in Russian Roubles or US Dollars and are freely tradable in the Russian Federation and internationally. As at 31 December 2009 these bonds have maturity dates ranging from January 2010 to August 2014 (2008: from March 2009 to February 2036), coupon rates from 5.8% to 12.0% p.a. (2008: from 5.8% to 10.0% p.a.) and yields to maturity from 4.3% to 8.4% p.a. (2008: from 6.0% to 11.8% p.a.), depending on the type of bond issue.

Corporate Eurobonds are interest-bearing securities denominated in US Dollars or Russian Roubles, issued mainly by large Russian and CIS companies, and freely tradable internationally. As at 31 December 2009 these bonds have maturity dates ranging from March 2010 to November 2014 (2008: from March 2009 to July 2016), coupon rates from 1.5% to 18.0% p.a. (2008: from 6.3% to 10.0% p.a.) and yields to maturity from 4.5% to 23.3% p.a. (2008: from 2.4% to 100.0% p.a.), depending on the type of bond issue.

Repurchase receivables represent securities sold under sale and repurchase agreements with other banks (Notes 15). The counterparty financial institutions have a right to resell or pledge these securities.

11 Investments and Repurchase Receivables Relating to Investments (Continued)

As at 31 December 2009 the analysis by credit quality of debt investments available for sale and repurchase receivables was as follows:

In millions of US Dollars	Russian Federation bonds and Eurobonds	Corporate Eurobonds	Total
Neither past due nor impaired (at fair value)			
- limit above USD 100 million	643	100	743
- limit from USD 50 to 100 million	-	57	57
- limit below USD 50 million	-	174	174
Total neither past due nor impaired debt investments available for sale and repurchase receivables	**643**	**331**	**974**
Individually determined to be impaired (at fair value)			
- not past due	-	35	35
Total impaired debt investments available for sale and repurchase receivables	**-**	**35**	**35**
Total debt investments available for sale and repurchase receivables	**643**	**366**	**1 009**

As at 31 December 2008 the analysis by credit quality of debt investments available for sale and repurchase receivables was as follows:

In millions of US Dollars	Russian Federation bonds and Eurobonds	Corporate Eurobonds	Corporate bonds	Total
Neither past due nor impaired (at fair value)				
- limit above USD 100 million	365	7	-	372
- limit from USD 50 to 100 million	-	75	17	92
- limit below USD 50 million	-	-	1	1
Total neither past due nor impaired debt investments available for sale and repurchase receivables	**365**	**82**	**18**	**465**
Individually determined to be impaired (at fair value)				
- not past due	-	56	11	67
Total impaired debt investments available for sale and repurchase receivables	**-**	**56**	**11**	**67**
Total debt investments available for sale and repurchase receivables	**365**	**138**	**29**	**532**

11 Investments and Repurchase Receivables Relating to Investments (Continued)

Equity investments available for sale

In 2009 the Group purchased from a subsidiary of Alfa Group (Note 36) a limited partnership interest in Pamplona Capital Partners I L.P. for EUR 64.4 million and an investment position in Pamplona Credit Opportunities Fund for EUR 209.5 million. Pamplona Capital Partners I L.P. is a private equity fund, investing primarily in industrial companies in Europe. Pamplona Credit Opportunities Fund is a multi-strategy credit fund investing in corporate and structured credit with a European focus. These funds are managed by Pamplona Capital Management LLP, an independent investment manager. A member of the Board of Directors of Alfa-Bank is the Chief Executive Officer of Pamplona Capital Management LLP. The Group in both cases is an investor in the funds but has no participation in the management of the funds.

Movements in investments available for sale and repurchase receivables were as follows:

In millions of US Dollars	Note	2009	2008
Carrying amount at 1 January		**532**	**9**
Reclassified from trading securities	8	-	311
Acquisitions		1 161	421
Disposals		(196)	(13)
Fair value gain less losses		85	(61)
Interest income accrued		52	27
Interest income received		(47)	(24)
Impairment of debt investments available for sale		(3)	(34)
Redemption at nominal value		(141)	(7)
Effect of exchange rates changes		(21)	19
Effect of translation to presentation currency		1	(116)
Carrying amount at 31 December		**1 423**	**532**

Currency, maturity and interest rate analysis of debt investments available for sale and repurchase receivables is disclosed in Note 31.

Information on related party balances is disclosed in Note 36.

Gains less losses arising from investments

The table below represents an analysis of gains less losses arising from investments:

In millions of US Dollars	2009	2008
Gains less losses from equity investments designated at fair value through profit or loss	27	16
Losses less gains on disposed investments available for sale	(33)	(5)
Reversal of impairment on disposed investments available for sale	6	-
Impairment of investments available for sale	(3)	(34)
Total gains less losses arising from investments	**(3)**	**(23)**

12 Other Financial Assets

In millions of US Dollars	Note	2009	2008
Trade debtors		70	78
Derivative financial instruments	34	63	991
Receivables at fair value through profit or loss		42	-
Receivables on operations with securities		34	65
Plastic card debtors		14	9
Other		51	65
Less: Provision for impairment		(23)	(13)
Total other financial assets		**251**	**1 195**

12 Other Financial Assets (Continued)

As at 31 December 2008 derivative financial instruments included USD 204 million related to instruments contracted with ABH Ukraine Group (Note 36).

As at 31 December 2009 derivative financial instruments included USD 33 million (2008: USD 619 million) related to instruments contracted with large international banks.

Receivables at fair value through profit or loss represent rights of the Group to receive at any time during a specified period amounts approximating fair value of certain investments received by ADA (Note 36) in relation to lending operations of the Group. These receivables were designated by the Group as at fair value through profit or loss upon initial recognition.

As at 31 December 2009 the Group held margin call deposits pledged by its counterparties as collateral under transactions with derivative financial instruments and operations with securities. Refer to Notes 15 and 16.

Movements in the provision for impairment of other financial assets were as follows:

In millions of US Dollars	2009	2008
Provision for impairment as at 1 January	**13**	**6**
Provision for impairment during the year	22	13
Amounts written off during the year as uncollectible	(11)	(5)
Effect of translation to presentation currency	(1)	(1)
Provision for impairment as at 31 December	**23**	**13**

Analysis by credit quality of other financial assets outstanding as at 31 December 2009 was as follows:

In millions of US Dollars	Trade debtors	Derivative financial instru-ments	Receiva-bles at fair value through profit or loss	Receivab-les on opera-tions with securities	Plastic card debtors	Other	Total
Neither past due nor impaired with credit history	23	63	42	30	12	10	180
Neither past due nor impaired without credit history	40	-	-	4	1	26	71
Past due and impaired	7	-	-	-	1	15	23
Total gross other financial assets	**70**	**63**	**42**	**34**	**14**	**51**	**274**
Provision for impairment	(7)	-	-	-	(1)	(15)	(23)
Total other financial assets	**63**	**63**	**42**	**34**	**13**	**36**	**251**

12 Other Financial Assets (Continued)

Analysis by credit quality of other financial assets outstanding as at 31 December 2008 was as follows:

In millions of US Dollars	Trade debtors	Derivative financial instru-ments	Receivab-les on opera-tions with securities	Other	Plastic card debtors	Total
Neither past due nor impaired with credit history	34	991	48	10	9	1 092
Neither past due nor impaired without credit history	32	-	17	53	-	102
Past due and impaired	12	-	-	2	-	14
Total gross other financial assets	**78**	**991**	**65**	**65**	**9**	**1 208**
Provision for impairment	(11)	-	-	(2)	-	(13)
Total other financial assets	**67**	**991**	**65**	**63**	**9**	**1 195**

“Entities with credit history" are those entities of which the Group is aware of their credit history over more than one year.

As at 31 December 2009 and 2008 the fair value of each class of financial assets included in other financial assets approximated their carrying value. Refer to Note 35.

For the purposes of measurement the Group classified all balances included in other financial assets, except for derivative financial instruments, as loans and receivables. Refer to Note 34 for information on derivative financial instruments. Currency and maturity analyses of other financial assets are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

13 Other Assets

In millions of US Dollars	2009	2008
Prepayment of taxes, other than on income	96	151
Goodwill	64	75
Customer relationship	56	79
Computer software	21	21
Prepayment of current income tax	19	42
Repossessed collateral	18	-
Banking license	3	3
Total other assets	**277**	**371**

13 Other Assets (Continued)

Movements in intangible assets during 2009 were as follows:

In millions of US Dollars	Goodwill	Customer relationship	Computer software	Banking license	Total
Carrying amount as at 1 January 2009	**75**	**79**	**21**	**3**	**178**
Cost					
Opening balance	75	79	73	3	230
Additions	-	-	14	-	14
Adjustment of purchase price allocation	(9)	-	-	-	(9)
Disposals	-	-	(6)	-	(6)
Translation movement	(2)	(2)	(1)	-	(5)
Closing balance	**64**	**77**	**80**	**3**	**224**
Accumulated depreciation					
Opening balance	-	-	52	-	52
Amortisation (Note 28)	-	20	10	-	30
Disposals	-	-	(3)	-	(3)
Translation movement	-	1	-	-	1
Closing balance	**-**	**21**	**59**	**-**	**80**
Carrying amount as at 31 December 2009	**64**	**56**	**21**	**3**	**144**

Movements in intangible assets during 2008 were as follows:

In millions of US Dollars	Goodwill	Customer relationship	Computer software	Banking license	Total
Carrying amount as at 1 January 2008	**-**	**-**	**16**	**-**	**16**
Cost					-
Opening balance	-	-	62	-	62
Additions	-	-	18	-	18
Acquisition through business combinations (Note 37)	102	85	-	3	190
Impairment	(20)	-	-	-	(20)
Disposals	-	-	(2)	-	(2)
Translation movement	(7)	(6)	(5)	-	(18)
Closing balance	**75**	**79**	**73**	**3**	**230**
Accumulated depreciation					
Opening balance	-	-	46	-	46
Amortisation (Note 28)	-	-	9	-	9
Disposals	-	-	(1)	-	(1)
Translation movement	-	-	(2)	-	(2)
Closing balance	**-**	**-**	**52**	**-**	**52**
Carrying amount as at 31 December 2008	**75**	**79**	**21**	**3**	**178**

The recoverable amount of goodwill for the purposes of impairment testing was estimated based on value in use calculation.

The information on related party balances is disclosed in Note 36.

14 Premises and Equipment

In millions of US Dollars	Premises	Leasehold improve-ments	Office and computer equipment	Equipment under operating leases	Construc-tion in progress	Total
Carrying amount as at 31 December 2008	**202**	**10**	**133**	**-**	**45**	**390**
Cost						
Opening balance	228	34	240	-	45	547
Revaluation	(41)	-	-	-	-	(41)
Additions	15	-	36	42	5	98
Transfers	(19)	-	19	-	-	-
Disposals	(6)	(9)	(88)	-	(9)	(112)
Translation movement	(7)	(1)	(4)	-	(1)	(13)
Closing balance	**170**	**24**	**203**	**42**	**40**	**479**
Accumulated depreciation						
Opening balance	26	24	107	-	-	157
Revaluation	(1)	-	-	-	-	(1)
Depreciation (Note 28)	5	4	33	2	-	44
Disposals	(1)	(8)	(78)	-	-	(87)
Translation movement	(1)	-	1	-	-	-
Closing balance	**28**	**20**	**63**	**2**	**-**	**113**
Carrying amount as at 31 December 2009	**142**	**4**	**140**	**40**	**40**	**366**

Premises have been revalued at fair value at 31 December 2009 and 2008. The valuation was carried out by an independent firm of valuers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value. The market value of premises was assessed using the sales comparison method.

Included in the above carrying amount is USD 41 million (2008: USD 66 million) representing revaluation surplus relating to premises of the Group. As at 31 December 2009 the carrying amount of premises would have been USD 122 million (2008: USD 136 million) had the assets been carried at cost less depreciation.

Construction in progress consists mainly of construction and refurbishment of branch premises. Upon completion, assets are transferred to premises.

Equipment under operating leases represents collateral repossessed by the Group in the course of restructuring finance lease receivables and rented out under operating lease agreements.

14 Premises and Equipment (Continued)

In millions of US Dollars	Premises	Leasehold improve-ments	Office and computer equipment	Construc-tion in progress	Total
Carrying amount as at 31 December 2007	**126**	**24**	**123**	**2**	**275**
Cost					
Opening balance	155	37	227	2	421
Revaluation	(6)	-	-	-	(6)
Additions	8	5	36	1	50
Acquisition through business combinations	113	-	16	42	171
Disposals	(10)	(2)	(10)	-	(22)
Translation movement	(32)	(6)	(29)	-	(67)
Closing balance	**228**	**34**	**240**	**45**	**547**
Accumulated depreciation					
Opening balance	29	13	104	-	146
Revaluation	(1)	-	-	-	(1)
Depreciation	3	14	31	-	48
Disposals	-	-	(9)	-	(9)
Translation movement	(5)	(3)	(19)	-	(27)
Closing balance	**26**	**24**	**107**	**-**	**157**
Carrying amount as at 31 December 2008	**202**	**10**	**133**	**45**	**390**

15 Due to Other Banks

In millions of US Dollars	2009	2008
Correspondent accounts and overnight placements of other banks		
- Russian Federation	148	97
- Other countries	20	174
Term placements of CBRF	251	4 960
Term placements of other banks	687	1 767
Sale and repurchase agreements with CBRF and other banks	2	409
Total due to other banks	**1 108**	**7 407**

As at 31 December 2009 the ten largest aggregate balances due to other banks amounted to USD 637 million (2008: USD 6 412 million) or 57.5% (2008: 86.6%) of total due to other banks, of which USD 253 million (2008: USD 5 369 million) represented balances outstanding to the CBRF.

As at 31 December 2009 balances outstanding to CBRF were comprised of loans received under a secured lending programme in the amount of USD 251 million (31 December 2008: USD 471 million), secured by a pledge of loans and advances to customers in the gross amount of USD 268 million (31 December 2008: USD 837 million) (Note 10). As at 31 December 2008 the Group also had loans of CBRF received (i) under a cross-guarantee lending programme (Note 33) in the amount of USD 1 771 million, (ii) under sale and repurchase agreements in the amount of USD 406 million with the fair value of securities pledged of USD 404 million and (iii) other regular money market finance in the amount of USD 2 718 million.

15 Due to Other Banks (Continued)

As at 31 December 2009 trading securities purchased under reverse sale and repurchase agreements with a fair value of USD 3 million (2008: USD 43 million) were transferred and therefore effectively pledged under sale and purchase agreements with other banks (2008: with the CBRF and other banks). In addition, as at 31 December 2008 trading securities (Note 8) and investment securities available for sale (Note 11) with the aggregated fair value of USD 366 million have been sold to third parties under sale and repurchase agreements with the CBRF and other banks.

As at 31 December 2009 and 2008 the fair value of each class of financial liabilities included in due to other banks approximated their carrying value. As at 31 December 2009 the estimated fair value of due to other banks was USD 1 108 million (2008: USD 7 407 million). Refer to Note 35.

As at 31 December 2009 included within term placements of other banks are margin call deposits in the amount of USD 76 million (2008: USD 179 million) received by the Group as collateral under transactions with derivatives and operations with securities with other banks.

Currency, maturity and interest rate analyses of due to other banks are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

16 Customer Accounts

In millions of US Dollars	**2009**	**2008**
Commercial organisations		
- Current/settlement accounts	1 818	2 024
- Term deposits	3 970	2 947
Individuals		
- Current/demand accounts	2 901	3 392
- Term deposits	4 037	2 754
State and public organisations		
- Current/settlement accounts	-	2
- Term deposits	960	1 463
Total customer accounts	**13 686**	**12 582**

Economic sector concentrations within customer accounts were as follows:

	2009		**2008**	
In millions of US Dollars	**Amount**	**%**	**Amount**	**%**
Individuals	6 938	51	6 146	48
Manufacturing	1 559	11	956	8
Energy and oil and gas	1 426	10	592	5
Finance and investment companies	985	7	1 762	14
State and public organisations	960	7	1 465	12
Trade and commerce	657	5	612	5
Mass media and telecommunication	320	2	340	3
Science	69	1	33	-
Other	772	6	676	5
Total customer accounts	**13 686**	**100**	**12 582**	**100**

16 Customer Accounts (Continued)

As at 31 December 2009 the ten largest aggregate balances amounted to USD 4 104 million (2008: USD 3 715 million) or 30.0% (2008: 29.5%) of the total customer accounts, of which USD 1 513 million (2008: USD 1 361 million) represented balances outstanding to Alfa Group and its shareholders (Note 36).

Included in customer accounts are balances in the amount of USD 15 million (2008: USD 33 million) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 33.

As at 31 December 2009 included within customer accounts are margin call deposits in the amount of USD 162 million (2008: USD 124 million) received by the Group as collateral under transactions with derivatives and operations with securities with customers.

As at 31 December 2009 the estimated fair value of customer accounts was USD 13 689 million (2008: USD 12 582 million). Refer to Note 35.

Currency, maturity and interest rate analyses of customer accounts are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

17 Debt Securities Issued

In millions of US Dollars	**2009**	**2008**
Promissory notes and other domestic bonds	579	412
Notes issued under the DPR Programme	346	694
Euro Medium Term Notes maturing in 2012	346	382
Euro Medium Term Notes maturing in 2013	294	303
Euro Medium Term Notes maturing in 2009	-	381
Euro-Commercial Paper Notes	-	219
Total debt securities issued	**1 565**	**2 391**

In 2006 the Group established a Diversified Payment Rights Secured Debt Issuance Programme, whereby notes issued under the program are collateralised by the Group's rights to funds being transferred through the Group's correspondent accounts ("DPR Programme"). The notes issued under DPR Programme are repayable by quarterly instalments.

Details on issuance of the debt securities under the DPR Programme are as follows:

In millions of currency	**Currency of denomi-nation**	**Nominal value of the issue**	**Issue proceeds net of transaction costs**	**Issue date**	**Maturity date**	**Coupon per annum, payable quarterly**
DPR notes tranche A	USD	200	198	30 March 2007	15 March 2012	LIBOR+2.0%
DPR notes tranche B	EUR	145	144	30 March 2007	15 March 2012	EURIBOR+1.9%
DPR notes tranche A	USD	260	258	7 December 2006	15 December 2011	LIBOR+1.9%
DPR notes tranche B	EUR	230	228	7 December 2006	15 December 2011	EURIBOR+1.9%
DPR notes	USD	350	344	30 March 2006	15 March 2011	LIBOR+1.6%

17 Debt Securities Issued (Continued)

The Group is also required to deposit with designated banks funds covering the repayment of the next quarterly instalment for the notes issued under the DPR Programme (Note 9).

As at 31 December 2009 balance of notes issued under the DPR Programme and repurchased by the Group on the market amounted to USD 107 million and EUR 54 million by nominal value (2008: USD 44 million and EUR 47 million).

On 22 June 2004 the Group established a Euro Medium Term Note Programme ("MTN Programme") with a limit of the aggregate principal amount of outstanding notes issued under the MTN Programme of USD 1 000 million which was increased in November 2006 up to USD 2 000 million. Notes issued under MTN Programme are repayable at respective maturity dates.

Details on issuance of the debt securities under MTN Programme were as follows:

In millions of currency	Currency of denomi-nation	Nominal value of the issue	Issue proceeds net of transaction costs	Issue date	Maturity date	Coupon per annum, payable semi-annually
Euro Medium Term Notes	USD	400	398	24 June 2008	24 June 2013	9.25%
Euro Medium Term Notes	USD	500	498	25 June 2007	25 June 2012	8.20%

In relation to Euro Medium Term Notes issued on 24 June 2008, the noteholders have a right to require redemption of the notes at the nominal value on 24 June 2011.

As at 31 December 2009 balance of notes issued under the MTN Programme and repurchased by the Group on the market amounted to USD 260 million by nominal value (2008: USD 239 million by nominal value).

Promissory notes and domestic bonds issued comprise of securities issued by the Group with a discount to face value or with interest accrual in Russian Roubles, US Dollars and Euros and bear an effective interest rate from 0.0% to 16.8% p.a. depending on the type of issue and currency of the security (2008: from 0.0% to 12.5% p.a.).

The financial result from repurchase of debt securities issued is disclosed in Note 26.

As at 31 December 2009 and 2008 the fair values of debt securities issued determined using either market price if security is quoted or estimated using valuation techniques (Note 35) if security is unquoted were as follows:

	2009		2008	
In millions of US Dollars	Total fair value	Carrying value	Total fair value	Carrying value
Promissory notes and domestic bonds	595	579	409	412
Notes issued under the DPR Programme	345	346	696	694
Euro Medium Term Notes maturing in 2012	350	346	229	382
Euro Medium Term Notes maturing in 2013	299	294	215	303
Euro Medium Term Notes maturing in 2009	-	-	373	381
Euro-Commercial Paper Notes	-	-	219	219
Total debt securities issued	**1 589**	**1 565**	**2 141**	**2 391**

Refer to Note 35 for the discount rates used for fair valuation.

Currency, maturity and interest rate analyses of debt securities issued are disclosed in Note 31.

18 Syndicated and Other Debt

In millions of US Dollars	2009	2008
Loan from the State Deposit Insurance Agency maturing on 9 December 2013	224	267
Syndicated loan maturing on 14 January 2010	71	71
Syndicated loan maturing on 23 January 2009	-	456
Syndicated loan maturing on 13 July 2009	-	249
Syndicated loan maturing on 07 July 2009	-	20
Syndicated loan maturing on 23 May 2009	-	1
Syndicated and other debt	**295**	**1 064**

On 9 December 2008 in relation to the acquisition of OJSC Bank Severnaya Kazna the Group received a RR 7 800 million loan from the State Deposit Insurance Agency. The loan is repayable in 5 instalments: four instalments of RR 1 000 million payable on 9 December each year from 2009 to 2012 and the fifth instalment of RR 3 800 million payable on 9 December 2013. The loan is secured by loans and advances to customers in the amount of USD 497 million (2008: USD 396 million) (Note 10). Interest at rate of 6.5% p.a. is payable monthly. The Group has an option to repay this loan at any time.

As at 31 December 2009 the estimated fair value of syndicated and other debt was USD 295 million (2008: USD 1 024 million).

Refer to Note 35 for the discount rates used for fair value calculation. Currency, maturity and interest rate analyses of syndicated and other debt are disclosed in Note 31.

19 Subordinated Debt

In millions of US Dollars	2009	2008
Subordinated loan from VEB maturing in 2020	964	-
Subordinated loan from VEB maturing in 2019	345	-
Subordinated notes maturing in 2017 (callable in 2012)	251	265
Subordinated notes maturing in 2015 (callable in 2010)	187	199
Total subordinated debt	**1 747**	**464**

Refer to Note 4 for details of the subordinated loans from VEB.

On 22 February 2007 the Group issued subordinated notes in the amount of USD 300 million. The notes bear a fixed interest rate of 8.635% per annum payable semi-annually from the issuance until 22 February 2012 and a floating interest rate thereafter set at a rate per annum representing the aggregate of the US Treasury Rate plus 5.46% per annum payable semi-annually until maturity on 22 February 2017. The Group has an option to repay this subordinated loan at nominal on 22 February 2012. The issue proceeds net of transaction costs were equal to USD 299 million and effective interest rate at origination was 9.0% per annum. As at 31 December 2009 the Group repurchased on the market the subordinated notes maturing in 2017 with a nominal value of USD 56 million (2008: USD 42 million).

On 9 December 2005 the Group issued subordinated notes in the amount of USD 225 million. The notes bear a fixed interest rate of 8.625% per annum payable semi-annually from the issuance until 9 December 2010 and a floating interest rate thereafter set at US Treasury Rate plus 6.3% per annum payable semi-annually until maturity on 9 December 2015. The Group has an option to repay this subordinated loan on 9 December 2010. The issue proceeds net of transaction costs were equal to USD 224 million and effective interest rate at origination was 9.0% per annum. As at 31 December 2009 the Group repurchased on the market the subordinated notes maturing in 2015 with a nominal value of USD 38 million (2008: 26 million).

The financial result from repurchase of subordinated debt is disclosed in Note 26.

19 Subordinated Debt (Continued)

As at 31 December 2009 and 2008 the fair value of subordinated debt determined using a market price if the security is quoted or estimated using valuation techniques (Note 35) for unquoted loans was as follows:

In millions of US Dollars	**2009** Total fair value	**2009** Carrying value	**2008** Total fair value	**2008** Carrying value
Subordinated loan from VEB maturing in 2020	964	964	-	-
Subordinated loan from VEB maturing in 2019	345	345	-	-
Subordinated notes maturing in 2017	238	251	134	265
Subordinated notes maturing in 2015	179	187	127	199
Total subordinated debt	**1 726**	**1 747**	**261**	**464**

Currency, maturity and interest rate analyses of subordinated debt are disclosed in Note 31.

20 Other Financial Liabilities

In millions of US Dollars	Note	2009	2008
Derivative financial instruments	34	174	533
Settlements on conversion operations		27	19
Trade creditors		31	90
Payable on operations with securities		34	86
Plastic card and other settlements with clients		16	20
Provision for losses on credit related commitments	33	13	46
Other		27	39
Total other financial liabilities		**322**	**833**

As at 31 December 2009 the fair value of each class of financial liabilities included in other financial liabilities approximated their carrying value. As at 31 December 2009 the estimated fair value of other financial liabilities was USD 322 million (2008: USD 833 million). Refer to Note 35.

Currency and maturity analyses of other financial liabilities are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

21 Other Liabilities

In millions of US Dollars	2009	2008
Accrued staff costs	100	60
Taxation payable, other than on income	13	10
Current income tax payable	5	40
Other provisions	5	-
Total other liabilities	**123**	**110**

22 Share Capital

In millions of US Dollars	2009 Number of shares, in units	2009 Total share capital, in millions of US Dollars	2008 Number of shares, in units	2008 Total share capital, in millions of US Dollars
Total share capital as at 1 January	944 800 000	945	694 800 000	695
New shares issued	320 000 000	320	250 000 000	250
Total share capital as at 31 December	**1 264 800 000**	**1 265**	**944 800 000**	**945**

On 26 June 2009 the Company issued to ABHH 320 000 000 additional new ordinary shares in exchange for cash consideration of USD 320 million.

On 30 June 2008 the Company issued to ABHH 250 000 000 additional new ordinary shares in exchange for cash consideration of USD 250 million.

As at 31 December 2009 authorised, issued and fully paid share capital of ABH Financial Limited comprised 1 264 800 000 ordinary shares (2008: 944 800 000 ordinary shares). All shares have a nominal value of USD 1 per share and rank equally. Each share carries one vote.

23 Interest Income and Expense

In millions of US Dollars	2009	2008
Interest income		
Loans and advances to corporate customers	1 683	2 062
Loans and advances to individuals	483	451
Due from other banks	194	159
Trading securities and repurchase receivables	107	125
Debt investments available for sale and repurchase receivables	52	27
Total interest income	**2 519**	**2 824**
Interest expense		
Term deposits of legal entities	(427)	(593)
Due to other banks	(419)	(251)
Term deposits of individuals	(236)	(109)
Debt securities issued	(144)	(230)
Subordinated debt	(80)	(46)
Current/settlement accounts	(73)	(116)
Syndicated and other debt	(23)	(60)
Other	(1)	(1)
Total interest expense	**(1 403)**	**(1 406)**
Expenses directly attributable to leasing and deposit insurance	(41)	(37)
Net margin	**1 075**	**1 381**

Expenses directly attributable to leasing and deposit insurance include property tax and insurance costs relating to the finance lease operations which are directly attributable to finance leasing operations and regular contributions to the State Deposit Insurance Agency.

Refer to Note 36 for details of related party transactions.

24 Fee and Commission Income and Expense

In millions of US Dollars	2009	2008
Fee and commission income		
Commission on settlement transactions	217	250
Commission on cash and foreign currency exchange transactions	57	69
Agency commission on insurance operations	19	21
Commission on guarantees issued	15	15
Commission on transactions with securities	11	8
Commission for consulting services	7	49
Commission from fiduciary activities	3	3
Other	10	6
Total fee and commission income	**339**	**421**
Fee and commission expense		
Commission on settlement transactions	(54)	(57)
Commission on transactions with securities	(12)	(4)
Commission on cash and foreign currency exchange transactions	(7)	(7)
Commission for consulting services	(7)	(6)
Commission from fiduciary activities	(1)	(2)
Other	(3)	(4)
Total fee and commission expense	**(84)**	**(80)**
Net fee and commission income	**255**	**341**

Refer to Note 36 for details of related party transactions.

25 Gains Less Losses Arising from Foreign Currencies and Precious Metals

In millions of US Dollars	2009	2008
Term deals	(16)	(132)
Spot deals	(71)	(360)
Foreign exchange translation gains less losses	43	792
Results from precious metals	(7)	(19)
Total gains less losses arising from foreign currencies and precious metals	**(51)**	**281**

26 Gains Arising from Acquisition of Own Debts

In 2009 the Group recorded gains in the amount of USD 49 million (2008: USD 139 million) from acquisition of own debts. These gains arise from differences in the prices of own debt instruments acquired from the market and their amortised cost derecognised on the date of acquisition. Please refer to Notes 17 and 19 for balances of own debt instruments acquired and held by the Group.

27 Other Operating Income

In millions of US Dollars	2009	2008
Gains from sale of acquired distressed receivables	44	-
Penalties received	8	2
Gains from disposal of repossessed collateral	7	-
Rental income	6	3
Dividend income	1	2
Revenue from sale of rights to film licenses	-	45
Gains from disposal of investment property	-	13
Other	14	14
Total other operating income	**80**	**79**

Refer to Note 36 for details of related party transactions.

28 Operating Expenses

In millions of US Dollars	Note	2009	2008
Staff costs		393	430
Rent		80	84
Depreciation	14	44	48
Expenses related to premises and equipment		43	37
Computer and telecommunications expenses		41	53
Amortisation of intangible assets	13	30	9
Consulting and professional services		29	30
Maintenance		23	25
Advertising and marketing		16	21
Administrative expenses		11	17
Taxes other than income tax		10	24
Travel expenses		5	9
Other		22	26
Total operating expenses		**747**	**813**

Staff costs include contributions to the Russian state pension plan made by the Group for its personnel employed in Russia in the amount of USD 20 million (2008: USD 33 million). The state pension plan is classified as a defined contribution plan because the Group does not have any legal or constructive obligation to make further contributions if the state pension plan would not hold sufficient assets to pay all employee benefits relating to employees' past service. Included within staff costs are long-term bonuses in the amount of USD 26 million (2008: USD 9 million), which are payable at least one year after end of the reporting period.

Included in expenses related to premises and equipment is negative revaluation of some of the Group's premises (in excess of the revaluation previously recorded in other comprehensive income) in the amount of USD 20 million (2008: nil).

Refer to Note 36 for details of related party transactions.

29 Income Taxes

Income tax expense comprises the following:

In millions of US Dollars	2009	2008
Current tax	13	148
Deferred tax	34	23
Income tax expense for the year	**47**	**171**

The statutory income tax rate applicable to the majority of Alfa-Bank's income is 20% (2008: 24%). The income tax rate applicable to the majority of income from investment banking operations ranges from 0% to 15% (2008: from 0% to 15%).

On 26 November 2008 the Russian Federation reduced the standard corporate income tax rate from 24% to 20% with effect from 1 January 2009. The impact of the change in tax rate presented below represents the effect of applying the enacted tax rate of 20% to deferred tax balances as at 31 December 2008.

In millions of US Dollars	2009	2008
IFRS profit before tax	**124**	**401**
Theoretical tax charge at the statutory rate (2009: 20%; 2008: 24%)	25	96
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	7	13
- Income taxed at different rates	(1)	(4)
- Loss incurred/(income) earned in low tax jurisdictions	13	(47)
- Impact of change in tax rate to 20% effective from 1 January 2009	-	(1)
- Effect of change in estimates relating to deductibility of provision for loan impairment (Note 4)	-	114
- Unrecognised tax loss carried forward	3	-
Income tax expense for the year	**47**	**171**

Differences between IFRS and statutory taxation regulations in Russia and other countries give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movement of these temporary differences is detailed below and recorded mainly at the rate of 20% (2008: 20%), except for income on state securities that is taxed at 15% and dividend income that is taxed at 9%.

In millions of US Dollars	31 December 2008	Translation movement recorded in other comprehensive income	Recorded in profit or loss	Recorded in other comprehensive income	31 December 2009
Tax effect of deductible temporary differences					
Accruals	14	1	24	-	39
Investments available for sale	14	(1)	(2)	(11)	-
Tax loss carried forward	-	1	18	-	19
Fair value adjustments on origination of financial assets	-	-	14	-	14
Trading securities	6	-	(6)	-	-
Other impairment provisions	9	-	-	-	9
Derivative financial	1	1	14	-	16
Gross deferred tax asset	**44**	**2**	**62**	**(11)**	**97**
Deferred tax netted off within individual entities	(20)	-	(40)	-	(60)
Deferred tax asset	**24**	**2**	**22**	**(11)**	**37**

29 Income Taxes (Continued)

In millions of US Dollars	31 December 2008	Translation movement recorded in other comprehensive income	Recorded in profit or loss	Recorded in other comprehensive income	31 December 2009
Tax effect of taxable temporary differences					
Premises and equipment	(37)	1	(8)	4	(40)
Intangible assets and other fair value adjustments	(9)	-	-	-	(9)
Investment available for sale	-	-	(2)	(8)	(10)
Investments at fair value through profit or loss	(8)	-	(4)	-	(12)
Provision for loan impairment	(5)	(4)	(81)	-	(90)
Other	-	-	(1)	-	(1)
Gross deferred tax liability	**(59)**	**(3)**	**(96)**	**(4)**	**(162)**
Deferred tax netted off within individual entities	20	-	40	-	60
Deferred tax liability	**(39)**	**(3)**	**(56)**	**(4)**	**(102)**
Total net deferred tax liability	**(15)**	**(1)**	**(34)**	**(15)**	**(65)**

In millions of US Dollars	31 December 2007	Translation movement recorded in other comprehensive income	Business combi-nation	Recorded in profit or loss	Recorded in other comprehen-sive income	31 December 2008
Tax effect of deductible temporary differences						
Accruals	21	(3)	2	(6)	-	14
Investments available for sale	-	-	-	3	11	14
Provision for loan impairment	33	(4)	13	(42)	-	-
Trading securities	1	(1)	-	6	-	6
Other impairment provisions	7	(1)	-	3	-	9
Derivative financial instruments	-	-	-	1	-	1
Gross deferred tax asset	**62**	**(9)**	**15**	**(35)**	**11**	**44**
Deferred tax netted off within individual entities	-	-	-	(20)	-	(20)
Deferred tax asset	**62**	**(9)**	**15**	**(55)**	**11**	**24**
Tax effect of taxable temporary differences						
Premises and equipment	(49)	8	(18)	18	4	(37)
Intangible assets and other fair value adjustments	-	1	(10)	-	-	(9)
Investments at fair value through profit or loss	-	-	-	(8)	-	(8)
Provision for loan impairment	-	-	-	(5)	-	(5)
Investment property	(7)	-	-	7	-	-
Gross deferred tax liability	**(56)**	**9**	**(28)**	**12**	**4**	**(59)**
Deferred tax netted off within individual entities	-	-	-	20	-	20
Deferred tax liability	**(56)**	**9**	**(28)**	**32**	**4**	**(39)**
Total net deferred tax asset/(liability)	**6**	**-**	**(13)**	**(23)**	**15**	**(15)**

29 Income Taxes (Continued)

In the context of the Group's current structure, tax losses and current tax assets of different companies may not be offset against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, a deferred tax asset of one company of the Group may not be offset against a deferred tax liability of another company.

Deferred tax effects relating to each component of other comprehensive income are as follows:

In millions of US Dollars	2009			2008		
	Before tax amount	Income tax (expense) / credit	Net of tax amount	Before tax amount	Income tax (expense) / credit	Net of tax amount
Available for sale investments:						
- Gains less losses during the year	85	(16)	69	(61)	12	(49)
- Reclassification adjustments for losses included in profit or loss	33	(3)	30	5	(1)	4
Revaluation of premises	(19)	4	(15)	(5)	4	(1)
Effect of translation of the financial statements to US Dollars as presentation currency	(6)	-	(6)	(390)	-	(390)
Net change in hedge of net investment in foreign operations	61	-	61	249	-	249
Share of other comprehensive income of associates	-	-	-	(1)	-	(1)
Other comprehensive income	**154**	**(15)**	**139**	**(203)**	**15**	**(188)**

30 Segment Analysis

The Group's reportable segments are strategic business units that offer different products and services:

- Corporate and investment banking - comprises corporate lending, leasing, corporate deposit services, trade finance operations and structured corporate lending, securities trading, debt and equity capital markets services, derivative products, corporate finance advisory services and merger and acquisition advice. Corporate and investment banking were merged at the beginning of 2009 in order to create new client services, reduce operating costs and improve cross-selling opportunities.
- Retail banking - comprises retail demand and term deposit services, credit and debit card services, retail lending (including consumer loans and personal instalment loans, car loans and mortgages), money transfers and private banking services.
- Treasury - comprises the Group's wholesale funding, internal funding reallocation, liquidity and risk management activities.

These segments are managed separately because each of them requires formulating a different strategy and uses different operational platforms. The Group evaluates segment performance on the basis of profit or loss before tax. Segment performance is regularly reviewed by the CODM.

Segment financial information reviewed by the CODM includes loans and advances to customers of Amsterdam Trade Bank N.V. and JSC SB Alfa-Bank Kazakhstan (prior to its disposal in June 2009, Note 1), but not their results and other items in the statement of financial position. A significant position of the loans and advances to customers and customer accounts originated by OJSC Bank Severnaya Kazna has already been transferred to Alfa-Bank and is included in segment financial information, but remaining assets, liabilities and all results of OJSC Bank Severnaya Kazna are not included in segment information. Regular review of these subsidiary banks is delegated to the local management teams. The CODM obtains financial statements of Amsterdam Trade Bank N.V. and JSC SB Alfa-Bank Kazakhstan. Such financial information overlaps with segment analysis provided internally to the CODM. Management therefore applied the core principle of IFRS 8, Operating Segments, in determining which of the overlapping financial information sets should form the basis of operating segments. Management considered that information on subsidiary banks is available less frequently in concluding that segments exclude details of the subsidiaries other than information about their loan portfolios.

30 Segment Analysis (Continued)

The accounting policies of the operating segments are materially the same as those described in the summary of significant accounting policies except for: (i) the fair value changes in available for sale securities that are reported within the segments' profits or losses rather than in other comprehensive income; (ii) use of a transfer pricing system, (iii) different classification of certain lines of income and expenses and (iv) some balances and operations are excluded from segment analysis since they are monitored separately and on a less regular basis (including situations when balance is not allocated and related income or expense are allocated for the segment analysis and vice versa). In accordance with the transfer pricing system used by the Group funds are generally reallocated at internal interest rates set by the Treasury Department of the Group, which are determined by reference to market interest rate benchmarks, contractual maturities for loans and observed actual maturities of customer accounts balances.

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

In millions of US Dollars	**Corporate and Investment banking**	**Retail banking**	**Treasury**	**Total**
2009				
Segment revenues				
External revenues				
Interest income	1 582	473	82	2 137
Fee and commission income	135	188	10	333
Other operating income	78	18	-	96
Total external revenues	**1 795**	**679**	**92**	**2 566**
Interest income from other segments	422	367	1 943	2 732
Total segment revenues	**2 217**	**1 046**	**2 035**	**5 298**
Interest expense to other segments	(1 037)	(321)	(1 317)	(2 675)
Gains less losses from investments	201	-	64	265
Gains less losses from foreign currencies	21	10	(87)	(56)
Interest expense	(295)	(213)	(783)	(1 291)
Provision for loan impairment	(430)	(124)	-	(554)
Fee and commission expenses	(22)	(65)	(5)	(92)
Other provisions	26	-	-	26
Operating expenses	(159)	(276)	(11)	(446)
Allocated operating expenses	(72)	(77)	(7)	(156)
Segment profit before tax	**450**	**(20)**	**(111)**	**319**
31 December 2009				
Segment assets	**11 933**	**1 977**	**3 244**	**17 154**
Segment liabilities	**6 189**	**4 334**	**4 745**	**15 268**

Segment assets and liabilities are reported to the CODM net of inter-segment assets and liabilities.

30 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Group for the year ended 31 December 2008 is set out below:

In millions of US Dollars	Corporate and Investment banking	Retail banking	Treasury	Total
2008				
Segment revenues				
External revenues				
Interest income	1 968	453	327	2 748
Fee and commission income	180	216	18	414
Other operating income	14	1	-	15
Total external revenues	**2 162**	**670**	**345**	**3 177**
Interest income from other segments	615	247	2 003	2 865
Total segment revenues	**2 777**	**917**	**2 348**	**6 042**
Interest expense to other segments	(1 277)	(274)	(1 351)	(2 902)
Gains less losses from investments	(11)	-	-	(11)
Gains less losses from foreign currencies	32	10	153	195
Share of results and impairment of associates	(11)	-	-	(11)
Interest expense	(447)	(88)	(734)	(1 269)
Provision for loan impairment	(617)	(101)	-	(718)
Fee and commission expenses	(13)	(65)	(13)	(91)
Other provisions	(22)	-	-	(22)
Operating expenses	(182)	(348)	(14)	(544)
Allocated operating expenses	(84)	(92)	(11)	(187)
Segment profit before tax	**145**	**(41)**	**378**	**482**
31 December 2008				
Segment assets	**15 109**	**2 590**	**3 936**	**21 635**
Segment liabilities	**6 904**	**2 745**	**10 669**	**20 318**

A reconciliation of the revenue for reportable segments to the Group's total revenue for the year is as follows:

In millions of US Dollars	2009	2008
Segment revenues	**5 298**	**6 042**
Interest income from other segments	(2 732)	(2 865)
Subsidiary banks' external revenues	158	216
Other non-reportable segments' unallocated amounts	31	(25)
Differences in translation to presentation currency	(7)	(27)
Revenues related to the Group's business in the Ukraine (monitored separately)	51	41
Gain less losses from interest rate derivatives reported within segment revenues	118	(116)
Revenue from significant non-recurring transactions unallocated to segments	21	58
Total Group's revenues	**2 938**	**3 324**
Interest income	2 519	2 824
Fee and commission income	339	421
Other operating income	80	79
Total Group's revenues	**2 938**	**3 324**

30 Segment Analysis (Continued)

A reconciliation of the profit for reportable segments to the Group's total profit for the year is as follows:

In millions of US Dollars	2009	2008
Segments' profit before tax for the year	**319**	**482**
Differences in provision for loan impairment (except related to subsidiary banks)	195	(237)
Provision for loan impairment related to the Group's business in the Ukraine	(49)	(4)
Subsidiary banks' (loss) / profit before tax	(186)	29
Other non-reportable segments' unallocated results	(21)	9
Differences in translation to presentation currency	24	30
Fair value gains on revaluation of investments unallocated to segments	6	22
Revenue from significant non-recurring transactions unallocated to segments	21	58
Staff costs accruals unallocated to segments	(75)	(44)
Gains less losses on available for sale investments recorded in the statement of comprehensive income	(105)	56
Loss on disposal of subsidiaries unallocated to segments	(5)	-
Profit before tax for the year	**124**	**401**

Reportable segments' assets are reconciled to total assets as follows:

In millions of US Dollars	2009	2008
Segments' assets	**17 154**	**21 635**
Items unallocated to segments:		
Assets related to subsidiary banks	2 523	2 061
Assets related to the Group's business in the Ukraine (monitored separately)	251	405
Cash on hand and settlement accounts with trading systems	637	892
Mandatory cash balances with central banks	150	79
Other financial assets	251	1 195
Other assets	277	371
Premises and equipment	366	390
Deferred tax asset	37	24
Total Group's assets	**21 646**	**27 052**

Reportable segments' liabilities are reconciled to total liabilities as follows:

In millions of US Dollars	2009	2008
Segments' liabilities	**15 268**	**20 318**
Items unallocated to segments:		
Liabilities related to subsidiary banks	3 133	3 590
Other financial liabilities	322	833
Other liabilities	123	110
Deferred tax liability	102	39
Total Group's liabilities	**18 948**	**24 890**

30 Segment Analysis (Continued)

Reportable segments' interest income is reconciled to total interest income as follows:

In millions of US Dollars	2009	2008
Segments' interest income	**2 136**	**2 748**
Items unallocated to segments:		
Interest income related to subsidiary banks	144	200
Fair value gains less losses from interest rate derivatives reported within segment revenues	118	(116)
Interest income related to the Group's business in the Ukraine	57	18
Fair value adjustments related to purchase price allocation for an acquired subsidiary bank	36	-
Revenue from significant non-recurring transactions unallocated to segments	21	-
Other non-reportable segments' interest income	6	8
Differences in translation to presentation currency	3	(28)
Other	(2)	(6)
Total Group's interest income	**2 519**	**2 824**

Reportable segments' interest expense is reconciled to total interest expense as follows:

In millions of US Dollars	2009	2008
Segments' interest expense	**(1 291)**	**(1 269)**
Items unallocated to segments:		
Interest expense related to subsidiary banks	(147)	(177)
Expenses directly attributable to leasing and deposit insurance	41	37
Other non-reportable segments' interest expense	3	(4)
Differences in translation to presentation currency	(11)	2
Other	2	5
Total Group's interest expense	**(1 403)**	**(1 406)**

Reportable segments' provision for loan impairment is reconciled to total provision for loan impairment as follows:

In millions of US Dollars	2009	2008
Segments' provision for loan impairment	**(554)**	**(718)**
Provision for loan impairment related to subsidiary banks	(161)	3
Provision for loan impairment related to the Group's business in the Ukraine	(49)	(4)
Translation movement (including related to subsidiary banks)	(35)	-
Reversal of / (provision for loan impairment unallocated to segments)	210	(237)
Total Group's provision for loan impairment	**(589)**	**(956)**

30 Segment Analysis (Continued)

Reportable segments' operating expenses are reconciled to total Group's operating expenses as follows:

In millions of US Dollars	2009	2008
Segments' operating expenses and allocated operating expenses	**(602)**	**(731)**
Items unallocated to segments:		
Operating expense related to subsidiary banks	(74)	(27)
Staff costs accruals unallocated to segments	(75)	(44)
Differences in translation to presentation currency	2	(3)
Other	2	(8)
Total Group's operating expenses	**(747)**	**(813)**

The Group's revenues for external customers are analysed by products and services in Notes 23, 24 and 27.

The majority of the Group's revenues from external customers are attributed to customers domiciled in the Russian Federation. Revenues from external customers domiciled in other countries are below the threshold for separate disclosure in these consolidated financial statements.

31 Financial Risk Management

The Group systematically exploits the opportunities available to it to achieve its growth targets without losing sight of the related risks. The Group applies across all product lines a unified risk management practice comprising credit risk, market risk, currency risk, interest rate risk, liquidity risk and operational risk management. The primary objective of the Group's risk management is to achieve an optimal level of risk-return for its operations.

The financial risk management function establishes risk limits and ensures that exposure to risks stays within these limits. The operational risk management functions are intended to ensure proper functioning of internal processes and procedures to minimise the Group's exposure to internal and external risk factors other than those from financial instruments.

The Group's approach to managing risks is composed of three key elements: (i) risk governance, (ii) risk identification, and (iii) risk assessment, management and control.

Risk governance. The Board of Directors of the Group has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and approving significantly large exposures.

The Audit Committee is responsible for overseeing the internal control framework, assessing the adequacy of risk management and compliance policies and procedures. It convenes regularly and provides recommendations to the Board of Directors on development of the risk management framework as well as its views on the quality of risk management and compliance.

The Executive Board of the Group is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Risk Management Department is responsible for the overall risk management functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting risks.

Credit, market and liquidity risks at both portfolio and transaction levels are managed and controlled through a system of Credit Committees and through the Treasury Department, the Risk Management Department, the Retail Risk Management Department and Asset and Liability Management Committee ("ALCO"). In order to facilitate efficient decision-making, the Group has established a hierarchy of credit committees depending on the type and amount of the exposure. The Risk Management Department deals with credit risk for corporate clients, financial institutions, small and medium-size enterprises, mortgages along with market risk and operational risk. The Retail Risk Management Department deals with credit cards and personal instalment loans, car loans and consumer loans portfolios. In 2009 the Group set up the Problem Loans Department and the Problem Loans Committee to improve the workout and the collection of problem loans to corporate customers. The Problem Loans Committee considers and approves the strategy of problem loans workout. The Problem Loan Department implements the approved strategy. These units report to the Head of Corporate and Investment Banking (Note 30) and the Main Credit Committee.

31 Financial Risk Management (Continued)

Amsterdam Trade Bank N.V. (ATB) has its own Risk Management and Treasury Departments. For purpose of execution of operations with financial instruments Amsterdam Trade Bank N.V. follows the Investment Policy approved by its Board of Directors. The financial risk management of OJSC Bank Severnaya Kazna is performed centrally by Alfa-Bank. OJSC Bank Severnaya Kazna is not authorised to perform unilateral treasury and lending management functions.

Risk identification. Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Particular attention is given to developing risk overviews that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. An overview of the key risks is regularly reported to the Executive Board and the Board of Directors of the Group.

Risk assessment, management and control. The Group's risk assessment, reporting and control procedures vary by type of risk, but share a common methodology developed and updated by the Group's Risk Management Department and Retail Risk Management Department. Compliance with the Group's standards is supported by periodic reviews undertaken by the Internal Audit Department. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate and presented to the Audit Committee and senior management of the Group.

There were no significant changes to the system of risk management in year 2009 compared to year 2008. Since the beginning of the financial crisis the Group had been modifying the risk management policies and procedures to minimize the adverse impact of the crisis on the Group's business.

Credit risk. The Group takes on exposure to credit risk that is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry sectors, etc. Such risks are monitored on a revolving basis and subject to regular review. The Executive Board regularly approves limits on the level of credit risk by product, borrower and industry sectors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

The analysis by credit quality of financial assets is based on their stratification by set limits: higher limits are assigned to the counterparties whose credit quality is better.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Group defines its risk appetite by approving a Lending Policy, assigning authority to decide on risk taking issues to committees, and granting specific approval of large transactions. The Lending Policy sets forth the framework for monitoring exposure to credit risk, including portfolio concentration limits and definition of responsibilities. During year 2008 the Lending Policy was revised by tightening the rules and increasing risk margins. Throughout year 2009 the Group revised its Lending Policy on a quarterly basis to ensure conformity with the current risk and market conditions.

The Group's credit committees are responsible for approving credit exposures. Each credit committee conducts its activity based on special instructions approved by the Board of Directors.

- Depending on the magnitude of credit risk, the decisions on transactions with corporate clients are approved either by the Main Credit Committee or Supplementary Credit Committees. The ceiling of risk level is approved by the Executive Board. These committees convene weekly and their members are representatives of the Credit Department, the Risk Management Department, the Legal Department, Treasury Department and other relevant departments. The membership of the committees reflects the balanced approach to credit risk undertaken. The most material transactions above USD 100 million have to be approved by the Executive Board. In certain circumstances (for example, based on tenure or size) loans approved by the Main Credit Committee are required to be approved by the Executive Board or Board of Directors.

31 Financial Risk Management (Continued)

- The Retail Credit committee monitors the performance of the retail portfolio and trends for future consideration. The retail lending portfolio includes the following classes of loans to individuals: credit cards and personal instalment loans, car loans, consumer loans. The Retail Credit committee approves new retail credit products, effective margins on all retail products, controls the provisioning level for the retail portfolio and write offs for the retail portfolio, makes other decisions regarding retail lending. The committee convenes monthly and its members are representatives of all key retail departments of the Group.

Credit Process. In corporate wholesale lending, all transactions undergo a standardized underwriting procedure, including a thorough examination of a prospective borrower's creditworthiness, quality of proposed collateral and transaction's structure compliance with the Group's policies and limits.

The Credit Department examines a probable transaction thoroughly with special attention being paid to the analysis of financial stability, cash-flow adequacy, long-term viability, credit history, competitive position and quality of collateral. During 2009 the Group tightened the requirements regarding the borrowers' creditability. Though the methodologies were not changed significantly, the borrowers' cash-flow, robustness and stability, business model viability and industry prospects were analysed even more scrupulously than before. Based on the assessment of the transaction's and borrower's risks, an internal rating is assigned to the borrower, collateral provided and the transaction as a whole.

The rating assignment is governed by an internal rating methodology. In accordance with the internal rating methodology the transaction is assigned a rating category from I to V.

- Rating I - high quality credit transaction; the given rating is characterized by minimum credit risk of the transaction due to a great safety cushion of cash flows of the borrower and analyzed transaction combined with high quality collateral;
- Rating II - standard quality credit transaction; assignment of such rating usually means low probability of default on such transactions due to an optimal combination of quality of cash flows of the borrower and analyzed transaction and proper collateral;
- Rating III - stable quality credit transaction; assignment of such rating usually means acceptable quality of cash flows of the borrower and analyzed transaction and/or collateral;
- Rating IV - low quality credit transaction; such transactions have rather high probability of default because of their poor quality and the lack or poor quality of collateral; and
- Rating V - non-viable transaction; credit risk of the transaction is estimated as high, the incentive to grant such loans usually lie beyond the usual parity of risk and rewards. The Group does not enter into transactions with initial rating V.

The Risk Management Department reviews the analysis and the appropriateness of the ratings assignment and draws a conclusion. The conclusion of the Risk Management Department and the financial analysis of the client are given to the consideration of the relevant Credit Committee. The Credit Committees review the loan applications for approval of a credit limit on the basis of information provided. A limit is proposed to accommodate the exposure to a client within the guidelines set for maximum customer exposure and concentration limits.

For the purposes of the credit risk management, the Group stratified the loan portfolio to the following pools:

- Current loans pool includes current loans and loans technically overdue for less than 14 days.
- Watch-list loans pool includes loans overdue for less than 14 days which demonstrated deterioration of credit quality.
- Problem loans pool includes loans with signs of impairment and loans overdue for more than 14 days, which however could be partially recovered.
- Defaulted loans pool includes loans where recovery requires foreclosure of collateral, commencement of litigation procedures.

31 Financial Risk Management (Continued)

Throughout the year 2009 transaction controls were strengthened. On a quarterly basis the Risk Management Department reviewed the internal ratings of the borrowers with exposure over a certain percentage of capital. The Group limited the issue of loans to borrowers with the best internal credit quality ratings.

Due to the nature of retail business, the Retail Risk Management Department has different risk management processes. Retail lending decisions are based on acceptance through use of credit and fraud scores. The application and fraud scores are bespoke developments based on internal lending performance history. Therefore the scores can be developed only based on historical performance which is available only after a statistically significant number of transactions. The scores are administered in a secure automated technology environment, all approve/decline decisions are subject to risk determined cut offs, and no overrides are permitted. The scores are monitored for their stability and effectiveness every month and suitable amendments are made should there be a need.

In 2009 the retail lending procedures were changed as a reaction to the instability of the economic climate: tighter score acceptance cut offs for specific industry sectors; lowering credit limits and permissible debt burden ratios; and stricter verification standards before approval; stricter minimum acceptance policy criteria; curtailment of long tenure loans and more conservative assessment of cross-selling activities.

Monitoring. The level of credit risk exposure of the Group is subject to a monitoring process.

Exposure to credit risk is managed by the Credit Department through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. The Credit Department identifies potentially problematic deals using an unambiguous set of criteria to assign a problem status to a transaction, as well as escalation procedures based on problem status. Any significant exposures to a customer with a deteriorating creditworthiness are reported to and reviewed by the relevant Credit Committee.

Relationship managers and credit managers visit clients monthly/quarterly/semi-annually depending on credit quality of the customers and magnitude of the exposure. Analysis of clients' sales, margins and loan portfolio dynamics is carried out on a monthly basis.

Monitoring of retail portfolios is conducted by the Retail Risk Management Department every month end or earlier based on the need. Such monitoring includes tracking the following indicators: approval/decline rates across products/customer segments; delinquency (both lagged and coincident); roll rates (transition of overdue balances across various stages); contact and promise rates to track collection efficiency; vintage loss rates by product and origination; special pilot programs; sector caps identified for each of the retail portfolios; charge off rates across each of the product portfolios; recoveries for each of the product portfolios; application scorecard stability; and performance across products where such cards are used; and efficiency of the verification segmentation.

Portfolio concentration limits are checked on a weekly basis and reported to the Main Credit Committee, as well as situations where limits utilization is close to maximum. The Main Credit Committee ensures that the impact of new transactions on the concentration within the portfolio is commensurate with the Group's risk appetite and portfolio limit structure. Throughout the year 2009 the Group paid much attention to the workout of problem loans, which were subject to weekly reporting to the Main Credit Committee.

On a weekly basis the Committee for Collection of Corporate Overdue Loans monitors the problem loans: the perspectives of repayment, repossessing collateral, legal processes on collection cases, restructuring terms, claiming for additional collateral to secure loans.

Control. There is a control environment established in the Group, in which all of its activities relating to credit exposure are taking place. The purpose of the implemented controls is to ensure a strict adherence to the Group's policies and procedures.

The Group has implemented control mechanisms that promote the delivery of effective risk management. Such mechanisms include: (i) producing regular portfolio monitoring reports and regularly presenting those to the relevant Credit Committees, (ii) setting credit policy core principles that govern the detailed department-level policies, (iii) subjecting policies to regular review, (iv) establishing lending guidelines that provide for a disciplined and focused approach to decision-making, (v) using statistically-based decision-making techniques such as credit scoring for retail portfolios, and (vi) continuous monitoring by the Risk Management Department to measure effectiveness and administer changes as required.

31 Financial Risk Management (Continued)

In order to improve the collection of loans to individuals and to control delinquencies more effectively during 2009, the Retail Risk Management Department introduced collection scorecards across different stages of collection process and implemented closer monitoring of collection cure rates within different segments.

Credit risk mitigation. The Group uses a wide range of techniques to reduce credit risk on its lending operations managing both individual transaction loss drivers, such as probability of default, loss given default and exposure at default, and systemic risk drivers on a portfolio basis.

At transaction level, an assessment of a borrower's ability to service the proposed level of debt is performed. Also the Group obtains collateral, such as a mortgage, pledge of assets, or floating charge over inventories. Various forms of legal protection are used, such as netting agreements and covenants in commercial lending agreements, and credit enhancements techniques.

Credit exposure is a subject of active management. Procedures are in place that ensure timely recognition and prompt reaction to transactions showing signs of deterioration. Responses include reduction of the exposure, obtaining additional collateral, restructuring, or other steps, as appropriate.

A credit risk premium is incorporated in risk assessment and lending decisions. The risk premium seeks to provide a fair compensation for the amount of each credit risk assumed by the Group.

At a portfolio level, diversification is managed to avoid excessive concentrations. Portfolio concentration limits include: (i) maximum exposure per borrower limit, (ii) industry concentration limit, (iii) loan maturity concentration limit, (iv) unsecured lending limit and (v) internal rating limit. In 2009 the latter two limits were introduced as non-obligatory but subject to monitoring and reporting. Portfolio concentration limits are set to protect against unwanted concentration risk.

The amount of the Group's maximum exposure to credit risk is reflected in the carrying value of financial assets on the consolidated statement of financial position. For issued guarantees and other credit related commitments the amount of maximum exposure to credit risk equals to the amount of commitment.

Analysis of maximum amount exposed to credit risk as at 31 December 2009 and 31 December 2008 was as follows:

In millions of US Dollars	**Note**	**2009**	**2008**
Cash and cash equivalents (excluding cash on hand balances)	7	1 460	3 069
Mandatory cash balances with central banks		150	79
Debt trading securities	8	1 325	571
Repurchase receivables relating to trading securities	8	-	151
Due from other banks	9	2 270	1 837
Loans and advances to customers	10	13 449	17 970
Debt investments available for sale	11	1 009	317
Repurchase receivables relating to investments	11	-	215
Other financial assets	12	234	892
Cross guarantees	33	905	1 848
Guarantees issued	33	790	697
Import letters of credit	33	84	460
Total maximum amount exposed to credit risk		**21 676**	**28 106**

As at 31 December 2009 the amount of exposure to credit risk in relation to other financial assets was reduced by margin call deposits received from other banks and customers in the total amount of USD 238 million (2008: USD 303 million). Refer to Notes 15 and 16.

As at 31 December 2009 the amount of exposure to credit risk in relation to issued import letters of credit was reduced by the collateral received from customers in the amount of USD 15 million (2008: USD 33 million). Refer to Note 16.

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

31 Financial Risk Management (Continued)

The Group manages its market risk through notional-based and risk-based limits for the Group's sub-positions. Overall Group's position is split between (i) Corporate and Retail Banking positions, (ii) Investment Banking position and (iii) Treasury position. The exposure of Corporate Banking (loans, deposits, current accounts, and other non-trading operations) and Retail Banking operations to market risks is managed through the system of limits monitored by the Treasury Department. The exposure to the market risk of Investment Banking operations is managed through market value, value at risk ("VaR") limits and extreme loss limits which are set for both aggregated position of Investment Banking in equities, fixed income, foreign currency and derivative instruments (treated as separate "trading desks") and for individual trading desks. In addition, sub-limits are set for exposures to various types of securities (including both equity and debt securities) and markets and position limits for issuers and individual instruments. Limits on securities positions are approved by ALCO. Additional issuer limits on debt securities are approved separately by the relevant Credit Committees. Both the Group's proprietary and trading portfolios consist predominantly of liquid, traded securities. For content of the trading portfolio refer to Note 8. The Group's derivative operations are driven by two major factors: (i) the need of the Group to hedge its own risks, principally using foreign currency, securities and interest rate derivatives, and (ii) customer demand, principally for foreign currency, securities and commodities derivatives.

Risk-based limits are monitored on a daily basis by the Risk Management Department with respect to individual (foreign currency, equity, fixed income, derivatives) trading desks. The overall VaR of Investment Banking is monitored on a weekly basis by the Risk Management Department. The limit for the overall 1-day, 99% confidence level VaR is USD 15 million (2008: USD 10 million). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

During 2009 the following changes were made in market risk management: position limits review by ALCO (limits for fixed income instruments and overall VaR limit were increased), collateral parameters review.

Equity price risk. As noted above, for the purpose of quantifying the Group's equity price risks which is attributed to Investment Banking position only, the Group uses a VaR model.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets:

- The use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those which are of an extreme nature;
- One business day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- The use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR;
- As VaR is only calculated on the end-of-day basis and does not necessarily reflect exposures that may arise on positions during the trading day; and
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The effectiveness of the VaR model is subject to back-test assessment. Back-testing compares the frequency of bigger-than-VaR loss occurrence and compares it to the set confidence level.

The major advantage of VaR risk assessment, its reliance on the empirical data, is at the same time its major drawback. Extreme market moves that may cause substantial deterioration of Group's position have to be assessed by putting a stress on the number of standard deviations of market returns. The resulting figures serve as a rough indicator of magnitude of a likely loss under the corresponding scenario. The Group uses stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Group's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

The daily equity price VaR measure is an estimate, with a confidence level set at 99%, of the potential loss that might arise under normal market conditions if the current positions of the Group were to be held unchanged for one business day.

31 Financial Risk Management (Continued)

According to the assessments made by the Group as at 31 December 2009 and 2008 VaR estimates in respect of equity price risk do not exceed USD 10 million. The VaR measure of the exposure of the net equity position to market price fluctuations is not material: the long balance sheet position in equity instruments disclosed within trading securities and repurchase receivables is to considerable extent covered by the opposite position in equity derivatives.

Currency risk. In respect of currency risk, the Treasury Department of the Group is responsible for the centralised management of the currency risk of the Group. ALCO sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily by the Treasury Department of the Group based on the management reports provided on open currency position. The Group uses derivatives to manage current and forecast exposures resulting from foreign currencies. The table below summaries the Group's exposure to foreign currency exchange rate risk as at 31 December 2009:

In millions of US Dollars	USD	RR	EUR	Other currencies	Non-monetary	Total
Assets						
Cash and cash equivalents	311	1 127	511	17	-	1 966
Mandatory cash balances with central banks	-	107	43	-	-	150
Trading securities	461	384	480	-	47	1 372
Due from other banks	651	842	773	4	-	2 270
Loans and advances to customers	6 703	6 023	645	78	-	13 449
Investments	344	660	5	-	499	1 508
Other financial assets	144	90	14	3	-	251
Other assets	6	95	14	-	162	277
Premises and equipment	-	-	-	-	366	366
Deferred tax asset	-	-	-	-	37	37
Total assets	**8 620**	**9 328**	**2 485**	**102**	**1 111**	**21 646**
Liabilities						
Due to other banks	170	612	244	82	-	1 108
Customer accounts	3 135	6 791	3 750	10	-	13 686
Debt securities issued	952	310	303	-	-	1 565
Syndicated and other debt	71	224	-	-	-	295
Subordinated debt	438	1 309	-	-	-	1 747
Other financial liabilities	135	103	83	1	-	322
Other liabilities	104	9	10	-	-	123
Deferred tax liability	-	-	-	-	102	102
Total liabilities	**5 005**	**9 358**	**4 390**	**93**	**102**	**18 948**
Net balance sheet position	**3 615**	**(30)**	**(1 905)**	**9**	**1 009**	**2 698**
Net balance sheet position less fair value of foreign exchange derivatives	**3 631**	**(3)**	**(1 907)**	**9**	**1 009**	**2 739**
Derivatives (Note 34)	**(910)**	**(547)**	**1 443**	**(27)**	**-**	**(41)**
Net balance sheet and derivatives position as at 31 December 2009	**2 721**	**(550)**	**(464)**	**(18)**	**1 009**	**2 698**

31 Financial Risk Management (Continued)

The table below summaries the Group's exposure to foreign currency exchange rate risk as at 31 December 2008:

In millions of US Dollars	USD	RR	EUR	Other currencies	Non-monetary	Total
Assets						
Cash and cash equivalents	2 311	1 107	418	24	-	3 860
Mandatory cash balances with central banks	-	26	49	4	-	79
Trading securities	286	101	154	30	17	588
Repurchase receivables relating to trading securities	37	114	-	-	-	151
Due from other banks	804	809	224	-	-	1 837
Loans and advances to customers	8 518	8 099	1 250	103	-	17 970
Investments	114	203	-	-	55	372
Repurchase receivables relating to investments	18	197				215
Other financial assets	791	253	147	4	-	1 195
Other assets	8	175	10	-	178	371
Premises and equipment	-	-	-	-	390	390
Deferred tax asset	-	-	-	-	24	24
Total assets	**12 887**	**11 084**	**2 252**	**165**	**664**	**27 052**
Liabilities						
Due to other banks	1 025	5 815	453	114	-	7 407
Customer accounts	2 983	5 603	3 866	130	-	12 582
Debt securities issued	1 718	292	375	6	-	2 391
Syndicated and other debt	796	268	-	-	-	1 064
Subordinated debt	464	-	-	-	-	464
Other financial liabilities	649	86	96	2	-	833
Other liabilities	42	52	16	-	-	110
Deferred tax liability	-	-	-	-	39	39
Total liabilities	**7 677**	**12 116**	**4 806**	**252**	**39**	**24 890**
Net balance sheet position	**5 210**	**(1 032)**	**(2 554)**	**(87)**	**625**	**2 162**
Net balance sheet position less fair value of foreign exchange derivatives	**5 016**	**(1 043)**	**(2 627)**	**(88)**	**625**	**1 883**
Derivatives (Note 34)	**(3 356)**	**812**	**2 630**	**193**	**-**	**279**
Net balance sheet and derivatives position as at 31 December 2008	**1 660**	**(231)**	**3**	**105**	**625**	**2 162**

Derivatives represent the fair value, as at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 34.

31 Financial Risk Management (Continued)

Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations (Note 4). For the purpose of currency risk sensitivity analysis the Group splits its assets, liabilities and notional amounts of foreign currency receivable and payable at the reporting dates into three currency zones depending on the functional currencies of the entities included in the zone:

- Russian Rouble zone (includes all Russian Federation subsidiaries);
- Euro zone (includes Amsterdam Trade Bank N.V.);
- US Dollar zone (includes all other foreign subsidiaries operating internationally).

Sensitivity analysis presented below indicates the potential effect of the change in foreign exchange market conditions on the profit or loss for the year. Risk arising out of translation of the financial statements of subsidiaries into the presentation currency of the Group is excluded from the sensitivity analysis.

As the Group's exposure to currencies other than US Dollar, Euro and Russian Rouble is not considerable in comparison to other exposures (Note 34), in performing sensitivity analysis the Groups includes its net position in other currencies into the net position in US Dollars. As at 31 December 2009 the Group's net currency position including foreign currency derivatives was as follows:

In millions of US Dollars	**USD/RR**	**USD/EUR**	**EUR/RR**
Russian Rouble zone	1 933	-	(1 118)
Euro zone	-	(404)	(5)
US Dollar zone	(1 015)	290	-
Total exposure	**918**	**(114)**	**(1 123)**

As at 31 December 2009 if either of USD/RR, USD/EUR and EUR/RR rate changed by +/-10% respectively, this would have affected the profit or loss for the year (pre-tax) of the Group in the following way:

In millions of US Dollars	**USD/RR**	**USD/EUR**	**EUR/RR**
+ 10% change in all foreign exchange rates	92	(11)	(112)
- 10% change in all foreign exchange rates	(92)	11	112

As at 31 December 2008 the Group's net currency position including foreign currency derivatives was as follows:

In millions of US Dollars	**USD/RR**	**USD/EUR**	**EUR/RR**
Russian Rouble zone	1 700	-	233
Euro zone	-	(117)	-
US Dollar zone	(764)	393	-
Total exposure	**936**	**276**	**233**

At 31 December 2008 if USD/RR, USD/EUR and EUR/RR rate changed by +/-30% respectively, this would affect the profit or loss for the year (pre-tax) of the Group in the following way:

In millions of US Dollars	**USD/RR**	**USD/EUR**	**EUR/RR**
+ 30% change in all foreign exchange rates	281	83	70
- 30% change in all foreign exchange rates	(281)	(83)	(70)

31 Financial Risk Management (Continued)

Interest rate risk. The Group is exposed to interest rate risk, principally as a result of lending to customers and other banks at fixed interest rates in amounts and for periods that differ from those of term deposits and debt securities in issue at fixed or variable interest rates. Due to changes in interest rates, the Group's liabilities may have disproportionately high interest rates compared to those of its assets and vice versa. One of the Group's objectives is to minimize losses from unexpected negative changes in interest margins.

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

In millions of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31 December 2009						
Total financial assets	7 251	3 460	1 657	8 052	546	20 966
Total financial liabilities	(8 418)	(4 279)	(1 728)	(4 298)	-	(18 723)
Effect of interest based derivatives	1 242	(139)	(20)	(1 083)	-	-
Net interest sensitivity gap as at 31 December 2009	**75**	**(958)**	**(91)**	**2 671**	**546**	**2 243**
31 December 2008						
Total financial assets	9 524	6 375	2 780	7 516	72	26 267
Total financial liabilities	(11 729)	(7 640)	(2 648)	(2 724)	-	(24 741)
Effect of interest based derivatives	1 262	678	(129)	(1 811)	-	-
Net interest sensitivity gap as at 31 December 2008	**(943)**	**(587)**	**3**	**2 981**	**72**	**1 526**

Refer to Note 34 for the information on interest rate derivatives used to manage the Group's interest rate exposure.

The Group's interest rate risk is managed by the Treasury Department within the limits set by ALCO. Such limits are monitored on a weekly basis by the Assets Liabilities Management unit of the Treasury Department. ALCO sets sensitivity limits in terms of "present value to 100 basis points interest rate shift" which measures the impact of a 100 basis points rise of interest rates along the various maturities on the yield curve on the present value of the Group's assets, liabilities and off-balance sheet instruments. ALCO sets such limits for the Group's Russian Rouble, US Dollar and Euro positions and for the Group's overall exposure. The Treasury Department also uses foreign exchange forwards to manage interest rate positions in different currencies and interest rate derivatives such as USD and RR interest swaps.

During 2009 the Treasury Department implemented additional interest rate risk measure "Earnings-at-Risk to 100 basis points interest rate shift" which measured the impact on the interest revenue for the nearest year of a 100 basis points rise of interest rates along the various maturities on the yield curve.

For the year ended 31 December 2009, if interest rates at that date had been 100 basis points lower, with all other variables held constant, pre-tax profit would have been USD 7 million lower (2008: USD 40 million higher based on 300 basis points shift), mainly as a result of lower interest income on loans and advances to customers (2008: mainly as a result of lower interest expense on short-term and variable rate liabilities). Other components of equity (also pre-tax) would have been USD 9 million higher (2008: USD 7 million higher based on a 300 basis points shift), as a result of an increase in the fair value of fixed interest rate debt investments classified as available for sale.

31 Financial Risk Management (Continued)

If interest rates had been 100 basis points higher, with all other variables held constant, pre-tax profit for the year would have been USD 7 million higher (2008: USD 40 million lower based on 300 basis points shift), mainly as a result of higher interest income on loans and advances to customers (2008: lower, mainly as a result of higher interest expense on short-term and variable rate liabilities). Other components of equity (also pre-tax) would have been USD 9 million lower (2008: USD 7 million lower based on a 300 basis points shift) lower, as a result of a decrease in the fair value of fixed interest rate debt investments classified as available for sale.

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

	2009				2008			
In % per annum	**USD**	**RR**	**Euro**	**Other**	**USD**	**RR**	**Euro**	**Other**
Assets								
Cash balances with central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Correspondent accounts and overnight placements with other banks	0.2	1.7	0.1	0.1	0.0	0.0	1.8	0.0
Mandatory cash balances with central banks	-	0.0	0.0	-	-	0.0	0.0	0.0
Debt trading securities	6.9	11.7	3.5	-	7.7	10.1	4.4	6.6
Repurchase receivables relating to debt trading securities	-	-	-	-	7.2	7.8	-	-
Due from other banks	9.8	5.9	1.1	0.0	0.9	20.6	1.9	-
Loans and advances to customers	11.5	16.2	9.2	13.8	12.3	16.8	9.9	12.4
Debt investments available for sale	5.7	8.8	8.3	-	8.1	6.9	-	-
Repurchase receivables relating to debt securities available for sale	-	-	-	-	7.5	6.2	-	-
Liabilities								
Due to other banks	2.2	8.4	3.1	1.0	5.8	10.9	5.3	2.7
Customer accounts								
- current and settlement accounts	0.3	0.5	0.1	0.0	1.4	0.8	4.3	0.0
- term deposits	4.9	9.5	4.9	3.4	7.6	10.5	6.8	8.7
Debt securities issued	7.2	4.6	4.3	-	7.5	10.5	6.1	12.0
Syndicated and other loans	2.3	6.7	-	-	4.1	6.5	-	-
Subordinated debt	9.0	9.5	-	-	9.0	-	-	-

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

31 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's assets and liabilities at 31 December 2009 is disclosed in table below:

In millions of US Dollars	Russia	Europe	CIS	USA	Other	Total
Assets						
Cash and cash equivalents	1 174	614	35	133	10	1 966
Mandatory cash balances with central banks	107	43	-	-	-	150
Trading securities	941	356	75	-	-	1 372
Due from other banks	442	1 182	320	298	28	2 270
Loans and advances to customers	12 549	216	596	8	80	13 449
Investments	859	635	-	14	-	1 508
Other financial assets	140	65	22	19	5	251
Other assets	260	17	-	-	-	277
Premises and equipment	351	15	-	-	-	366
Deferred tax asset	-	37	-	-	-	37
Total assets	**16 823**	**3 180**	**1 048**	**472**	**123**	**21 646**
Liabilities						
Due to other banks	713	271	105	8	11	1 108
Customer accounts	10 904	2 501	48	26	207	13 686
Debt securities issued	573	992	-	-	-	1 565
Syndicated and other debt	224	71	-	-	-	295
Subordinated debt	1 309	438	-	-	-	1 747
Other financial liabilities	137	176	6	1	2	322
Other liabilities	112	11	-	-	-	123
Deferred tax liability	102	-	-	-	-	102
Total liabilities	**14 074**	**4 460**	**159**	**35**	**220**	**18 948**
Net balance sheet position as at 31 December 2009	**2 749**	**(1 280)**	**889**	**437**	**(97)**	**2 698**

31 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities as at 31 December 2008 is disclosed in table below:

In millions of US Dollars	Russia	Europe	CIS	USA	Other	Total
Assets						
Cash and cash equivalents	3 128	347	14	370	1	3 860
Mandatory cash balances with central banks	26	49	4	-	-	79
Trading securities	213	198	161	-	16	588
Repurchase receivables relating to trading securities	136	15	-	-	-	151
Due from other banks	296	1 405	47	89	-	1 837
Loans and advances to customers	16 582	556	817	13	2	17 970
Investments	289	29	45	9	-	372
Repurchase receivables relating to investments	215	-	-	-	-	215
Other financial assets	195	724	228	4	44	1 195
Other assets	359	12	-	-	-	371
Premises and equipment	364	19	7	-	-	390
Deferred tax asset	-	24		-	-	24
Total assets	**21 803**	**3 378**	**1 323**	**485**	**63**	**27 052**
Liabilities						
Due to other banks	6 361	811	186	15	34	7 407
Customer accounts	8 406	3 714	205	66	191	12 582
Debt securities issued	396	1 979	6	-	10	2 391
Syndicated and other debt	272	739	-	53	-	1 064
Subordinated debt	-	464	-	-	-	464
Other financial liabilities	271	516	32	13	1	833
Other liabilities	92	18	-	-	-	110
Deferred tax liability	39	-	-	-	-	39
Total liabilities	**15 837**	**8 241**	**429**	**147**	**236**	**24 890**
Net balance sheet position as at 31 December 2008	**5 966**	**(4 863)**	**894**	**338**	**(173)**	**2 162**

CIS represents the countries of the Commonwealth of Independent States, of which the Group's primary exposure is to the Ukraine and Kazakhstan.

The majority of credit related commitments were issued in favour of Russian counterparties and their offshore companies both as at 31 December 2009 and 2008.

Assets and liabilities have generally been allocated based on the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties are allocated to the caption "Russia". Cash on hand, precious metals and premises, equipment and intangible assets have been allocated based on the country in which they are physically held.

The majority of the Group's revenues are generated from counterparties domiciled in the Russian Federation as well as substantially all of capital expenditure of the Group relates to operations of the Group in the Russian Federation.

31 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs and from margin and other calls on derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Treasury Department and ALCO of the Group.

The Group seeks to maintain a stable funding base comprising primarily amounts due to corporate and retail customer deposits, debt securities in issue and due to other banks and maintain an adequate diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring liquidity ratios against regulatory requirements. Alfa-Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the CBRF. These ratios are: (i) instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand; (ii) current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days; (iii) long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year.

As at 31 December 2009 the Group had unused limits for the borrowings from CBRF (i) under a secured lending programme, secured by a pledge of loans and advances to customers, (ii) under a cross-guarantee lending programme, (iii) under sale and repurchase agreements.

The Treasury Department prepares the liquidity profile of the financial assets and liabilities. The Treasury Department then builds up an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks (including central banks) and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The Treasury Department runs liquidity forecast models on a daily basis. Different scenarios are tracked: including or disregarding projected new lending. Information on the level of delinquencies that result in late payments is regularly updated for the liquidity forecast. ALCO approved the increase of the limit for available for sale securities portfolio and liquidity cushion. The crisis liquidity scenario was revised to account for the higher probabilities of delays in payments on corporate and retail loans.

The table below shows liabilities as at 31 December 2009 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), prices specified in deliverable forward agreements to purchase financial assets for cash, contractual amounts to be exchanged under a gross settled currency swaps, and gross loan commitments. Such undiscounted cash flows differ from the amounts included in the consolidated statement of financial position because the amounts in the consolidated statement of financial position are based on discounted cash flows. Net settled derivatives are included at the net amounts expected to be paid.

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

31 Financial Risk Management (Continued)

The maturity analysis of undiscounted financial liabilities as at 31 December 2009 was as follows:

In millions of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	796	144	64	122	1 126
Customer accounts - individuals	3 423	1 117	629	1 975	7 144
Customer accounts - other	3 892	2 183	708	53	6 836
Debt securities issued	84	475	213	978	1 750
Syndicated and other debt	72	6	40	222	340
Subordinated debt	-	48	265	2 783	3 096
Other non-derivative financial liabilities	89	51	-	8	148
Gross settled swaps and forwards:					
- inflows	(2 659)	(896)	(33)	(381)	(3 969)
- outflows	2 698	911	27	387	4 023
Net settled derivatives	33	52	17	32	134
Import letters of credit	15	17	4	63	99
Cross-guarantees	-	-	905	-	905
Guarantees issued	120	196	157	317	790
Total potential future payments for financial obligations	**8 563**	**4 304**	**2 996**	**6 559**	**22 422**

Payments in respect of gross settled forwards will be accompanied by related cash inflows as disclosed above. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The maturity analysis of undiscounted financial liabilities as at 31 December 2008 was as follows:

In millions of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	2 858	4 240	165	357	7 620
Customer accounts - individuals	4 648	829	546	262	6 285
Customer accounts - other	3 087	1 384	1 334	1 038	6 843
Debt securities issued	106	546	703	1 363	2 718
Syndicated and other debt	463	10	315	372	1 160
Subordinated debt	-	20	20	530	570
Other non-derivative financial liabilities	165	62	-	27	254
Gross settled swaps and forwards:					
- inflows	(528)	(626)	(30)	-	(1 184)
- outflows	554	661	32	1	1 248
Net settled derivatives	70	178	154	66	468
Import letters of credit	28	41	276	148	493
Cross-guarantees	0	1 848	0	0	1 848
Guarantees issued	70	187	196	244	697
Total potential future payments for financial obligations	**11 521**	**9 380**	**3 711**	**4 408**	**29 020**

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Treasury Department monitors expected maturities.

31 Financial Risk Management (Continued)

The following table represents analysis of assets and liabilities as at 31 December 2009 by their expected maturities as determined by the Group. This analysis was prepared on the basis of contractual maturities except for adjustments in relation to (i) trading securities and (ii) part of customer accounts. The entire portfolio of trading securities was classified within "demand and less than 1 month" based on the Management's assessment of the portfolio's realisability. Part of current/settlement/demand accounts was reallocated from "demand and less than 1 month" category to baskets with later maturities. On the basis of past experience Management believes that (i) diversification of these accounts by number and type of customers and (ii) constant inflow of new deposits indicate that at least these current/demand/settlement accounts would provide a long-term and stable source of funding for the Group.

In millions of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	1 966	-	-	-	-	1 966
Mandatory cash balances with central banks	150	-	-	-	-	150
Trading securities	1 372	-	-	-	-	1 372
Due from other banks	1 784	62	24	400	-	2 270
Loans and advances to customers	2 377	2 079	1 576	7 417	-	13 449
Investments	19	110	9	871	499	1 508
Other financial assets	149	94	2	6	-	251
Other assets	-	111	-	4	162	277
Premises and equipment	-	-	-	-	366	366
Deferred tax asset	-	-	-	-	37	37
Total assets	**7 817**	**2 456**	**1 611**	**8 698**	**1 064**	**21 646**
Liabilities						
Due to other banks	792	143	62	111	-	1 108
Customer accounts	3 195	3 589	1 517	5 385	-	13 686
Debt securities issued	84	468	203	810	-	1 565
Syndicated and other debt	71	6	38	180	-	295
Subordinated debt	-	47	246	1 454	-	1 747
Other financial liabilities	165	126	5	26	-	322
Other liabilities	7	65	-	51	-	123
Deferred tax liability	-	-	-	-	102	102
Total liabilities	**4 314**	**4 444**	**2 071**	**8 017**	**102**	**18 948**
Net expected liquidity gap as at 31 December 2009	**3 503**	**(1 988)**	**(460)**	**681**	**962**	**2 698**
Cumulative expected liquidity gap as at 31 December 2009	**3 503**	**1 515**	**1 055**	**1 736**	**2 698**	

As at 31 December 2009 the Group had unutilised limits for borrowings from CBRF (i) under a secured lending programme, secured by a pledge of loans and advances to customers; (ii) under a cross-guarantee lending programme; (iii) under sale and repurchase agreements and (iv) through CBRF liquidity auctions.

31 Financial Risk Management (Continued)

The following table represents analysis of assets and liabilities as at 31 December 2008 by their expected maturities as determined by the Group.

In millions of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	3 860	-	-	-	-	3 860
Mandatory cash balances with central banks	79	-	-	-	-	79
Trading securities	588	-	-	-	-	588
Repurchase receivables relating to trading securities	13	138	-	-	-	151
Due from other banks	1 706	41	6	84	-	1 837
Loans and advances to customers	2 289	5 239	2 556	7 886	-	17 970
Investments	-	92	35	190	55	372
Repurchase receivables relating to investments	24	191	-	-	-	215
Other financial assets	389	512	195	99	-	1 195
Other assets	-	193	-	-	178	371
Premises and equipment	-	-	-	-	390	390
Deferred tax asset	-	-	-	-	24	24
Total assets	**8 948**	**6 406**	**2 792**	**8 259**	**647**	**27 052**
Liabilities						
Due to other banks	2 845	4 088	158	316	-	7 407
Customer accounts	3 658	2 497	1 963	4 464	-	12 582
Debt securities issued	106	533	669	1 083	-	2 391
Syndicated and other debt	462	2	300	300	-	1 064
Subordinated debt	-	19	19	426	-	464
Other financial liabilities	274	284	163	112	-	833
Other liabilities	11	71	-	28	-	110
Deferred tax liability	-		-	-	39	39
Total liabilities	**7 356**	**7 494**	**3 272**	**6 729**	**39**	**24 890**
Net expected liquidity gap as at 31 December 2008	**1 592**	**(1 088)**	**(480)**	**1 530**	**608**	**2 162**
Cumulative expected liquidity gap as at 31 December 2008	**1 592**	**504**	**24**	**1 554**	**2 162**	

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitments because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

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

32 Management of Capital

The Group's main objectives when managing capital are: (i) to comply with the capital requirements set by the respective central banks and debt covenants, (ii) to safeguard the Group's ability to continue as a going concern, and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on Basel I (International Convergence of Capital Management and Capital Standards dated July 1988 (as subsequently amended and updated)) of at least 8%. Capital adequacy ratio is monitored daily for compliance with the requirements set by the CBRF and monthly for other objectives of capital management.

The Group's policy of capital management is designated to maintain the capital base sufficient to keep the confidence of investors, creditors, other market participants and to secure the future development of the Group. The CBRF establishes and monitors capital adequacy limits for Alfa-Bank and OJSC Bank Severnaya Kazna. Capital adequacy limits for Amsterdam Trade Bank N.V. are established and monitored by the Dutch Central Bank. Capital adequacy limits of Alfa Capital Holdings (Cyprus) Limited are monitored by the Cyprus Securities and Exchange Commission.

The Group plans its capital needs to be able to comply with both the central banks' requirements and Basel I with a one year horizon. The Group performs medium and long term planning of growth in the asset side considering sufficiency of capital. When necessary, the Group develops and implements measures to increase its capital base.

To ensure compliance with the capital adequacy ratios in the short run, the Group monitors use of capital by business segments. Responsibility for approval procedures and monitoring of the capital use is with the Financial Planning and Analysis Department of the Group.

The Group and Alfa-Bank are also subject to covenants stated in various loan agreements, including capital adequacy calculated in accordance with Basel I. The composition of the Group's capital which is managed by the Group's management and calculated in accordance with Basel I was as follows:

In millions of US Dollars	**2009**	**2008**
Tier 1 capital		
Paid up share capital	1 265	945
Retained earnings, cumulative translation reserve and non-controlling interest	1 346	1 209
Less: Goodwill	(64)	(75)
Total tier 1 capital	**2 547**	**2 079**
Tier 2 capital		
Asset revaluation reserves	87	8
Subordinated debt	1 274	244
Total tier 2 capital	**1 361**	**252**
Total capital	**3 908**	**2 331**

Management of the Group is of the opinion that the Group complied with all the external capital adequacy requirements as at 31 December 2009 and 2008.

33 Contingencies and Commitments

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

Tax legislation. Russian tax 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 Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This includes them following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

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

Russian transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

The Group conducts some transactions which might be considered to be transactions at off-market rates. Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia which contribute a significant proportion of the Group's operating results. Tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or overall operations of the entity.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Group.

The Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. In addition to the aforementioned risks, the Group estimates that as at 31 December 2009 it had other possible obligations from exposure to other than remote tax risks of up to approximately USD 4 million (2008: USD 4 million).

Refer to Note 4 for details of results of the tax audit completed during 2008.

33 Contingencies and Commitments (Continued)

Investment commitments. As at 31 December 2009, the Group had commitments for future investments in Pamplona Capital Partners I L.P. in the amount of USD 26 million. Refer to Note 11.

Capital commitments. As at 31 December 2009 the Group had capital commitments of USD 13 million (2008: USD 68 million), of which USD 7 million (2008: USD 19 million) related to construction expenditure and modernisation of premises and USD 6 million (2008: USD 49 million) related to purchase and installation of new computer systems. Management has already allocated the necessary resources in respect of these commitments. Management believes that future income and funding will be sufficient to cover these and any similar commitments.

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases were as follows:

In millions of US Dollars	**2009**	**2008**
Not later than 1 year	54	72
Later than 1 year and not later than 5 years	71	108
Later than 5 years	8	8
Total operating lease commitments	**133**	**188**

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

Outstanding credit related commitments were as follows:

In millions of US Dollars	**Note**	**2009**	**2008**
Cross guarantees	15	905	1 848
Guarantees issued		790	697
Import letters of credit		99	493
Export letters of credit	16	60	216
Total credit related commitments		**1 854**	**3 254**

Cross guarantees represent guarantees provided by Alfa-Bank to the CBRF in favour of other Russian banks under a special CBRF lending programme. OAO Alfa-Bank also received such guarantees for a part of its borrowings from the CBRF. As at 31 December 2009 the Group did not have loans from CBRF secured by the cross guarantees. Refer to Note 15.

The total outstanding contractual amount of guarantees and letters of credit does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was USD 13 million as at 31 December 2009 (2008: USD 46 million).

33 Contingencies and Commitments (Continued)

Movements in the provision for losses on credit related commitments were as follows:

In millions of US Dollars	Note	2009	2008
Provision for losses on credit related commitments as at 1 January		**46**	**21**
Provision for losses on credit related commitments during the year		(32)	20
Provision for losses on credit related commitments acquired in business combinations		-	10
Effect of translation to presentation currency		(1)	(5)
Provision for losses on credit related commitments as at 31 December	**20**	**13**	**46**

Compliance with covenants. In accordance with agreements for attracting long-term financing the Group should comply with financial and non-financial covenants. The most significant covenants are:

- to comply with the ratios and requirements of the CBRF (for Alfa-Bank);
- to maintain a ratio of capital to risk-weighted assets as defined by Basel I;
- to maintain a minimum level of net assets;
- to maintain a minimum ratio of aggregated financial indebtedness;
- to maintain certain levels of credit ratings;
- to ensure that all related party transactions are on an arm's length basis; and
- to maintain a maximum level of long-term debt securities issued.

The Group was in compliance with these covenants as at 31 December 2009 and 2008.

Assets pledged and restricted. The Group had the following assets pledged as collateral:

In millions of US Dollars	Notes	2009	2008
Loans and advances to customers pledged to the SDIA	10, 18	497	396
Loans and advances to customers pledged to the CBRF	10, 15	268	837
Margin call deposits	9	247	324
Term deposits with other banks placed under the Diversified Payment Rights Secured Debt Issuance Programme	9, 17	77	84
Investments available for sale classified as repurchase receivables	11, 15	-	215
Trading securities classified as repurchase receivables	8, 15	-	151
Total		**1 089**	**2 007**

As at 31 December 2009 the estimated fair value of securities purchased under reverse sale and repurchase agreements (Notes 9 and 10), which the Group has the right to sell or re-pledge in the absence of default of the counterparty was USD 91 million (2008: USD 167 million). As at 31 December 2009 the fair value of such securities sold under sale and repurchase agreements with other banks amounted to USD 3 million (2008: USD 43 million).

Mandatory cash balances with central banks in the amount of USD 150 million (2008: USD 79 million) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

34 Derivative Financial Instruments

Derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised or specific contractual terms and conditions.

The principal or agreed amounts of certain types of financial instruments provide a basis for comparison with instruments recorded on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate contractual or principal amount of derivative financial instruments held and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The principal or agreed amounts and fair values of derivative instruments other than foreign exchange forward, swap contracts are set out in the following table. This table reflects gross positions before the netting of any counterparty positions by type of instrument and covers the contracts with a maturity date subsequent to respective reporting period.

	2009			2008		
In millions of US Dollars	**Principal or agreed amount**	**Assets Positive fair value**	**Liabilities Negative fair value**	**Principal or agreed amount**	**Assets Positive fair value**	**Liabilities Negative fair value**
Deliverable forwards						
Securities						
-sale of securities	512	14	(24)	330	102	(13)
-purchase of securities	22	1	-	-	-	(1)
Non-deliverable forwards						
Securities						
-sale of securities	59	5	(2)	-	-	-
Futures						
Interest rate						
-sale of interest rate futures	-	-	-	15	-	-
Call options						
Securities						
-written call options	-	-	-	1	-	-
Foreign currency						
-written call options	81	-	(6)	162	-	(18)
-purchased call options	81	6	-	162	18	-
Swaps						
Interest rate swaps - pay fixed interest, receive floating interest	2 098	-	(64)	2 496	152	(59)
Credit default swap	-	-	-	10	-	(2)
Total		**26**	**(96)**		**272**	**(93)**

34 Derivative Financial Instruments (Continued)

The table below sets out fair values, as at the end of the reporting period, of currencies receivable or payable under foreign exchange contracts and precious metals based contracts (excluding options) entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting dates.

	2009		2008	
In millions of US Dollars	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Deliverable forwards				
- USD receivable on settlement	1 031	350	81	58
- USD payable on settlement	(751)	(2 604)	(989)	(1 191)
- EUR receivable on settlement	404	2 335	1 037	828
- EUR payable on settlement	(910)	(124)	(1)	(58)
- RR receivable on settlement	245	137	11	173
- RR payable on settlement	(2)	(24)	(45)	-
- Other currencies receivable on settlement	121	100	-	141
- Other currencies payable on settlement	(127)	(209)	(10)	-
Non-deliverable forwards				
- USD receivable on settlement	2 052	906	5 043	947
- USD payable on settlement	(702)	(1 129)	(1 858)	(5 352)
- EUR receivable on settlement	138	935	920	3 697
- EUR payable on settlement	(1 390)	(12)	(2 713)	(1 180)
- RR receivable on settlement	425	197	1 261	1 210
- RR payable on settlement	(626)	(899)	(1 709)	(89)
- Other currencies receivable on settlement	186	89	86	442
- Other currencies payable on settlement	(61)	(126)	(400)	(66)
Deliverable swaps				
- USD payable on settlement	(63)	-	(95)	-
- EUR receivable on settlement	67	-	100	-
Net fair value of foreign exchange derivatives and derivatives on precious metals	**37**	**(78)**	**719**	**(440)**

As at 31 December 2009 derivative financial instruments included currency forwards with a contractual amount of USD 1 055 million (2008: USD 1 231 million) which were designated and qualified as hedges of the Group's net investment in subsidiaries of the Group that have Russian Rouble as a functional currency. The total amount of the effective portion of the foreign currency exchange gains recorded during 2009 on these hedging instruments amounted to USD 61 million (2008: gains of USD 249 million). No ineffectiveness was recorded in the profit or loss for the year in respect of the hedge. As at 31 December 2009 the negative fair value of these hedging instruments amounted to USD 3 million (2008: the positive fair value USD 229 million). No amounts were reclassified from other comprehensive income during the year, as there were no disposals of subsidiaries, which the hedges related to.

Forward positions in securities as at 31 December 2009 are summarised below. As at 31 December 2009 and 2008 the majority of respective securities' long balance sheet positions reduced risks related to securities' short forward positions. Refer to Note 8.

	2009		2008	
	Principal or agreed amount		Principal or agreed amount	
In millions of US Dollars	Sale	Purchase	Sale	Purchase
Corporate Eurobonds	346	1	172	-
Corporate bonds	177	-	151	-
Corporate shares	14	-	-	-
Eurobonds of other states	10	-	6	-
Municipal bonds	1	-	1	-
ADRs and GDRs	23	21	-	-
Total	**571**	**22**	**330**	**-**

The information on transactions with related parties is disclosed in Note 36.

35 Fair Value of Financial Instruments

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

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

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Refer to Notes 9 and 10 for the estimate fair value of due from other banks and loans and advances to customers.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The estimated fair value of balances with no stated maturity is the amount repayable on demand. Refer to Notes 15 and 16 for the estimated fair values of due to other banks and customer accounts respectively. Discount rates used were consistent with the credit risk of the individual entities depending on currency and maturity of the instrument.

Syndicated and other debt. The estimated fair value of syndicated and other debt is based on discounted cash flows using interest rates for new debts with similar remaining maturity ranging from 2.3% p.a. to 6.7% p.a. (2008: from 3.3% p.a. to 12.0% p.a.).

Debt securities issued. The fair value of traded debt has been determined by reference to published price quotations. The fair value of the rest of the debt was estimated on the basis of discounted cash flows using interest rates for similar instruments.

Subordinated debt. The fair value of traded subordinated debt has been determined by reference to published asking quotations. Refer to Note 4 for the information about the subordinated loans from VEB.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Their fair values are based on observable market prices. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data. The fair value of derivative financial instruments is disclosed in Note 34.

35 Fair Value of Financial Instruments (Continued)

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

	2009	2008
Due from other banks		
- Term placements	0.0 - 40.7	0.0 – 40.0
- Reverse sale and repurchase agreements	3.0 - 9.3	15.0 – 18.0
Loans and advances to customers		
- Corporate loans, finance lease receivables and advances on lease operations	8.0 – 21.0	6.0 - 39.3
- Loans to small and medium size enterprises	5.2 – 20.0	14.5 - 23.5
- Loans to individuals	12.7 – 34.2	10.4 - 32.7
Due to other banks		
-Correspondent accounts and overnight placements of other banks	0.0 - 13.3	0.0 - 11.9
-Term placements of other banks	0.0 - 16.3	0.0 - 22.0
-Sale and repurchase agreements with other banks	1.4 - 28.0	5.5 – 10.0
Customer accounts		
-Current/settlement accounts of corporates	0.0 - 13.0	0.0 - 13.5
-Term deposits of corporates	0.1 - 16.0	0.5 - 16.0
-Current/settlement accounts of individuals	0.0 - 7.2	0.0 - 7.3
-Term deposits of individuals	0.0 - 16.2	0.0 - 15.6
Syndicated and other debt		
- Syndicated loans	2.3	3.3 - 5.1
- Loan from SDIA	6.7	12.0
Debt securities issued (excluding quoted instruments)		
- Promissory notes and domestic bonds issued	0.0 - 16.8	0.0 - 12.0
- Notes issued under a DPR Programme	2.2 - 3.0	4.1 - 5.8
- Euro-Commercial Papers	-	8.2 - 9.0

35 Fair Value of Financial Instruments (Continued)

For financial instruments carried at fair value, the levels in the fair value hierarchy, which the fair values are attributed to, were as follows:

	2009			2008		
In millions of US Dollars	Quoted prices in active markets (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant unobservable inputs (Level 3)	Quoted prices in active markets (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with significant unobservable inputs (Level 3)
Financial assets						
Trading securities	**1 315**	**34**	**23**	**484**	**-**	**104**
- Corporate Eurobonds	497	34	23	242	-	104
- Corporate bonds	383	-	-	91	-	-
- Eurobonds of other states	347	-	-	96	-	-
- Municipal Eurobonds	40	-	-	-	-	-
- Municipal bonds	1	-	-	6	-	-
- Russian Federation Eurobonds	-	-	-	2	-	-
- Bonds of other states	-	-	-	30	-	-
- Corporate shares	30	-	-	11	-	-
- ADRs and GDRs	17	-	-	6	-	-
Repurchase receivables	**-**	**-**	**-**	**151**	**-**	**-**
- Corporate bonds	-	-	-	113	-	-
- Corporate Eurobonds	-	-	-	22	-	-
- Russian Federation Eurobonds	-	-	-	15	-	-
- Municipal bonds	-	-	-	1	-	-
Debt investment securities available for sale	**977**	**-**	**32**	**289**	**-**	**28**
- Russian Federation bonds and Eurobonds	643	-	-	150	-	-
- Corporate Eurobonds	334	-	32	110	-	28
- Corporate bonds	-	-	-	29	-	-
Repurchase receivables	**-**	**-**	**-**	**215**	**-**	**-**
- Russian Federation bonds and Eurobonds	-	-	-	215	-	-
Equity investments available for sale	**-**	**-**	**414**	**-**	**-**	**-**
Equity investments at fair value through profit and loss	**-**	**13**	**72**	**-**	**11**	**44**
Other financial assets	**9**	**54**	**42**	**102**	**889**	**-**
Foreign exchange forward contracts	-	33	-	-	714	-
Other financial derivatives	9	21	-	102	175	-
Receivables at fair value through profit or loss	-	-	42	-	-	-
Total financial assets carried at fair value	**2 301**	**101**	**583**	**1 241**	**900**	**176**

35 Fair Value of Financial Instruments (Continued)

Methods and assumptions for valuation of financial assets included in Level 2 and Level 3 of the fair valuation hierarchy

Level 2. The fair value of financial derivatives allocated to Level 2 was determined based on the discounted cash flows (DCF) models with all significant inputs observable in the market and based on adjusted market quotes for those securities with very insignificant trading volumes.

Level 3. Equity investments available for sale in the amount of USD 414 million and equity investments at fair value through profit or loss in the amount of USD 13 million allocated to Level 3 represent investments in unit funds and have been valued using the net assets values reported to the Group by the respective fund managers. These net assets values in respect of all securities held by those unit funds have been in all cases determined either on the basis of market quotes for the securities held by the unit funds where available, or on the basis of indicative quotes provided by reputable brokerage houses dealing in such unquoted securities.

The fair value of equity investments at fair value through profit or loss in the amount of USD 59 million was determined by an independent professional appraiser using DCF and peer based models.

The fair value of trading securities and debt securities available for sale allocated to Level 3 was for each security determined based on indicative quotes provided by reputable brokerage houses dealing in these securities. Although the Group has own valuation models for these securities, the lack of trading and reliable information about them makes those models highly subjective and Management uses such external quotes, where available, to value these positions.

Main assumptions used in the DCF models were future revenues, capital expenditures and operating costs of the investees, their weighted average cost of capital and forecasts of relevant main macroeconomic indicators.

	2009		**2008**	
In millions of US Dollars	**Quoted prices in active markets (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Quoted prices in active markets (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**
Financial liabilities				
Other financial liabilities	**26**	**148**	**88**	**518**
- Foreign exchange forward contracts	-	75	-	438
- Other derivative financial instruments	26	73	15	80
- Short sales of securities	-	-	73	-
Total financial liabilities carried at fair value	**26**	**148**	**88**	**518**

Level 3 sensitivity for investments valued using models. Had other reasonably possible alternative assumptions have been used for the valuation, the fair value as at 31 December 2009 of the equity investments at fair value through profit and loss with the carrying value of USD 59 million valued using DCF and peer based models would have been in the range from USD 45 million to USD 71 million.

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. Significance of a valuation input is assessed against the fair value measurement in its entirety.

35 Fair Value of Financial Instruments (Continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the year ended 31 December 2009 is as follows:

In millions of US Dollars	Trading securities	Debt investments available for sale	Equity investments available for sale	Investments at fair value through profit or loss	Other financial assets
Fair value at 1 January 2009	**104**	**28**	**-**	**44**	**-**
Gains or losses recognised in profit or loss for the year	89	(3)	-	21	-
Gains or losses recognised in other comprehensive income	-	-	13	-	-
Acquisition	89	-	401	10	42
Disposals	(125)	(4)	-	(4)	-
Redemption at nominal value	(139)	(10)	-	-	-
Coupon accrued	3	4	-	-	-
Coupon received	(3)	(4)	-	-	-
Transfers into level 3	5	21	-	1	-
Fair value at 31 December 2009	**23**	**32**	**414**	**72**	**42**
Revaluation gains less losses recognised in profit or loss for the period for assets held at 31 December 2009	**(28)**	**(8)**	**-**	**21**	**-**
Revaluation gains less losses recognised in other comprehensive income for the period for assets held at 31 December 2009	**-**	**-**	**13**	**-**	**-**

36 Related Party Transactions

For the purposes of these consolidated financial statements, parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

ABHH (Note 1) and CTF Holdings Limited and their subsidiaries constitute the Alfa Group. Banking transactions are entered into in the normal course of business with significant shareholders, directors, associated companies and companies with which the Group has significant shareholders in common, including other companies in Alfa Group and other related parties. These transactions include settlements, loans, deposit taking, guarantees, trade finance, corporate finance, foreign currency exchange and other transactions. Related party transactions are reflected in the tables below.

There were no material transactions of the Group with ABHH except disposal of JSC SB Alfa-Bank Kazakhstan (Note 1) and equity contributions from ABHH in 2009 and 2008 (Note 22).

The most significant (by volume of transactions) related parties of the Group are Alfa Group, ABH Ukraine Group (a Ukrainian banking subsidiary of ABHH), TNK-BP Limited (an oil and gas company 25% owned by Alfa Group) and Alfa DA Limited.

36 Related Party Transactions (Continued)

Alfa DA Limited (''ADA'') and its subsidiaries (“ADA Group”) is a sub-holding of Alfa Group established in 2009 and owned by ABHH. ADA’s main objective is accumulating and managing non-core assets obtained by the Group and sold to ADA in the course of restructuring of impaired loans to customers. The sale price for these non-core assets is determined by negotiations between the Group and ADA and reflects the fair value of these assets. The purchase of these assets is partially financed by the Group through loans to ADA. ADA is managed by A1 Group, a subsidiary of Alfa Group. ADA’s underlying assets form the main source of repayment of liabilities to the Group.

In 2009 the Group purchased from a subsidiary of Alfa Group investments in Pamplona Capital Partners I L.P. and Pamplona Credit Opportunities Fund (Note 11). These funds are managed by Pamplona Capital Management LLP, an independent investment manager. A member of the Board of Directors of Alfa-Bank is the Chief Executive Officer of Pamplona Capital Management LLP. The Group in both cases is an investor in the funds but has no participation in the management of the funds.

The outstanding balances as at the end of year and income and expense items as well as other transactions for the year with related parties were as follows:

	2009				
In millions of US Dollars	**TNK-BP**	**Alfa Group and its sharehol-ders (except for ABH Ukraine Group and ADA Group)**	**Key manage-ment**	**ADA Group**	**ABH Ukraine Group**
Trading securities as at the year end	**49**	**21**	**-**	**-**	**34**
Investment securities available for sale as at the year end	**11**	**21**	**-**	**-**	**-**
Correspondent accounts with other banks as at the year end	**-**	**-**	**-**	**-**	**34**
Term placements with other banks as at the year end	**-**	**3**	**-**	**-**	**291**
USD, effective contractual rate of 11.9%-40.7%	-	-	-	-	239
EUR, effective contractual rate of 9.5%-11.5%	-	3	-	-	52
Loans and advances to customers as at the year end (gross of provision for impairment)	**5**	**536**	**-**	**229**	**95**
RR, effective contractual rate of 3.6% - 25.5%	5	51	-	24	-
USD, effective contractual rate of 1.6% - 15%	-	485	-	205	26
Swiss franc, effective contractual rate of 10%	-	-	-	-	69
Provision for loan impairment as at 1 January	**-**	**-**	**-**	**-**	**-**
Provision for loan impairment during the year	-	-	-	(104)	-
Provision for loan impairment as at 31 December	**-**	**-**	**-**	**(104)**	**-**
Receivables as at the year end	**-**	**15**	**-**	**42**	**7**
Correspondent accounts of other banks as at the year end	**-**	**4**	**-**	**-**	**7**

36 Related Party Transactions (Continued)

	2009				
In millions of US Dollars	**TNK-BP**	**Alfa Group and its sharehol-ders (except for ABH Ukraine Group and ADA Group)**	**Key manage-ment**	**ADA Group**	**ABH Ukraine Group**
Customer accounts					
Current/settlement accounts as at the year end	**28**	**269**	**-**	**7**	**9**
RR, effective contractual rate of 0.0% - 5.0%	26	67	-	6	-
USD, effective contractual rate of 0.0% - 1.4%	2	75	-	1	7
EUR, effective contractual rate of 0.0% - 1.4%	-	127	-	-	2
Term deposits as at the year end	**221**	**1 219**	**3**	**9**	**-**
RR, effective contractual rate of 3.0% - 16.0%	69	274	-	9	-
USD, effective contractual rate of 3.6% - 12.0%	152	875	3	-	-
EUR, effective contractual rate of 6.3% - 10.3%	-	70	-	-	-
GBP, effective contractual rate of 5.0%	-	-	-	-	-
Payables as at the year end	**-**	**7**	**32**	**-**	**-**
Interest income for the year	**6**	**102**	**-**	**11**	**48**
Interest expense for the year	**(10)**	**(31)**	**-**	**-**	**-**
Fee and commission income for the year	**1**	**27**	**-**	**-**	**-**
Fee and commission expense for the year	**-**	**(1)**	**-**	**-**	**-**
Gains less losses arising from trading securities for the year	**-**	**(6)**	**-**	**-**	**(36)**
Gains less losses arising from trading in foreign currencies for the year	**3**	**2**	**-**	**-**	**16**
Other income for the year	**-**	**1**	**-**	**-**	**-**
Other expenses for the year	**-**	**(15)**	**(35)**	**-**	**-**
Guarantees issued by the Group as at the year end	**57**	**8**	**-**	**-**	**-**
Guarantees received by the Group as at the year end	**-**	**-**	**-**	**419**	**-**
Import letters of credit as at the year end	**-**	**-**	**-**	**-**	**9**

36 Related Party Transactions (Continued)

The outstanding balances as at 31 December 2008 and income and expense items as well as other transactions for the year ended 31 December 2008 with related parties were as follows:

	2008				
In millions of US Dollars	**TNK-BP**	**Alfa Group and its sharehol-ders (except for ABH Ukraine Group)**	**Key manage-ment**	**Associates**	**ABH Ukraine Group**
Trading securities as at the year end	**17**	**18**	**-**	**-**	**121**
Investment securities available for sale as at the year end	**7**	**3**	**-**	**-**	**45**
Term placements with other banks as at the year end	**-**	**4**	**-**	**-**	**39**
RR, effective contractual rate of 10%-18%	-	4	-	-	-
USD, effective contractual rate of 9%-15.03%	-	-	-	-	39
Loans and advances to customers as at the year end (gross of provision for impairment)	**-**	**658**	**-**	**105**	**5**
RR, effective contractual rate of 11.5% - 23%	-	218	-	-	-
USD, effective contractual rate of 10.5% - 20%	-	440	-	32	5
EUR, effective contractual rate of 9.75% - 23%	-	-	-	73	-
Provision for loan impairment as at 1 January	**-**	**-**	**-**	**(11)**	**-**
Provision for loan impairment during the year	-	-	-	(94)	-
Provision for loan impairment as at 31 December	**-**	**-**	**-**	**(105)**	**-**
Receivables as at the year end	**-**	**35**	**-**	**-**	**204**
Correspondent accounts of other banks as at the year end	**-**	**-**	**-**	**-**	**89**
Customer accounts					
Current/settlement accounts as at the year end	**84**	**191**	**3**	**-**	**3**
RR, effective contractual rate of 0.0% - 11.0%	58	76	1	-	-
USD, effective contractual rate of 0.0% - 2.1%	26	103	2	-	3
EUR, effective contractual rate of 0.0% - 4.1%	-	12	-	-	-
Term deposits as at the year end	**8**	**1 164**	**-**	**-**	**3**
RR, effective contractual rate of 3.0% - 16.0%	8	131	-	-	-
USD, effective contractual rate of 3.6% - 12.0%	-	1 020	-	-	3
EUR, effective contractual rate of 6.3% - 10.3%	-	8	-	-	-
GBP, effective contractual rate of 5.0%	-	5	-	-	-
Payables as at the year end	**-**	**6**	**9**	**-**	**20**
Interest income for the year	**1**	**101**	**-**	**4**	**12**
Interest expense for the year	**5**	**51**	**-**	**-**	**-**
Fee and commission income for the year	**1**	**35**	**-**	**-**	**-**
Fee and commission expense for the year	**-**	**2**	**-**	**-**	**-**

36 Related Party Transactions (Continued)

	2008				
In millions of US Dollars	TNK-BP	Alfa Group and its sharehol-ders (except for ABH Ukraine Group)	Key manage-ment	Associates	ABH Ukraine Group
Gains less losses arising from trading securities for the year	-	9	-	-	25
Gains less losses arising from trading in foreign currencies for the year	-	(3)	-	-	163
Other expenses for the year	-	(17)	(13)	-	-
Guarantees issued by the Group at the year end	77	10	-	-	-
Import letters of credit as at the year end	-	14	-	-	-

Key management of the Group represents members of the Board of Directors and Executive Board of the Group and Alfa-Bank. Key management compensation is presented below:

In millions of US Dollars	2009	2008
Key management compensation accrued as at the reporting date	**32**	**9**
Salaries	-	-
Bonuses	**32**	**9**
- short-term bonuses	15	3
- long-term bonuses	17	6

In millions of US Dollars	2009	2008
Key management compensation expense for the year	**35**	**13**
Salaries	6	9
Bonuses	**29**	**4**
- short-term bonuses	15	3
- long-term bonuses	14	1

Short-term bonuses represent bonuses payable immediately or shortly after they are accrued, while long-term bonuses represent bonuses payable more than 12 months after the end of the year in which the employee rendered service.

37 Business Combinations

On 28 November 2008 the Group acquired for cash 85.02% of the share capital of OJSC Bank Severnaya Kazna. In relation to the acquisition the Group received a loan from the State Deposit Insurance Agency (Note 18). The acquired subsidiary did not contribute any significant revenue or profit to the Group for the period from the date of acquisition to 31 December 2008. If the acquisition had occurred on 1 January 2008, revenue for 2008 would have been higher by USD 231 million and profit for 2008 would have been lower by USD 118 million (excluding impact of amortisation of fair value adjustments).

The consideration paid by the Group was based on a valuation of the acquiree's business taken as a whole. In accordance with IFRS 3 "Business Combinations", the Group initially accounted for the acquisition based on provisionally estimated fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed. The purchase price allocation was finalised during 2009 and is reflected in the below information on the assets and liabilities acquired and goodwill arising:

In thousands of US Dollars	**IFRS carrying amount immediately before business combination**	**Attributed fair value**
Cash and cash equivalents	82	82
Loans and advances to customers	836	831
Customer relationship	-	85
Premises and equipment	171	171
Other assets	152	155
Due to banks	(175)	(175)
Customer accounts	(869)	(893)
Other liabilities	(135)	(135)
Deferred tax liability	(2)	(13)
Fair value of net assets of subsidiary		**108**
Less: Minority interest		(15)
Fair value of acquired interest in net assets of subsidiary		**93**
Goodwill arising from the acquisition (Note 13)		93
Total purchase consideration		**186**
Less: Cash and cash equivalents of subsidiary acquired		(82)
Outflow of cash and cash equivalents on acquisition		**104**

The goodwill is primarily attributable to the profitability of the acquired business, the significant synergies and combined cost savings that are expected to arise. The fair value of assets and liabilities acquired is based on discounted cash flow models and comparable sales information.

38 Subsequent Events

In March 2010, the Group issued USD-denominated Notes with a total nominal value of USD 600 million bearing a coupon of 8% p.a. and maturity in 2015.