ABH FINANCIAL LIMITED

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

31 December 2011

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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 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

16 April 2012
Moscow, Russia

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In millions of US Dollars	Note	31 December 2011	31 December 2010
ASSETS			
Cash and cash equivalents	7	2 707	3 182
Mandatory cash balances with central banks		316	189
Trading securities	8	1 206	1 426
Repurchase receivables relating to trading securities	8	568	914
Due from other banks	9	2 242	2 754
Loans and advances to customers	10	21 804	16 795
Investments	11	1 381	2 108
Other financial assets	12	576	474
Other assets	13	221	287
Premises and equipment	14	340	304
Deferred tax asset	29	4	45
TOTAL ASSETS		**31 365**	**28 478**
LIABILITIES			
Due to other banks	15	2 384	2 097
Customer accounts	16	18 254	16 812
Debt securities issued	17	4 619	4 107
Syndicated and other debt	18	396	190
Subordinated debt	19	1 335	1 395
Other financial liabilities	20	533	332
Other liabilities	21	353	327
Deferred tax liability	29	56	139
TOTAL LIABILITIES		**27 930**	**25 399**
EQUITY			
Share capital	22	1 265	1 265
Fair value reserve for investments available for sale		(15)	55
Revaluation reserve for premises and equipment		28	30
Cumulative translation reserve		(416)	(331)
Retained earnings		2 572	2 060
Net assets attributable to the Company's owners		**3 434**	**3 079**
Non-controlling interests		**1**	**-**
TOTAL EQUITY		**3 435**	**3 079**
TOTAL LIABILITIES AND EQUITY		**31 365**	**28 478**

These consolidated financial statements were approved for issue by the Board of Directors of ABH Financial Limited on 16 April 2012 and any further changes require approval of this body.

	Note	2011	2010
Interest income	23	2 625	2 320
Interest expense	23	(1 169)	(972)
Expenses directly attributable to leasing and deposit insurance	23	(42)	(41)
Net margin		**1 414**	**1 307**
Provision for loan impairment	10	(148)	(370)
Net margin after provision for loan impairment		**1 266**	**937**
Fee and commission income	24	617	436
Fee and commission expense	24	(162)	(119)
Gains less losses arising from trading securities		(42)	70
Gains less losses arising from interest based derivatives		6	(15)
Gains less losses arising from foreign currencies and precious metals	25	(18)	57
Gains less losses arising from investments	11	49	87
Gains less losses arising from acquisition of own debts	26	-	(5)
Other provisions	12,33	(6)	12
Other operating income	27	29	82
Operating expenses	28	(977)	(842)
Profit before tax		**762**	**700**
Income tax expense	29	(121)	(147)
Profit for the year		**641**	**553**
Other comprehensive income/(loss):			
Available for sale investments:			
- Fair value gains less losses during the year	11	(73)	52
- Reclassification adjustments for losses included in profit or loss	11	(4)	(54)
Revaluation of premises and equipment	14	-	4
Effect of translation of the financial statements of foreign operations		(161)	(41)
Net change in hedge of net investment in foreign operations	34	76	14
Income tax recorded directly in other comprehensive income	29	7	3
Other comprehensive loss for the year		**(155)**	**(22)**
Total comprehensive income for the year		**486**	**531**
Profit is attributable to:			
The Company's owners		641	550
Non-controlling interests		-	3
Profit for the year		**641**	**553**
Total comprehensive income is attributable to:			
The Company's owners		486	528
Non-controlling interests		-	3
Total comprehensive income for the year		**486**	**531**

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 and equipment**	**Cumulative translation reserve**	**Retained earnings**	**Total**		
Balance as at 1 January 2010	**1 265**	**54**	**33**	**(304)**	**1 647**	**2 695**	3	**2 698**
Profit for the year	-	-	-	-	550	550	3	553
Other comprehensive loss for the year	-	1	4	(27)	-	(22)	-	(22)
Total comprehensive income for the year	-	1	4	(27)	550	528	3	531
Realised revaluation reserve	-	-	(7)	-	7	-	-	-
Dividends declared (Note 22)	-	-	-	-	(150)	(150)	-	(150)
Acquisition of non-controlling interest	-	-	-	-	6	6	(6)	**-**
Balance as at 31 December 2010	**1 265**	**55**	**30**	**(331)**	**2 060**	**3 079**	**-**	**3 079**
Profit for the year	-	-	-	-	641	641	-	641
Other comprehensive loss for the year	-	(70)	-	(85)	-	(155)	-	(155)
Total comprehensive income for the year	-	(70)	-	(85)	641	486	-	486
Realised revaluation reserve	-	-	(2)	-	2	-	-	-
Dividends declared (Note 22)	-	-	-	-	(131)	(131)	-	(131)
Acquisition of subsidiary	-	-	-	-	-	-	1	1
Balance as at 31 December 2011	**1 265**	**(15)**	**28**	**(416)**	**2 572**	**3 434**	**1**	**3 435**

In millions of US Dollars	Note	2011	2010
Cash flows from operating activities			
Interest received		2 684	2 254
Interest paid, other than on debt securities issued, syndicated and other debt and subordinated debt		(693)	(606)
Expense directly attributable to the lending operations		(42)	(39)
Fees and commissions received		619	428
Fees and commissions paid		(163)	(121)
Net income received from trading securities		(37)	80
Net income received from trading in foreign currencies		85	(196)
Net income received from interest rate derivatives		(6)	(22)
Other operating income received		26	71
Staff costs paid		(550)	(438)
Other operating expenses paid		(365)	(283)
Income tax paid		(59)	(193)
Cash flows from operating activities before changes in operating assets and liabilities		**1 499**	**935**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with central banks		(151)	(43)
Net decrease/(increase) in trading securities and repurchase receivables		486	(1 025)
Net decrease/(increase) in due from other banks		497	(502)
Net increase in loans and advances to customers		(6 126)	(3 706)
Net increase in other assets and other financial assets		(41)	(20)
Net increase in due to other banks		370	1 010
Net increase in customer accounts		2 181	3 381
Net increase/(decrease) in other liabilities and other financial liabilities		17	(65)
Net cash used in operating activities		**(1 268)**	**(35)**
Cash flows from investing activities			
Acquisition of investments available for sale		(620)	(795)
Proceeds from disposal and redemption of investments available for sale		1 029	509
Acquisition of investments at fair value through profit or loss		-	(11)
Disposal of investments at fair value through profit or loss		40	13
Acquisition of investments held to maturity		(49)	(411)
Proceeds from redemption of investments held to maturity		251	93
Acquisition of premises, equipment and intangible assets		(118)	(61)
Proceeds from disposal of premises, equipment and intangible assets		8	31
Dividend income received		1	1
Net cash from/(used in) investing activities		**542**	**(631)**
Cash flows from financing activities			
Proceeds from syndicated and other debt		247	-
Repayment of syndicated and other debt		(32)	(99)
Interest paid on syndicated and other debt		(12)	(13)
Proceeds from debt securities issued		2 323	3 260
Repayment of debt securities issued		(1 750)	(759)
Interest paid on debt securities in issue		(324)	(166)
Repayment of subordinated debt		(9)	(185)
Interest paid on subordinated debt		(119)	(116)
Net cash from financing activities		**324**	**1 922**
Net (decrease)/increase in cash and cash equivalents		**(402)**	**1 256**
Cash and cash equivalents at the beginning of the year	7	3 182	1 966
Effect of exchange rate changes on cash and cash equivalents		(73)	(40)
Cash and cash equivalents at the end of the year	**7**	**2 707**	**3 182**

1 Introduction

ABH Financial Limited (the "Company") and its subsidiaries (the "Group") comprise three main 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 a limited liability company originally registered in the British Virgin Islands and since 4 April 2011 registered in the Republic of Cyprus. The Company is wholly owned by ABH Russia Limited ("ABHR"), a Cyprus company, which is in turn a wholly owned subsidiary of ABH Holdings S.A. ("ABHH"), a Luxembourg 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 also own a 100% interest in CTF Holdings Limited ("CTFH"). ABHH and CTFH are parent companies of Alfa Group.

The Company is registered at Elenion Building, 5 Themistocles Dervis Street, 2nd floor, CY-1066 Nicosia, Cyprus.

As at 31 December 2011 the Group had 465 offices (including branches, regional branches and outlets), most of which were operated by Alfa-Bank (2010: 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 subsidiary is Amsterdam Trade Bank N.V. (Netherlands). In March 2011 Alfa-Bank started the legal merger with OJSC Bank Severnaya Kazna, which was successfully completed in June 2011. As a result of the procedure OJSC Bank Severnaya Kazna ceased to exist as a separate legal entity and all its assets and liabilities were transferred to Alfa-Bank.

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.

Alfa-Bank is the parent company of Alfa Capital Holdings (Cyprus) Limited which is 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. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by banks operating in the Russian Federation (Note 33).

2 Operating Environment of the Group (Continued)

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period, and applied the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Refer to Note 4.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

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 and equipment, 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.

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 has Russian Roubles as its functional currency, as its 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 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.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debts are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed. 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.

3 Summary of Significant Accounting Policies (Continued)

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

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 interest 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 interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interest. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

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.

When control over a foreign operation is lost, 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 as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

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 2011 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 32.1961 (2010: USD 1 = RR 30.4769), the average exchange rate was USD 1 = RR 29.3874 (2010: USD 1 = RR 30.3692).

3 Summary of Significant Accounting Policies (Continued)

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.

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 consolidated statement of financial position.

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.

3 Summary of Significant Accounting Policies (Continued)

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.

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. Cash and cash equivalents are carried at amortised cost.

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.

The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

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.

Impairment of financial assets carried at amortised cost. The Group assesses at the end of each reporting period 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.

3 Summary of Significant Accounting Policies (Continued)

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.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always 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.

3 Summary of Significant Accounting Policies (Continued)

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 acquisition method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation).

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 market 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 or loss for the year.

Impairment losses are recognised in profit or 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 or 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.

3 Summary of Significant Accounting Policies (Continued)

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"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. The securities are not reclassified in the consolidated 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 income 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 consolidated 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.

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Investment securities held to maturity are carried at amortised cost.

Goodwill. 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 an operating 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.

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

Premises of the Group and equipment under operating lease 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 end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises and equipment under operating lease 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.

3 Summary of Significant Accounting Policies (Continued)

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.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

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.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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. Operating leases include long-term leases of land with rental payments contingent on cadastral values regularly reviewed by the government.

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.

3 Summary of Significant Accounting Policies (Continued)

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.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Group uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

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.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

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.

3 Summary of Significant Accounting Policies (Continued)

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.

Starting January 2011 the Group started to apply hedge accounting for its existing hedge by foreign currency exchange forward contracts of part of the Group's net investment in subsidiaries of the Group that have Russian Rouble as a functional currency.

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 hedge effectiveness is measured by reference to changes in RR/USD spot rates. Only the change in the fair value of the foreign currency exchange forward contracts due to changes in spot rates is reported in other comprehensive income and the remaining change in the fair value of those contracts is included in profit or loss.

Accumulated hedge gains or losses recorded through other comprehensive income are recycled from other comprehensive income to profit or loss in the period 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.

3 Summary of Significant Accounting Policies (Continued)

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.

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.

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. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

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 segments are reported separately.

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:

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 137 million (2010: USD 138 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.

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.

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. The US Dollar is also the currency in which their business risks and exposures are managed and the performance of their business is measured.

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

Accounting for subordinated loans from VEB. The Russian government provided assistance to the Russian financial system by instructing the Russian State Corporation Bank Razvitiya i Vneshneekonomicheskoy Deyatelnosti ("VEB") to grant subordinated loans to selected banks. This was done through Federal Law 173-FZ of 13 October 2008 "On additional measures aimed at supporting the financial system of the Russian Federation".

On 29 January 2009 the Group received a subordinated loan from VEB in the amount of RR 10 201 million (equivalent of USD 307 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 (equivalent of USD 8 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 (equivalent of USD 994 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 the 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. In June 2010 the first deputy CEO of VEB was appointed to the Board of Directors of Alfa-Bank.

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 recognised and subsequently carried in the consolidated 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.

Accounting for change of interest rates on the subordinated loans from VEB. In accordance with amendments to the Federal Law 173-FZ approved in July 2010, since 25 August 2010 the interest rates on the above subordinated loans were reduced from 8% per annum to 6.5% per annum on the loan maturing on 25 December 2019 and from 9.5% to 7.5% on the loan maturing on 25 December 2020. All other terms of these loans remain unchanged.

The Group accounted for such reduction in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". The revised carrying value of the loans as at 25 August 2010 of USD 1 148 million represented the future revised cash flows relating to the loans discounted at the loans' original effective interest rate. The difference in the amount of USD 157 million between the previous and revised carrying value of the loans was recorded on 25 August 2010 as government grant deferred income within other liabilities and is amortised through interest expense until the loans' maturity dates. Refer to Note 21.

The Group could have accounted for the above reduction of interest rates in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and the difference between the previous and revised carrying value of the loans would be recorded in full in the profit or loss in the consolidated statement of comprehensive income for the year ended 31 December 2010.

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

Accounting for investment in PAO Alfa-Bank Ukraine. During 2010 - 2011 the Group acquired for cash consideration of USD 116 million newly issued shares of PAO Alfa-Bank Ukraine, a subsidiary of ABH Ukraine Group, and simultaneously entered into a sale and purchase agreement with ABH Ukraine Limited, parent of ABH Ukraine Group, which is wholly owned and controlled by ABHH (Note 1), whereby (i) the Group agreed to transfer immediately to ABH Ukraine Limited all voting rights, rights for representation in governance bodies of PAO Alfa-Bank Ukraine and rights for future distributions arising from the shares, (ii) the Group agreed not to transfer the shares to any other party other than ABH Ukraine Limited and (iii) the Group and ABH Ukraine agreed to execute transfer of the shares from the Group to ABH Ukraine Limited at any date indicated by the Group or by ABH Ukraine Limited but before 31 December 2014 and in exchange for payment by ABH Ukraine of USD 116 million consideration. The performance of ABH Ukraine under the above contract was guaranteed by ABHH.

The management of the Group concluded that as a result of the above transactions the Group in substance purchased and immediately sold the shares. The balance receivable from the ABH Ukraine Limited in the amount of USD 116 million was recorded within other financial assets and carries no interest.

During December 2011 the balance receivable from ABH Ukraine Limited of USD 116 million was assigned to ABH Russia Limited. On 31 December 2011 the balance receivable from ABH Russia Limited of USD 116 million was netted against dividends payable to ABH Russia Limited (Note 22).

Balances receivable from ABH Ukraine Group. As at 31 December 2011 and 2010 the Group had balances outstanding from ABH Ukraine Group (Note 36). The majority of these obligations is guaranteed by ABHH and ABH Russia Limited, shareholders of the Group (Note 1). The recent global financial crisis had a significant negative impact on Ukraine and the financial position of ABH Ukraine Group. Taking into account the support of ABH Ukraine Group by ABHH, the management of the Group concluded that the balances receivable from ABH Ukraine Group will be repaid in accordance with their contractual terms.

Accounting for investment in ABH Russia Limited. During 2011 the Group acquired for cash consideration of USD 93 million shares of ABH Russia Limited, the immediate parent of the Group, and simultaneously entered into a sale and purchase agreement with ABHH (Note 1), whereby (i) the Group agreed to transfer immediately to ABHH all voting rights, rights for representation in governance bodies of ABH Russia Limited and rights for future distributions arising from the shares, (ii) the Group agreed not to transfer the shares to any other party other than ABHH and (iii) the Group and ABHH agreed to execute transfer of the shares from the Group to ABHH at any date indicated by the Group or by ABHH but before 31 December 2014 and in exchange for payment by ABHH of USD 93 million consideration.

The management of the Group concluded that as a result of the above transactions the Group in substance purchased and immediately sold the shares. The balance receivable from ABHH in the amount of USD 93 million was recorded within other financial assets and carries no interest.

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

The following new standards and interpretations became effective for the Group from 1 January 2011:

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. As a result of the revised standard, the Group now also discloses contractual commitments to purchase and sell goods or services to its related parties.

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

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements. The financial effect of collateral required to be disclosed by the amendments to IFRS 7 is presented in these consolidated financial statements by disclosing impact of collateral and other credit enhancements on impairment provisions recognised at the end of the reporting period.

Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

Other revised standards and interpretations effective for the current period. IFRIC 19 "Extinguishing financial liabilities with equity instruments", amendments to IAS 32 on classification of rights issues, clarifications in IFRIC 14 "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" relating to prepayments of minimum funding requirements and amendments to IFRS 1 "First-time adoption of IFRS", did not have any impact on these consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2012 or later, and which the Group has not early adopted.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard 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.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (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.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, 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.

IFRS 10, Consolidated Financial Statements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities - Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on its consolidated financial statements.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013) was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment is not expected to have any impact on the Group's consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements, (issued June 2011, effective for annual periods beginning on or after 1 July 2012) changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The Group expects the amended standard to change presentation of its consolidated financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits, (issued in June 2011, effective for periods beginning on or after 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

Other revised standards and interpretations. The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, will not have any impact on these financial statements. The amendment to IAS 12 "Income taxes", which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, will not have any impact on these financial statements. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, considers when and how to account for the benefits arising from the stripping activity in mining industry. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

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

7 Cash and Cash Equivalents

In millions of US Dollars	2011	2010
Cash on hand	769	557
Cash balances with central banks (other than mandatory cash balances)	749	990
Correspondent and settlement accounts with banks and financial institutions		
- Russian Federation	132	95
- Europe and USA	620	947
- Other countries	5	2
Overnight placements with other banks		
- Russian Federation	332	401
- Other countries	100	190
Total cash and cash equivalents	**2 707**	**3 182**

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. 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	2011	2010
Neither past due nor impaired		
- limit above USD 100 million	430	449
- limit below USD 100 million	2	142
Total overnight placements	**432**	**591**

As at 31 December 2011 the ten largest aggregate balances on correspondent and settlement accounts and overnight placements with other banks and financial institutions amounted to USD 1 164 million (2010: USD 1 549 million) or 97.9% (2010: 94.7%) 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	2011	2010
Trading securities		
Corporate bonds	576	630
Corporate Eurobonds	238	421
Municipal bonds	153	15
Promissory notes	77	190
Russian Federation Bonds and Eurobonds	74	2
Eurobonds of other states	16	30
Bonds of other states	2	56
Total debt trading securities	**1 136**	**1 344**
Corporate shares	47	44
ADRs and GDRs	23	38
Total trading securities	**1 206**	**1 426**
Repurchase receivables		
Corporate Eurobonds	304	442
Russian Federation Bonds and Eurobonds	196	201
Eurobonds of other states	30	-
Municipal bonds	27	102
Corporate bonds	8	164
Repurchase receivables relating to debt securities	**565**	**909**
Corporate shares	3	-
ADRs and GDRs	-	5
Total repurchase receivables relating to trading securities	**568**	**914**
Total trading securities and repurchase receivables	**1 774**	**2 340**

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.

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 2011 these bonds have maturity dates ranging from February 2012 to November 2023 (2010: February 2011 to February 2041), coupon rates from 6.9% to 19.0% p.a. (2010: from 0.1% to 19.0% p.a.) and yields to maturity from 1.2% to 21.5% p.a. (2010: from 1.5% to 14.6%p.a.), depending on the type of bond issue.

Corporate Eurobonds are interest-bearing securities denominated in US Dollars, Russian Roubles, Euros and Swiss Franc, issued mainly by large Russian and CIS companies and freely tradable internationally. As at 31 December 2011 these bonds have maturity dates ranging from February 2012 to June 2035 (2010: from February 2011 to January 2035), coupon rates from 0% to 13.0% p.a. (2010: from 1.3% to 15% p.a.) and yields to maturity from 4.3% to 32.5% p.a. (2010: from 2.5% to 62.5% p.a.), depending on the type of bond issue.

8 Trading Securities and Repurchase Receivables (Continued)

Municipal bonds are interest-bearing securities issued by Moscow City Government and Moscow Region Government, denominated in Russian Roubles and freely tradable in the Russian Federation. As at 31 December 2011 these bonds have maturity dates ranging from April 2014 to June 2022 (2010: from September 2013 to June 2022), coupon rate at 8.0% p.a. (2010: from 8.0% to 15.0% p.a.) and yields to maturity from 8.3% to 9.2% p.a. (2010: from 7.3% to 9.2% p.a.), depending on the type of bond issue.

Promissory notes are non interest-bearing securities issued by large Russian banks and international companies, denominated in Russian Roubles and US Dollars and freely tradable in the Russian Federation. As at 31 December 2011 these securities have maturity dates ranging from February 2012 to August 2012 (2010: from March 2011 to August 2012), and yields to maturity from 5.2% to 15.5% p.a. (2010: from 5.5% to 29.0% p.a.).

Russian Federation bonds and Eurobonds are interest-bearing securities issued by Ministry of Finance of the Russian Federation, denominated in US Dollars and Russian Roubles and freely tradable internationally. As at 31 December 2011 these bonds have maturity dates ranging from March 2013 to June 2028 (2010: from October 2012 to March 2030), coupon rates from 6.9% to 12.8% p.a. (2010: from 3.6% to 12.7% p.a.) and yields to maturity from 6.0% to 8.3% p.a. (2010: from 4.1% to 7.6% p.a.), depending on the type of bond issue.

Analysis by credit quality of debt trading securities and repurchase receivables was as follows as at 31 December 2011:

In millions of US Dollars	**Corporate Eurobonds**	**Corporate bonds**	**Promis-sory notes**	**Russian Federation bonds and Eurobonds**	**Municipal bonds**	**Bonds of other states**	**Eurobonds of other states**	**Total**
Neither past due nor impaired (at fair value)								
-limit above USD 50 million	31	243	72	157	-	2	30	535
-limit from USD 10 to 50 million	163	35	-	-	-	-	-	198
-position hedged by derivatives	335	301	5	113	180	-	16	950
-other	13	5	-	-	-	-	-	18
Total debt trading securities and repurchase receivables	**542**	**584**	**77**	**270**	**180**	**2**	**46**	**1 701**

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 2010:

In millions of US Dollars	Corporate Euro-bonds	Corporate bonds	Promis-sory notes	Russian Federa-tion bonds and Euro-bonds	Municipal bonds	Bonds of other states	Euro-bonds of other states	Total
Neither past due nor impaired (at fair value)								
- limit above USD 50 million	127	416	88	54	15	44	30	774
- limit from USD 10 to 50 million	174	160	102	-	-	-	-	436
- position hedged by derivatives	549	218	-	149	102	12	-	1 030
- other	12	-	-	-	-	-	-	12
Total neither past due nor impaired debt trading securities and repurchase receivables	**862**	**794**	**190**	**203**	**117**	**56**	**30**	**2 252**
Past due (at fair value)								
- 180-360 days overdue	1	-	-	-	-	-	-	1
Total debt trading securities and repurchase receivables	**863**	**794**	**190**	**203**	**117**	**56**	**30**	**2 253**

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 2011 and 2010 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.

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. 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	2011	2010
Term placements with other banks	1 446	2 357
Reverse sale and repurchase agreements with other banks	664	149
Subordinated loan to PAO Alfa Bank Ukraine	132	248
Total due from other banks	**2 242**	**2 754**

In July 2010 the Group purchased from a subsidiary of ABH Ukraine Group (Note 36) for USD 248 million a subordinated loan outstanding from PAO Alfa-Bank Ukraine with total principal amount of USD 248 million, interest rate of 5.75% p.a. and maturity dates in 2016-2017. During 2011 the subordinated loan was partly repaid. The loan is guaranteed by ABH Russia Limited (Note 1).

As at 31 December 2011 reverse sale and repurchase agreements with other banks were effectively collateralised by securities with estimated fair value of USD 730 million (2010: USD 154 million), all of which the Group had the right to sell or repledge.

As at 31 December 2011 the ten largest aggregate balances due from other banks amounted to USD 1 752 million (2010: USD 2 089 million) or 78.1% (2010: 75.9%) of total due from other banks.

Analysis by credit quality of amounts due from other banks outstanding as at 31 December 2011 was as follows:

In millions of US Dollars	Term placements with other banks	Reverse sale and repurchase agreements with other banks	Subordinated loan to PAO Alfa Bank Ukraine	Total
Neither past due nor impaired				
- limit above USD 200 million	768	255	-	1 023
- limit from USD 100 to 200 million	177	226	-	403
- limit below USD 100 million	501	183	-	684
- subordinated loan to PAO Alfa-Bank Ukraine	-		132	132
Total due from other banks	**1 446**	**664**	**132**	**2 242**

Analysis by credit quality of amounts due from other banks outstanding as at 31 December 2010 was as follows:

In millions of US Dollars	Term placements with other banks	Reverse sale and repurchase agreements with other banks	Subordinated loan to PAO Alfa-Bank Ukraine	Total
Neither past due nor impaired				
- limit above USD 200 million	1 308	-	-	1 308
- limit from USD 100 to 200 million	487	11	-	498
- limit below USD 100 million	562	138	-	700
- Subordinated loan to PAO Alfa-Bank Ukraine	-	-	248	248
Total due from other banks	**2 357**	**149**	**248**	**2 754**

9 Due from Other Banks (Continued)

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. The subordinated loan to PAO Alfa-Bank Ukraine is guaranteed by ABH Russia Limited (Note 1) and is presented separately in the above analysis.

As at 31 December 2011 included within term placements with other banks are deposits placed under the Diversified Payment Rights Secured Debt Issuance Programme in the amount of USD 28 million (2010: USD 75 million). Refer to Note 17.

As at 31 December 2011 included within term placements with other banks are margin call deposits in the amount of USD 223 million (2010: USD 273 million) placed as collateral under transactions with derivatives and operations with securities. Refer to Note 33.

As at 31 December 2011 and 2010 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	2011	2010
Corporate loans	18 041	14 348
Reverse sale and repurchase receivables	1 075	242
Finance lease receivables	719	1 034
Loans to small and medium-size enterprises (“SMEs”)	572	240
Advances on lease operations	10	25
Total gross loans and advances to corporate customers	**20 417**	**15 889**
Less: Provision for loan impairment	(1 310)	(1 324)
Total loans and advances to corporate customers	**19 107**	**14 565**
Loans to individuals - Credit cards and personal instalment loans (“PILs”)	1 370	824
Loans to individuals - Consumer loans	924	856
Loans to individuals - Mortgage loans	321	355
Loans to individuals - Car loans	90	216
Reverse sale and repurchase receivables	50	35
Total gross loans and advances to individuals	**2 755**	**2 286**
Less: Provision for loan impairment	(58)	(56)
Total loans and advances to individuals	**2 697**	**2 230**
Total loans and advances to customers	**21 804**	**16 795**

10 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during 2011 were as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Advances on lease operations	Loans to individuals				Total
					Credit cards and PILs	Consumer loans	Mortgage loans	Car loans	
Provision for loan impairment as at 1 January 2011	**1 098**	**204**	**20**	**2**	**17**	**24**	**10**	**5**	**1 380**
Provisions during the year	148	(81)	52	(1)	33	56	7	1	215
Amounts written off as uncollectible	(38)	(32)	(1)	-	(27)	(46)	(9)	(4)	(157)
Effect of translation to functional currency	8	-	-	-	-	-	-	-	8
Effect of translation to presentation currency	(55)	(11)	(3)	-	(2)	(5)	(2)	-	(78)
Provision for loan impairment as at 31 December 2011	**1 161**	**80**	**68**	**1**	**21**	**29**	**6**	**2**	**1 368**

Movements in the provision for loan impairment during 2010 were as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Advances on lease operations	Loans to individuals				Total
					Credit cards and PILs	Consumer loans	Mortgage loans	Car loans	
Provision for loan impairment as at 1 January 2010	**1 173**	**195**	**26**	**9**	**51**	**17**	**20**	**13**	**1 504**
Provisions during the year	316	62	(5)	(7)	8	35	7	6	422
Amounts written off as uncollectible	(375)	(50)	-	-	(40)	(27)	(16)	(14)	(522)
Effect of translation to functional currency	(11)	-	-	-	-	-	-	-	(11)
Effect of translation to presentation currency	(5)	(3)	(1)	-	(2)	(1)	(1)	-	(13)
Provision for loan impairment as at 31 December 2010	**1 098**	**204**	**20**	**2**	**17**	**24**	**10**	**5**	**1 380**

The provision for loan impairment during 2011 differs from the amount presented in profit or loss for the year due to USD 67 million (2010: USD 52 million) recovery during 2011 of amounts previously written off as uncollectible. This amount was credited directly to the provisions line in profit or loss for the year.

10 Loans and Advances to Customers (Continued)

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

	2011		2010	
In millions of US Dollars	**Amount**	**%**	**Amount**	**%**
Trade and commerce	3 614	16	2 069	11
Individuals	2 755	12	2 286	14
Construction	2 340	10	2 064	11
Finance and investment companies	2 234	10	1 067	6
Ferrous metallurgy	1 870	8	1 470	8
Power generation	1 551	7	1 751	10
Armament production	1 468	6	964	5
Food industry	997	4	1 055	6
Oil industry	958	4	618	3
Railway transport	929	4	1 471	8
Coal Industry	881	4	193	1
Nuclear industry	617	3	866	5
Mass media and telecommunications	448	2	212	1
Aviation transport	357	1	391	2
Agriculture	285	1	139	1
Non-ferrous metallurgy	253	1	325	2
Machinery and metal working	233	1	394	2
Chemistry and petrochemistry	166	1	125	1
Diamond extraction and processing	141	1	30	-
Water transport	103	-	54	-
Natural gas industry	73	-	41	-
Timber industry	24	-	44	-
Other	875	4	546	3
Total gross loans and advances to customers	**23 172**	**100**	**18 175**	**100**

As at 31 December 2011 aggregate loans and advances to the ten largest borrowers (or groups of related borrowers) amounted to USD 5 370 million (2010: USD 5 145 million) or 23.2% (2010: 28.3%) 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 8 291 million (2010: USD 8 039 million) or 35.8% (2010: 44.2%) of the gross loans and advances to customers.

As at 31 December 2011 loans and advances to customers in the total amount of USD 161 million (2010: USD 158 million) were pledged as collateral for the financing received from the State Deposit Insurance Agency (Note 18).

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to corporate customers outstanding as at 31 December 2011 was as follows:

In millions of US Dollars	Corporate loans	Reverse sale and repurchase receivables	Finance lease receivables	Loans to SMEs	Advances on lease operations	Total
Neither past due nor impaired						
- Rating I	2 063	-	84	11	-	2 158
- Rating II	5 012	240	91	150	2	5 495
- Rating III	8 439	835	111	319	8	9 712
- Rating IV	1 557	-	298	37	-	1 892
Total gross neither past due nor impaired	**17 071**	**1 075**	**584**	**517**	**10**	**19 257**
Past due but not impaired						
- less than 30 days overdue	25	-	-	23	-	48
Total gross past due but not impaired	**25**	**-**	**-**	**23**	**-**	**48**
Individually determined to be impaired						
- not past due	536	-	112	9	-	657
- less than 30 days overdue	49	-	-	-	-	49
- 30 to 90 days overdue	75	-	23	1	-	99
- 90 to 180 days overdue	21	-	-	1	-	22
- 180-360 days overdue	57	-	-	17	-	74
- over 360 days overdue	207	-	-	4	-	211
Total gross individually impaired loans	**945**	**-**	**135**	**32**	**-**	**1 112**
Total gross loans and advances	**18 041**	**1 075**	**719**	**572**	**10**	**20 417**
Provision for loan impairment	**(1 161)**	**-**	**(80)**	**(68)**	**(1)**	**(1 310)**
Total loans and advances to corporate customers	**16 880**	**1 075**	**639**	**504**	**9**	**19 107**

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.

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 2011 was as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Total
- past due instalments	421	19	33	473
- current portion of past due loans	13	4	13	30
Total past due loans and advances to corporate customers	**434**	**23**	**46**	**503**

Analysis by credit quality of loans to corporate customers outstanding as at 31 December 2010 was as follows:

In millions of US Dollars	Corporate loans	Reverse sale and repurchase receivables	Finance lease receivables	Loans to SMEs	Advances on lease operations	Total
Neither past due nor impaired						
- Rating I	1 475	4	72	-	-	1 551
- Rating II	4 981	238	45	93	6	5 363
- Rating III	5 933	-	131	136	19	6 219
- Rating IV	397	-	2	2	-	401
- Loans renegotiated in 2010	623	-	410	-	-	1 033
Total gross neither past due nor impaired	**13 409**	**242**	**660**	**231**	**25**	**14 567**
Past due but not impaired						
- less than 30 days overdue	13	-	-	-	-	13
Total gross past due but not impaired	**13**	**-**	**-**	**-**	**-**	**13**
Individually determined to be impaired						
- not past due	293	-	274	1	-	568
- 30 to 90 days overdue	20	-	85	-	-	105
- 90 to 180 days overdue	40	-	-	-	-	40
- 180-360 days overdue	174	-	-	-	-	174
- over 360 days overdue	399	-	15	8	-	422
Total gross individually impaired loans	**926**	**-**	**374**	**9**	**-**	**1 309**
Total gross loans and advances	**14 348**	**242**	**1 034**	**240**	**25**	**15 889**
Provision for loan impairment	**(1 098)**	**-**	**(204)**	**(20)**	**(2)**	**(1 324)**
Total loans and advances to corporate customers	**13 250**	**242**	**830**	**220**	**23**	**14 565**

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 2010 was as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Loans to SMEs	Total
- past due instalments	472	88	8	568
- current portion of past due loans	174	12	-	186
Total past due loans and advances to corporate customers	**646**	**100**	**8**	**754**

Analysis by credit quality of loans to individuals outstanding as at 31 December 2011 was as follows:

In millions of US Dollars	Credit cards and PILs	Consumer loans	Mortgage loans	Car loans	Reverse sale and repurchase receivables	Total
Neither past due nor impaired	1 338	881	307	86	50	2 662
Total gross neither past due nor impaired	**1 338**	**881**	**307**	**86**	**50**	**2 662**
Past due but not impaired						
- less than 30 days overdue	17	19	5	2	-	43
Total gross past due but not impaired	**17**	**19**	**5**	**2**	**-**	**43**
Individually determined to be impaired						
- 30 to 90 days overdue	8	12	3	1	-	24
- 90 to 180 days overdue	7	12	1	1	-	21
- over 360 days overdue	-	-	5	-	-	5
Total gross individually impaired loans	**15**	**24**	**9**	**2**	**-**	**50**
Total gross loans and advances to individuals	**1 370**	**924**	**321**	**90**	**50**	**2 755**
Provision for loan impairment	**(21)**	**(29)**	**(6)**	**(2)**	**-**	**(58)**
Total loans and advances to individuals	**1 349**	**895**	**315**	**88**	**50**	**2 697**

Neither past due nor impaired loans to individuals represent loans without signs of individual impairment and originated on the basis of defined underwriting procedures (Note 31).

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.

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 2011 was as follows:

In millions of US Dollars	Credit cards and PILs	Consumer loans	Mortgage loans	Car loans	Total
- past due instalments	9	18	5	1	33
- current portion of past due loans	23	25	9	3	60
Total past due loans and advances to individuals	**32**	**43**	**14**	**4**	**93**

Analysis by credit quality of loans to individuals outstanding as at 31 December 2010 was as follows:

In millions of US Dollars	Credit cards and PILs	Consumer loans	Mortgage loans	Car loans	Reverse sale and repurchase receivables	Total
Neither past due nor impaired	797	820	329	203	35	2 184
Total gross neither past due nor impaired	**797**	**820**	**329**	**203**	**35**	**2 184**
Past due but not impaired						
- less than 30 days overdue	13	16	6	7	-	42
Total gross past due but not impaired	**13**	**16**	**6**	**7**	**-**	**42**
Individually determined to be impaired						
- 30 to 90 days overdue	6	10	5	3	-	24
- 90 to 180 days overdue	8	10	4	3	-	25
- 180 to 360 days overdue	-	-	1	-	-	1
- over 360 days overdue	-	-	10	-	-	10
Total gross individually impaired loans	**14**	**20**	**20**	**6**	**-**	**60**
Total gross loans and advances to individuals	**824**	**856**	**355**	**216**	**35**	**2 286**
Provision for loan impairment	**(17)**	**(24)**	**(10)**	**(5)**	**-**	**(56)**
Total loans and advances to individuals	**807**	**832**	**345**	**211**	**35**	**2 230**

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 2010 was as follows:

In millions of US Dollars	Credit cards and PILs	Consumer loans	Mortgage loans	Car loans	Total
- past due instalments	12	15	12	2	41
- current portion of past due loans	15	21	14	11	61
Total past due loans and advances to individuals	**27**	**36**	**26**	**13**	**102**

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 at 31 December 2011	**186**	**555**	**316**	**1 057**
Less future finance income on finance leases	(47)	(229)	(62)	(338)
Net investment in finance leases at 31 December 2011	**139**	**326**	**254**	**719**
Gross finance lease receivable at 31 December 2010	**262**	**973**	**179**	**1 414**
Less future finance income on finance leases	(50)	(294)	(36)	(380)
Net investment in finance leases at 31 December 2010	**212**	**679**	**143**	**1 034**

The financial effect of collateral is presented by disclosing impact of collateral and other credit enhancements on impairment provisions recognised at the end of the reporting period. Without holding collateral and other credit enhancements, the impairment provisions would be higher by the following amounts:

In millions of US Dollars	2011	2010
Corporate loans	522	454
Loans to small and medium-size enterprises (SMEs)	8	3
Finance lease receivables	93	260
Advances on lease operations	-	-
Loans to individuals - Credit cards and personal instalment loans (PILs)	-	-
Loans to individuals - Consumer loans	-	-
Loans to individuals - Car loans	-	-
Total difference on provision for loan impairment	**623**	**717**

Reverse sale and repurchase receivables and mortgage loans are not included in the above table since the Group would not originate these instruments without collateral.

In the normal course of business the Group obtains collateral and/or guarantees and sureties for loans to legal entities. Acceptable collateral includes real estate, property, equipment, inventories, securities, contractual rights and certain other assets. Guarantees and sureties can be provided by controlling shareholders, government entities, banks and other solvent legal entities.

10 Loans and Advances to Customers (Continued)

As at 31 December 2011 corporate loans in the amount of USD 4 957 million (2010: USD 6 103 million) were not secured (or were secured by low quality collateral which does not allow to classify the loan as secured using criteria of the Group) and loans in the amount of USD 5 430 million (2010: USD 4 280 million) were secured only by third party guarantees where guarantors are considered to be related to the borrower itself.

As at 31 December 2011 and 2010 most of the loans to small and medium size enterprises were secured by collateral or sureties. 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 purchased under those agreements. As at 31 December 2011 reverse sale and repurchase agreements were collateralised by securities purchased with estimated fair value of USD 1 664 million (2010: USD 342 million) all of which the Group had the 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:

	2011		**2010**	
In millions of US Dollars	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Corporate loans	16 562	16 880	13 841	13 250
Loans to individuals - credit cards and PILs	1 413	1 349	852	807
Reverse sale and repurchase receivables - corporate customers	1 075	1 075	242	242
Loans to individuals - consumer loans	1 049	895	925	832
Finance lease receivables	628	639	843	830
Loans to SMEs	505	504	225	220
Loans to individuals - mortgage loans	288	315	318	345
Loans to individuals - car loans	82	88	196	211
Reverse sale and repurchase receivables - individuals	50	50	35	35
Advances on lease operations	9	9	25	23
Total loans and advances to customers	**21 661**	**21 804**	**17 502**	**16 795**

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

In millions of US Dollars	**2011**	**2010**
Debt investments available for sale	868	1 351
Equity investments available for sale (Pamplona Credit Opportunities Fund)	298	336
Investments held to maturity	117	324
Equity investments at fair value through profit or loss	98	97
Total investments	**1 381**	**2 108**

11 Investments (Continued)

Debt investments available for sale

In millions of US Dollars	2011	2010
Russian Federation bonds	462	969
Corporate Eurobonds	324	238
Bonds of other states	47	76
Corporate bonds	35	39
Municipal bonds	-	29
Total debt investments available for sale	**868**	**1 351**

Russian Federation bonds are interest-bearing securities denominated in Russian Roubles and are freely tradable in the Russian Federation. As at 31 December 2011 these bonds have maturity dates ranging from January 2012 to April 2015 (2010: from January 2011 to July 2015), coupon rates from 3.6% to 12.0% p.a. (2010: from 5.8% to 12.0% p.a.) and yields to maturity from 3.4% to 7.6% p.a. (2010: from 4.15% to 7.27% p.a.), depending on the type of bond issue.

Corporate Eurobonds are interest-bearing securities denominated in US Dollars and Russian Roubles, issued mainly by large Russian banks and companies, and freely tradable internationally. As at 31 December 2011 these bonds have maturity dates ranging from March 2012 to July 2016 (2010: June 2011 to May 2017), coupon rates from 2.6% to 15.0% p.a. (2010: from 6.4% to 13.0% p.a.) and yields to maturity from 2.8% to 12.7% p.a. (2010: from 2.1% to 10.1% p.a.), depending on the type of bond issue.

As at 31 December 2011 the analysis by credit quality of debt investments available for sale was as follows:

In millions of US Dollars	Russian Federation bonds	Corporate Eurobonds	Bonds of other states	Corporate bonds	Total
Neither past due nor impaired (at fair value)					
- limit above USD 100 million	462	177	-	24	663
- limit from USD 50 to 100 million	-	71	-	11	82
- limit below USD 50 million	-	76	47	-	123
Total debt investments available for sale	**462**	**324**	**47**	**35**	**868**

As at 31 December 2010 the analysis by credit quality of debt investments available for sale was as follows:

In millions of US Dollars	Russian Federation bonds	Corporate Eurobonds	Bonds of other states	Corporate bonds	Municipal bonds	Total
Neither past due nor impaired (at fair value)						
- limit above USD 100 million	969	-	-	-	-	969
- limit below USD 50 million	-	238	76	39	29	382
Total debt investments available for sale	**969**	**238**	**76**	**39**	**29**	**1 351**

11 Investments (Continued)

Equity investments available for sale

In 2009 the Group purchased from a subsidiary of Alfa Group (Note 1) a limited partnership interest in Pamplona Capital Partners I L.P. for EUR 64.4 million (equivalent of USD 94 million) and an investment position in Pamplona Credit Opportunities Fund for EUR 209.5 million (equivalent of USD 309 million). In 2010 the Group received a capital disbursement of EUR 30.8 million (equivalent of USD 39 million) from Pamplona Capital Partners I L.P. and invested this amount in shares of Pamplona Managed Accounts Limited. During November and December 2010 the Group disposed to a subsidiary of Alfa Group its investments in Pamplona Capital Partners I L.P. and Pamplona Managed Accounts Limited for a total consideration of USD 139 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 involvement in the management of the funds.

Movements in investments available for sale were as follows:

In millions of US Dollars	2011	2010
Carrying amount at 1 January	**1 687**	**1 423**
Acquisition	620	834
Disposals and redemption	(1 029)	(625)
Fair value gains less losses	(73)	52
Interest income accrued	105	96
Interest income received	(110)	(86)
Recovery of impairment of debt investments available for sale	-	2
Effect of exchange rates changes	15	3
Effect of translation to presentation currency	(49)	(12)
Carrying amount at 31 December	**1 166**	**1 687**

Investments held to maturity

In millions of US Dollars	2011	2010
Bonds of other states	98	200
Corporate Eurobonds	19	51
Promissory notes	-	66
Municipal bonds	-	7
Total investments held to maturity	**117**	**324**

Bonds of other states are interest-bearing securities issued by governments of different European countries. As at 31 December 2011 these bonds have maturity dates ranging from January 2012 to July 2014 (2010: from July 2011 to July 2012) and coupon rates from 2.5% to 5.0% p.a. (2010: from 2.5% to 5.4% p.a.).

As at 31 December 2011 the analysis by credit quality of investments held to maturity was as follows:

In millions of US Dollars	Bonds of other states	Corporate Eurobonds	Total
Neither past due nor impaired			
- limit from USD 50 to 100 million	58	-	58
- limit below USD 50 million	40	19	59
Total investments held to maturity	**98**	**19**	**117**

11 Investments (Continued)

As at 31 December 2010 the analysis by credit quality of investments held to maturity was as follows:

In millions of US Dollars	**Bonds of other states**	**Promis-sory notes**	**Corpo-rate Eurobonds**	**Municipal Eurobonds**	**Total**
Neither past due nor impaired					
- limit from USD 50 to 100 million	173	-	-	-	173
- limit below USD 50 million	27	66	51	7	151
Total investments held to maturity	**200**	**66**	**51**	**7**	**324**

There were no provisions for impairment of investments held to maturity as at 31 December 2011 and 2010.

As at 31 December 2011 and 2010 the fair value of each class of investments held to maturity approximated their carrying value. Refer to Note 35.

Equity investments at fair value through profit or loss

Equity investments at fair value through profit or loss are those designated in this category at inception and represented mainly by the Group's non-controlling interests in Russian trading systems.

Gains less losses arising from investments

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

In millions of US Dollars	**2011**	**2010**
Gains less losses from equity investments designated at fair value through profit or loss	45	15
Gains less losses on disposed investments available for sale	4	54
Reversal of impairment of disposed investments available for sale	-	16
Reversal of impairment of debt investments available for sale	-	2
Total gains less losses arising from investments	**49**	**87**

Currency, maturity and interest rate analysis of investments is disclosed in Note 31. Information on related party balances is disclosed in Note 36.

12 Other Financial Assets

In millions of US Dollars	**Note**	**2011**	**2010**
Derivative financial instruments	34	226	106
Trade debtors		179	150
Receivables on operations with securities		124	119
Restricted cash		19	21
Receivables at fair value through profit or loss		15	62
Plastic card debtors		4	2
Other		20	36
Less: Provision for impairment		(11)	(22)
Total other financial assets		**576**	**474**

12 Other Financial Assets (Continued)

As at 31 December 2011 derivative financial instruments included USD 123 million (2010: USD 65 million) related to instruments contracted with large international banks.

As at 31 December 2011 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.

As at 31 December 2010 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 2011 receivables on operations with securities include USD 93 million balance receivable from ABH Russia Limited (Note 4).

As at 31 December 2010 receivables on operations with securities included USD 93 million balance receivable from ABH Ukraine Limited guaranteed by ABHH (Note 4).

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

In millions of US Dollars	**2011**	**2010**
Provision for impairment as at 1 January	**22**	**23**
Provision for impairment during the year	(6)	1
Amounts written off during the year as uncollectible	(5)	(2)
Provision for impairment as at 31 December	**11**	**22**

Analysis by credit quality of other financial assets outstanding as at 31 December 2011 was as follows:

In millions of US Dollars	**Derivative financial instruments**	**Trade debtors**	**Receivables on operations with securities**	**Restricted cash**	**Receivables at fair value through profit or loss**	**Plastic card debtors**	**Other**	**Total**
Neither past due nor impaired with credit history	226	84	124	-	15	-	11	460
Neither past due nor impaired without credit history	-	94	-	-	-	4	5	103
Not past due, but impaired	-	-	-	19	-	-	-	19
Past due and impaired	-	1	-	-	-	-	4	5
Total gross other financial assets	**226**	**179**	**124**	**19**	**15**	**4**	**20**	**587**
Provision for impairment	-	(1)	-	(6)	-	-	(4)	(11)
Total other financial assets	**226**	**178**	**124**	**13**	**15**	**4**	**16**	**576**

12 Other Financial Assets (Continued)

Analysis by credit quality of other financial assets outstanding as at 31 December 2010 was as follows:

In millions of US Dollars	Derivative financial instru-ments	Trade debtors	Receivab-les on opera-tions with securities	Restricted cash	Receivab-les at fair value through profit or loss	Plastic card debtors	Other	Total
Neither past due nor impaired with credit history	106	73	119	-	62	-	16	376
Neither past due nor impaired without credit history	-	76	-	-	-	2	5	83
Not past due but impaired	-	-	-	21	-	-	-	21
Past due and impaired	-	1	-	-	-	-	15	16
Total gross other financial assets	**106**	**150**	**119**	**21**	**62**	**2**	**36**	**496**
Provision for impairment	-	(1)	-	(6)	-	-	(15)	(22)
Total other financial assets	**106**	**149**	**119**	**15**	**62**	**2**	**21**	**474**

"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 2011 and 2010 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 and receivables at fair value through profit or loss, 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	**2011**	**2010**
Goodwill	60	64
Prepayment of taxes, other than on income	57	50
Computer software	34	23
Prepayment of current income tax	29	96
Customer relationship	28	40
Repossessed collateral	13	11
Banking license	-	3
Total other assets	**221**	**287**

13 Other Assets (Continued)

Movements in intangible assets during 2011 were as follows:

In millions of US Dollars	Goodwill	Customer relation-ship	Computer software	Banking license	Total
Carrying amount as at 1 January 2011	**64**	**40**	**23**	**3**	**130**
Cost					
Opening balance	64	76	94	3	237
Additions	-	-	26	-	26
Disposals	-	-	(2)	(3)	(5)
Translation movement	(4)	(4)	(4)	-	(12)
Closing balance	**60**	**72**	**114**	**-**	**246**
Accumulated depreciation					
Opening balance	-	36	71	-	107
Amortisation (Note 28)	-	11	13	-	24
Translation movement	-	(3)	(4)	-	(7)
Closing balance	**-**	**44**	**80**	**-**	**124**
Carrying amount as at 31 December 2011	**60**	**28**	**34**	**-**	**122**

Movements in intangible assets during 2010 were as follows:

In millions of US Dollars	Goodwill	Customer relation-ship	Computer software	Banking license	Total
Carrying amount as at 1 January 2010	**64**	**56**	**21**	**3**	**144**
Cost					
Opening balance	64	77	80	3	224
Additions	-	-	16	-	16
Disposals	-	-	(1)	-	(1)
Translation movement	-	(1)	(1)	-	(2)
Closing balance	**64**	**76**	**94**	**3**	**237**
Accumulated depreciation					
Opening balance	-	21	59	-	80
Amortisation (Note 28)	-	15	12	-	27
Closing balance	**-**	**36**	**71**	**-**	**107**
Carrying amount as at 31 December 2010	**64**	**40**	**23**	**3**	**130**

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

14 Premises and Equipment

In millions of US Dollars	Premises	Leasehold improve-ments	Equipment under operating leases	Office and computer equipment	Construc-tion in progress	Total
Carrying amount as at 31 December 2010	**158**	**3**	**5**	**130**	**8**	**304**
Cost						
Opening balance	191	24	5	210	8	438
Additions	47	2	-	44	6	99
Disposals	-	-	(5)	(19)	-	(24)
Translation movement	(11)	(1)	-	(9)	-	(21)
Closing balance	**227**	**25**	**-**	**226**	**14**	**492**
Accumulated depreciation						
Opening balance	33	21	-	80	-	134
Depreciation (Note 28)	6	3	-	36	-	45
Disposals	-	-	-	(17)	-	(17)
Translation movement	(2)	(1)	-	(7)	-	(10)
Closing balance	**37**	**23**	**-**	**92**	**-**	**152**
Carrying amount as at 31 December 2011	**190**	**2**	**-**	**134**	**14**	**340**

Premises have been valued at fair value in December 2011 and 2010. 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 34 million (2010: USD 38 million) representing revaluation surplus relating to premises of the Group. As at 31 December 2011 the carrying amount of premises would have been USD 156 million (2010: USD 120 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.

In millions of US Dollars	Premises	Leasehold improve-ments	Equipment under operating leases	Office and computer equipment	Construc-tion in progress	Total
Carrying amount as at 31 December 2009	**142**	**4**	**40**	**140**	**40**	**366**
Cost						
Opening balance	170	24	42	203	40	479
Revaluation	-	-	4	-	-	4
Additions	28	1	128	28	1	186
Disposals	(6)	(1)	(169)	(20)	(33)	(229)
Translation movement	(1)	-	-	(1)	-	(2)
Closing balance	**191**	**24**	**5**	**210**	**8**	**438**
Accumulated depreciation						
Opening balance	28	20	2	63	-	113
Depreciation (Note 28)	5	2	11	28	-	46
Disposals	-	(1)	(13)	(10)	-	(24)
Translation movement	-	-	-	(1)	-	(1)
Closing balance	**33**	**21**	**-**	**80**	**-**	**134**
Carrying amount as at 31 December 2010	**158**	**3**	**5**	**130**	**8**	**304**

15 Due to Other Banks

In millions of US Dollars	2011	2010
Correspondent accounts and overnight placements of other banks		
- Russian Federation	128	129
- Other countries	42	21
Term placements of other banks	1 425	1 221
Sale and repurchase agreements	789	726
Total due to other banks	**2 384**	**2 097**

As at 31 December 2011 the ten largest aggregate balances due to other banks amounted to USD 1 553 million (2010: USD 1 299 million) or 65.1% (2010: 61.9%) of total due to other banks.

As at 31 December 2011 sale and repurchase agreements were effectively secured by trading securities in the amount of USD 568 million (2010: USD 914 million) (Note 8) and trading securities purchased under reverse sale and repurchase agreements with a fair value of USD 375 million (2010: USD 1 million).

As at 31 December 2011 and 2010 the fair value of each class of financial liabilities included in due to other banks approximated their carrying value. As at 31 December 2011 the estimated fair value of due to other banks was USD 2 384 million (2010: USD 2 097 million). Refer to Note 35.

As at 31 December 2011 included within term placements of other banks are margin call deposits in the amount of USD 48 million (2010: USD 38 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	2011	2010
Commercial organisations		
- Current/settlement accounts	3 002	2 826
- Term deposits	4 546	4 755
Individuals		
- Current/demand accounts	4 993	3 595
- Term deposits	4 359	4 465
State and public organisations		
- Current/settlement accounts	84	10
- Term deposits	1 270	1 161
Total customer accounts	**18 254**	**16 812**

Economic sector concentrations within customer accounts were as follows:

	2011		2010	
In millions of US Dollars	**Amount**	**%**	**Amount**	**%**
Individuals	9 352	51	8 060	48
Finance and investment companies	2 972	16	1 831	11
State and public organisations	1 354	7	1 171	7
Trade and commerce	1 285	7	704	4
Manufacturing	1 028	6	1 413	8
Energy and oil and gas	640	4	2 321	14
Mass media and telecommunication	273	2	248	2
Science	3	-	-	-
Other	1 347	7	1 064	6
Total customer accounts	**18 254**	**100**	**16 812**	**100**

16 Customer Accounts (Continued)

As at 31 December 2011 the aggregate balances of ten largest customers (or groups of related customers) amounted to USD 4 612 million (2010: USD 4 805 million) or 25.3% (2010: 28.6%) of the total customer accounts, of which USD 2 435 million (2010: USD 1 921 million) represented balances outstanding to Alfa Group, its associates, joint ventures and its shareholders (Note 36).

Included in customer accounts are balances in the amount of USD 13 million (2010: USD 15 million) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 33.

As at 31 December 2011 included within customer accounts are margin call deposits in the amount of USD 219 million (2010: USD 162 million) received by the Group as collateral under transactions with derivatives and operations with securities with customers.

As at 31 December 2011 the estimated fair value of customer accounts was USD 18 310 million (2010: USD 16 883 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	**2011**	**2010**
Promissory notes	1 125	1 785
Notes maturing in 2017	989	985
Notes maturing in 2021	977	-
Notes maturing in 2015	587	554
Euro Medium Term Notes maturing in 2012	346	346
Euro Medium Term Notes maturing in 2013	294	282
Rouble denominated bonds	285	-
Notes issued under the DPR Programme	16	155
Total debt securities issued	**4 619**	**4 107**

Promissory notes comprise of securities in Russian Roubles, US Dollars and Euros issued by the Group with a discount to face value or with interest accrual and bear an effective interest rate from 0.0% p.a. to 14.3% p.a. depending on the type of issue and currency of the security (2010: from 0.0% to 10.5% p.a.). As at 31 December 2011 these promissory notes and domestic bonds have maturity dates ranging from January 2012 to May 2025 (2010: from January 2011 to May 2025).

On 24 September 2010 the Group issued USD 1 000 million Notes with maturity date on 25 September 2017 and interest rate of 7.875% p.a. The issue proceeds net of transaction costs were equal to USD 996 million and effective rate at origination was 8.11% p.a. As at 31 December 2011 balance of notes repurchased by the Group on the market amounted to USD 28 million at amortised value (2010: USD 32 million).

On 28 April 2011 the Group issued USD 1 000 million Notes with maturity date on 28 April 2021 and interest rate of 7.75% p.a. The issue proceeds net of transaction costs were equal to USD 997 million and effective rate at origination was 7.94% p.a. As at 31 December 2011 balance of notes repurchased by the Group on the market amounted to USD 33 million at amortised value.

On 18 March 2010 the Group issued USD 600 million Notes with maturity date on 18 March 2015 and interest rate of 8.0% p.a. The issue proceeds net of transaction costs were equal to USD 597 million and effective interest rate at origination was 8.29% p.a. As at 31 December 2011 balance of notes repurchased by the Group on the market amounted to USD 24 million at amortised value (2010: USD 57 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.

17 Debt Securities Issued (Continued)

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

Currency of denomi-nation	Nominal value of the issue	Issue proceeds net of transac-tion costs	Amortised cost as at 31 December 2011	Issue date	Maturity date	Coupon per annum, payable semi-annually
USD	500	498	346	25 June 2007	25 June 2012	8.20%
USD	400	398	294	24 June 2008	24 June 2013	9.25%

As at 31 December 2011 balance of notes issued under the MTN Programme and repurchased by the Group on the market amounted to USD 259 million at amortised value (2010: USD 272 million).

On 9 December 2011 the Group issued RR 5 000 million (equivalent of USD 160 million) bonds with maturity date on 2 December 2016 and interest rate of 9.25% p.a. The issue proceeds net of transaction costs were equal to RR 4 998 million (equivalent of USD 160 million) and effective interest rate at origination was 9.48% p.a. The bonds are puttable at nominal on 11 June 2013. As at 31 December 2011 balance of bonds repurchased by the Group on the market amounted to USD 32 million at amortised value.

On 2 February 2011 the Group issued RR 5 000 million (equivalent of USD 169 million) bonds with maturity date on 2 February 2016 and interest rate of 8.25% p.a. The issue proceeds net of transaction costs were equal to RR 4 997 million (equivalent of USD 169 million) and effective interest rate at origination was 8.43% p.a. The bonds are puttable at nominal on 6 February 2014.

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

As at 31 December 2011 and 2010 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:

	2011		2010	
In millions of US Dollars	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Promissory notes	1 121	1 125	1 803	1 785
Notes maturing in 2017	949	989	1 007	985
Notes maturing in 2021	876	977	-	-
Notes maturing in 2015	598	587	579	554
Euro Medium Term Notes maturing in 2012	354	346	368	346
Euro Medium Term Notes maturing in 2013	311	294	307	282
Rouble denominated bonds	285	285	-	-
Notes issued under the DPR Programme	16	16	155	155
Total debt securities issued	**4 510**	**4 619**	**4 219**	**4 107**

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	2011	2010
Syndicated loan maturing on 21 December 2012	247	-
Loan from the State Deposit Insurance Agency maturing on 9 December 2013	149	190
Total syndicated and other debt	**396**	**190**

18 Syndicated and Other Debt (Continued)

On 21 December 2011 the Group received a syndicated loan in the amount of USD 250 million. The loan matures on 21 December 2012 and bears floating interest rate of LIBOR +1.75% p.a. payable semi-annually. The effective rate at origination was 3.83% p.a. The issue proceeds net of transaction costs were equal to USD 247 million.

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 161 million (2010: USD 158 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 2011 the estimated fair value of syndicated and other debt was USD 396 million (2010: USD 190 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	2011	2010
Subordinated loan from VEB maturing in 2020	797	834
Subordinated loan from VEB maturing in 2019	296	310
Subordinated notes maturing in 2017	242	251
Total subordinated debt	**1 335**	**1 395**

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 8.64% per annum payable semi-annually from the issuance until 22 February 2012 and a floating interest rate thereafter set at the US Treasury Rate plus 5.46% per annum payable semi-annually until maturity on 22 February 2017. The Group had an option to repay these notes at nominal on 22 February 2012. The Group has not exercised the option. 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 2011 balance of bonds repurchased by the Group on the market amounted to USD 67 million at amortised value (2010: USD 56 million).

As at 31 December 2011 and 2010 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:

	2011		2010	
In millions of US Dollars	Fair value	Carrying value	Fair value	Carrying value
Fair value determined using valuation techniques				
Subordinated loan from VEB maturing in 2020	797	797	834	834
Subordinated loan from VEB maturing in 2019	296	296	310	310
Fair value determined using a market price				
Subordinated notes maturing in 2017	217	242	252	251
Total subordinated debt	**1 310**	**1 335**	**1 396**	**1 395**

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

20 Other Financial Liabilities

In millions of US Dollars	Note	2011	2010
Derivative financial instruments	34	344	163
Payable on operations with securities		58	78
Trade creditors		39	28
Provision for losses on credit related commitments	33	17	5
Plastic card and other settlements with clients		8	2
Dividends payable		-	2
Other		67	54
Total other financial liabilities		**533**	**332**

As at 31 December 2011 and 2010 the fair value of each class of financial liabilities included in other financial liabilities approximated their carrying value. As at 31 December 2011 the estimated fair value of other financial liabilities was USD 533 million (2010: USD 332 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	2011	2010
Accrued staff costs	150	144
Government grant (Note 4)	139	155
Current income tax payable	38	3
Taxation payable, other than on income	26	25
Total other liabilities	**353**	**327**

22 Share Capital

As at 31 December 2011 and 2010 authorised, issued and fully paid share capital of ABH Financial Limited comprised 1 264 800 000 ordinary shares. All shares have a nominal value of USD 1 per share and rank equally. Each share carries one vote.

In December 2011 the Company declared dividends of USD 131 million (approximately USD 0.10 per share). On 31 December 2011 dividends payable to ABH Russia Limited was netted against accounts receivable from ABH Russia Limited (Note 4).

In December 2010 the Company declared dividends of USD 150 million (approximately USD 0.12 per share). On 31 December 2010 the amount of USD 148 million of dividends payable to ABH Russia Limited was netted against accounts receivable from ABH Russia Limited. The remaining amount of dividends payable was settled in 2011.

23 Net Margin

In millions of US Dollars	2011	2010
Interest income		
Loans and advances to corporate customers	1 683	1 461
Loans and advances to individuals	581	491
Trading securities and repurchase receivables	163	127
Debt investments available for sale	105	96
Due from other banks	86	142
Debt investments held to maturity	7	3
Total interest income	**2 625**	**2 320**
Interest expense		
Debt securities issued	(344)	(204)
Term deposits of legal entities	(335)	(278)
Term deposits of individuals	(210)	(229)
Subordinated debt	(119)	(151)
Due to other banks	(74)	(62)
Current/settlement accounts	(74)	(34)
Syndicated and other debts	(13)	(14)
Total interest expense	**(1 169)**	**(972)**
Expenses directly attributable to leasing and deposit insurance	(42)	(41)
Net margin	**1 414**	**1 307**

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	2011	2010
Fee and commission income		
Commission on settlement transactions	423	276
Agency commission on insurance operations	62	51
Commission on cash and foreign currency exchange transactions	49	51
Commission on guarantees issued	39	22
Commission for consulting services	19	2
Commission on transactions with securities	10	13
Commission from fiduciary activities	3	3
Other	12	18
Total fee and commission income	**617**	**436**
Fee and commission expense		
Commission on settlement transactions	(132)	(81)
Commission for consulting services	(9)	(22)
Commission on cash and foreign currency exchange transactions	(9)	(6)
Commission on transactions with securities	(4)	(6)
Commission from fiduciary activities	(1)	(1)
Other	(7)	(3)
Total fee and commission expense	**(162)**	**(119)**
Net fee and commission income	**455**	**317**

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	2011	2010
Term deals	(160)	(97)
Spot deals	74	(86)
Foreign exchange translation gains less losses	68	241
Results from precious metals	-	(1)
Total gains less losses arising from foreign currencies and precious metals	**(18)**	**57**

26 Gains Less Losses Arising from Acquisition of Own Debts

In 2010 the Group recorded a loss of USD 5 million from acquisition of own debts. The loss arose 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	2011	2010
Gain from sale of acquiring business	12	-
Gains from sale of acquired distressed receivables	8	25
Gains from sale of repossessed collateral	3	19
Dividend income	1	1
Rental income	-	13
Other	5	24
Total other operating income	**29**	**82**

Refer to Note 36 for details of related party transactions.

28 Operating Expenses

In millions of US Dollars	2011	2010
Staff costs	556	488
Rent	87	74
Expenses related to premises and equipment	52	41
Computer and telecommunications expenses	48	46
Depreciation of premises and equipment (Note 14)	45	46
Advertising and marketing	33	20
Consulting and professional services	32	30
Maintenance	30	24
Amortisation of intangible assets (Note 13)	24	27
Administrative expenses	24	16
Taxes other than income tax	10	7
Travel expenses	6	6
Other	30	17
Total operating expenses	**977**	**842**

28 Operating Expenses (Continued)

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 61 million (2010: USD 34 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 47 million (2010: USD 53 million), which are payable at least one year after end of the reporting period.

Refer to Note 36 for details of related party transactions.

29 Income Taxes

Income tax expense comprises the following:

In millions of US Dollars	2011	2010
Current tax	161	114
Deferred tax	(40)	33
Income tax expense for the year	**121**	**147**

The statutory income tax rate applicable to the majority of Alfa-Bank's income is 20% (2010: 20%). The income tax rate applicable to the majority of income from investment banking operations ranges from 0% to 15% (2010: from 0% to 15%).

In millions of US Dollars	2011	2010
IFRS profit before tax	**762**	**700**
Theoretical tax charge at the prevailing statutory rate (2011: 20%; 2010: 20%)	152	140
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	19	7
- Income taxed at different rates	(20)	(15)
- Credit for excess prior year tax charge	(21)	-
- Effect of change in estimates relating to deductibility of provision for loan impairment	-	20
- Use of unrecognised tax loss carry forwards	(9)	(5)
Income tax expense for the year	**121**	**147**

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% (2010: 20%), except for income on state securities that is taxed at 15% and dividend income that is taxed at 9%.

29 Income Taxes (Continued)

In millions of US Dollars	31 December 2010	Translation movement recorded in other comprehensive income	Business combinations	Recorded in profit or loss	Recorded in other comprehensive income	31 December 2011
Tax effect of deductible temporary differences						
Accruals	44	(3)	-	9	-	50
Investments available for sale	-	-	-	-	2	2
Tax loss carry forwards	28	(2)	-	2	-	28
Fair value adjustments on origination of financial assets	3	-	-	(3)	-	-
Trading securities	4	(2)	-	19	-	21
Other impairment provisions	6	-	-	(1)	-	5
Derivative financial instruments	3	(2)	-	18	-	19
Gross deferred tax asset	**88**	**(9)**	**-**	**44**	**2**	**125**
Deferred tax netted off within individual entities	(43)	-	-	(78)	-	(121)
Deferred tax asset	**45**	**(9)**	**-**	**(34)**	**2**	**4**
Tax effect of taxable temporary differences						
Premises and equipment	(39)	3	(6)	(10)	-	(52)
Intangible assets and other fair value adjustments	(7)	-	-	2	-	(5)
Investment available for sale	(11)	-	-	6	5	-
Investments at fair value through profit or loss	(14)	1	-	(2)	-	(15)
Provision for loan impairment	(111)	5	-	8	-	(98)
Other	-	1	-	(8)	-	(7)
Gross deferred tax liability	**(182)**	**10**	**(6)**	**(4)**	**5**	**(177)**
Deferred tax netted off within individual entities	43	-	-	78	-	121
Deferred tax liability	**(139)**	**10**	**(6)**	**74**	**5**	**(56)**
Total net deferred tax liability	**(94)**	**1**	**(6)**	**40**	**7**	**(52)**

29 Income Taxes (Continued)

In millions of US Dollars	31 December 2009	Translation movement recorded in other comprehen-sive income	Recorded in profit or loss	Recorded in other comprehen-sive income	31 December 2010
Tax effect of deductible temporary differences					
Accruals	39	-	5	-	44
Tax loss carry forwards	19	-	9	-	28
Fair value adjustments on origination of financial assets	14	-	(11)	-	3
Trading securities	-	-	4	-	4
Other impairment provisions	9	-	(3)	-	6
Derivative financial instruments	16	-	(13)	-	3
Gross deferred tax asset	**97**	**-**	**(9)**	**-**	**88**
Deferred tax netted off within individual entities	(60)	-	17	-	(43)
Deferred tax asset	**37**	**-**	**8**	**-**	**45**
Tax effect of taxable temporary differences					
Premises and equipment	(40)	-	1	-	(39)
Intangible assets and other fair value adjustments	(9)	-	2	-	(7)
Investment available for sale	(10)	-	(4)	3	(11)
Investments at fair value through profit or loss	(12)	-	(2)	-	(14)
Provision for loan impairment	(90)	1	(22)	-	(111)
Other	(1)	-	1	-	-
Gross deferred tax liability	**(162)**	**1**	**(24)**	**3**	**(182)**
Deferred tax netted off within individual entities	60	-	(17)	-	43
Deferred tax liability	**(102)**	**1**	**(41)**	**3**	**(139)**
Net deferred tax liability	**(65)**	**1**	**(33)**	**3**	**(94)**

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.

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.
- 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.

30 Segment Analysis (Continued)

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 Group's Chief Operating Decision Maker ("CODM"). The CODM has been identified as the members of the Group's Executive Board.

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 segments of the Group for the year ended 31 December 2011 is set out below:

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

In millions of US Dollars	**Corporate and Investment banking**	**Retail banking**	**Treasury**	**Total**
2011				
Segment revenues				
External revenues				
Interest income	1 749	564	161	2 474
Fee and commission income	164	439	5	608
Other operating income	24	24	-	48
Total external revenues	**1 937**	**1 027**	**166**	**3 130**
Interest income from other segments	402	410	2 248	3 060
Total segment revenues	**2 339**	**1 437**	**2 414**	**6 190**
Interest expense to other segments	(1 121)	(241)	(1 690)	(3 052)
Gains less losses from investments	(8)	-	(30)	(38)
Gains less losses from foreign currencies and precious metals	35	(2)	(139)	(106)
Interest expense	(278)	(249)	(634)	(1 161)
Provision for loan impairment	(17)	(32)	-	(49)
Fee and commission expense	(13)	(143)	(8)	(164)
Other provisions	(12)	-	-	(12)
Operating expenses	(200)	(388)	(8)	(596)
Allocated operating expenses	(93)	(118)	(9)	(220)
Segment profit before tax	**632**	**264**	**(104)**	**792**
31 December 2011				
Segment assets	**20 476**	**2 633**	**2 855**	**25 964**
Segment liabilities	**8 745**	**7 197**	**8 107**	**24 049**

30 Segment Analysis (Continued)

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

In millions of US Dollars	Corporate and Investment banking	Retail banking	Treasury	Total
2010				
Segment revenues				
External revenues				
Interest income	1 489	496	138	2 123
Fee and commission income	119	317	2	438
Other operating income	102	11	1	114
Total external revenues	**1 710**	**824**	**141**	**2 675**
Interest income from other segments	347	357	1 502	2 206
Total segment revenues	**2 057**	**1 181**	**1 643**	**4 881**
Interest expense to other segments	(924)	(229)	(1 023)	(2 176)
Gains less losses from investments	99	-	(2)	97
Gains less losses from foreign currencies and precious metals	27	4	13	44
Interest expense	(234)	(220)	(491)	(945)
Provision for loan impairment	(481)	(21)	-	(502)
Fee and commission expense	(20)	(105)	(1)	(126)
Other provisions	4	-	-	4
Operating expenses	(168)	(313)	(9)	(490)
Allocated operating expenses	(70)	(89)	(8)	(167)
Segment profit before tax	**290**	**208**	**122**	**620**
31 December 2010				
Segment assets	**16 762**	**2 195**	**5 217**	**24 174**
Segment liabilities	**10 111**	**5 930**	**6 150**	**22 191**

30 Segment Analysis (Continued)

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	2011	2010
Segment revenues	**6 190**	**4 881**
Interest income from other segments	(3 060)	(2 206)
Subsidiary banks' external revenues	127	119
Other non-reportable segments' unallocated amounts	31	8
Differences in translation to presentation currency	(9)	10
Revenues related to the Group's business in the Ukraine (monitored separately)	-	10
Gains less losses from interest rate derivatives reported within segment revenues	(8)	5
Revenue from significant non-recurring transactions unallocated to segments	-	11
Total Group's revenues	**3 271**	**2 838**
Interest income	2 625	2 320
Fee and commission income	617	436
Other operating income	29	82
Total Group's revenues	**3 271**	**2 838**

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	2011	2010
Segments' profit before tax for the year	**792**	**620**
Provision for loan impairment unallocated to segments (except related to subsidiary banks)	(141)	9
Provision for loan impairment related to the Group's business in the Ukraine	-	54
Subsidiary banks' profit before tax	81	57
Other non-reportable segments' unallocated results	70	60
Differences in translation to presentation currency	-	3
Fair value losses on revaluation of investments unallocated to segments	-	(1)
Revenue from significant non-recurring transactions unallocated to segments	-	11
Staff costs accruals unallocated to segments	(70)	(115)
Gains less losses on available for sale investments recorded in the statement of comprehensive income	30	2
Profit before tax	**762**	**700**

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

In millions of US Dollars	2011	2010
Segments' assets	**25 964**	**24 174**
Items unallocated to segments:		
Assets related to subsidiary banks	3 053	2 362
Cash on hand and settlement accounts with trading systems	891	643
Mandatory cash balances with central banks	316	189
Other financial assets	576	474
Other assets	221	287
Premises and equipment	340	304
Deferred tax asset	4	45
Total Group's assets	**31 365**	**28 478**

30 Segment Analysis (Continued)

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

In millions of US Dollars	2011	2010
Segments' liabilities	**24 049**	**22 191**
Items unallocated to segments:		
Liabilities related to subsidiary banks	2 939	2 410
Other financial liabilities	533	332
Other liabilities	353	327
Deferred tax liability	56	139
Total Group's liabilities	**27 930**	**25 399**

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

In millions of US Dollars	2011	2010
Segments' interest income	**2 474**	**2 123**
Interest income related to subsidiary banks	128	119
Other non-reportable segments' interest income	32	26
Interest income related to the Group's business in the Ukraine	-	10
Fair value adjustments related to purchase price allocation for an acquired subsidiary bank	8	20
Fair value gains less losses from interest rate derivatives reported within segment revenues	(8)	5
Differences in translation to presentation currency	7	5
Other	(16)	12
Total Group's interest income	**2 625**	**2 320**

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

In millions of US Dollars	2011	2010
Segments' interest expense	**(1 161)**	**(945)**
Interest expense related to subsidiary banks	(64)	(77)
Expenses directly attributable to leasing and deposit insurance	42	41
Differences in translation to presentation currency	1	(1)
Other	13	10
Total Group's interest expense	**(1 169)**	**(972)**

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

In millions of US Dollars	2011	2010
Segments' provision for loan impairment	**(49)**	**(502)**
Provision for loan impairment related to subsidiary banks	42	69
Provision for loan impairment unallocated to segments	(141)	9
Provision for loan impairment related to the Group's business in the Ukraine	-	54
Total Group's provision for loan impairment	**(148)**	**(370)**

30 Segment Analysis (Continued)

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

In millions of US Dollars	2011	2010
Segments' operating expenses and allocated operating expenses	**(816)**	**(657)**
Operating expense related to subsidiary banks	(69)	(66)
Staff costs accruals unallocated to segments	(70)	(115)
Other non-reportable segments' operating expenses	(16)	-
Differences in translation to presentation currency	2	(4)
Other	(8)	-
Total Group's operating expense	**(977)**	**(842)**

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 significant 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. The department structure now is geared to bring more focus on proactive portfolio management and bad debt management. The Group has established the Problem Loans Department and the Problem Loans Committee to improve the workout and the collection of problem loans to corporate customers.

31 Financial Risk Management (Continued)

The Problem Loans Committee considers and approves the strategy of problem loans workout. The Problem Loans Department implements the approved strategy. These units report to the Head of Corporate and Investment Banking and the Main Credit Committee.

Amsterdam Trade Bank N.V. has its own Risk Management and Treasury Departments.

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 2011 compared to year 2010. The Group uses empirical data to actively modify the risk management policies and procedures to minimize the adverse impact of potential market turbulence.

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.

Following the philosophy of the continuous risk management improvement targeted to adopt the Group's policies and procedures for the changing economical environment in the beginning of 2011 the Group has introduced changes to the Lending Policy. Amongst other changes the number of possible ratings has been increased, the structure of parameters influencing the final ratings was reassessed, the focus in the internal ratio assignment process has been shifted to the sufficiency of borrowers EBITDA or contract proceedings for servicing the debt.

31 Financial Risk Management (Continued)

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.
- 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 and makes other decisions regarding retail lending. The committee convenes monthly.

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 2011 there were no significant changes in requirements regarding the borrowers' creditability. In spite of improvements in the macroeconomic environment, the borrowers' cash-flow, robustness and stability, business model viability and industry prospects were still scrupulously analysed. 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 for the purposes of impairment provisioning 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.

31 Financial Risk Management (Continued)

For the purposes of more efficient credit risk management, the Group stratifies the loan portfolio to the following pools:

- Current loans pool includes current loans, technically overdue loans and loans overdue for less than 30 days.
- Watch-list loans pool includes loans which demonstrated early signs of possible future deterioration of credit quality.
- Problem loans pool includes loans which are considered to be impaired and loans overdue for more than 30 days. Problem loan pool is managed by the Problem Loans Committee within the corporate segment of the Group.

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. The scores are developed based on historical performance which is available only after a statistically significant number of transactions. The scores are administered in a secure automated 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.

Retail lending procedures are amended from time to time to reflect reaction to the economic climate by way of calibrating score acceptance cut offs, credit limits and permissible debt burden ratios, and verification standards before approval. In addition to this, behaviour scoring was introduced in 2010 with a view to optimise upsell and collection process. This has enabled the Group to be more responsive to customer expectations and being more competitive, in all areas of retail lending.

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 or quarterly basis depending on the borrower's risk profile.

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. The above monitoring focuses on risk adjusted margins, with a view to optimise profitability of retail portfolios.

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. The Group pays attention to the workout of problem loans, which are 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.

31 Financial Risk Management (Continued)

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 with clear understanding of risk adjusted margins, and (vi) continuous monitoring by the Risk Management Department to measure effectiveness and administer changes as required.

In order to improve the collection of loans to individuals and to control delinquencies more effectively, the Retail Risk Management Department uses collection scorecards across different stages of the collection process and 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. The latter two limits are non-obligatory but subject to monitoring and reporting. Portfolio concentration limits are set to protect against unwanted concentration risk.

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.

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 46 million (2010: USD 35 million). However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

31 Financial Risk Management (Continued)

Equity price risk. As noted above, for the purpose of quantifying the Group's equity price risks which is attributed to Investment Banking trading 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, it 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 the 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.

According to the assessments made by the Group as at 31 December 2011 and 2010 VaR estimates for trading position in respect of equity price risk do not exceed USD 10 million.

31 Financial Risk Management (Continued)

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 2011:

In millions of US Dollars	USD	RR	EUR	Other curren-cies	Non-monetary	Total
Assets						
Cash and cash equivalents	530	1 382	724	71	-	2 707
Mandatory cash balances with central banks	-	315	1	-	-	316
Trading securities	392	744	-	-	70	1 206
Repurchase receivables relating to trading securities	333	231	1	-	3	568
Due from other banks	1 506	507	229	-	-	2 242
Loans and advances to customers	7 634	13 273	858	39	-	21 804
Investments	308	502	175	-	396	1 381
Other financial assets	382	141	44	9	-	576
Other assets	3	61	22	-	135	221
Premises and equipment	-	-	-	-	340	340
Deferred tax asset	-	-	-	-	4	4
Total assets	**11 088**	**17 156**	**2 054**	**119**	**948**	**31 365**
Liabilities						
Due to other banks	806	1 242	333	3	-	2 384
Customer accounts	3 511	11 731	2 951	61	-	18 254
Debt securities issued	3 219	1 303	97	-	-	4 619
Syndicated and other debt	247	149	-	-	-	396
Subordinated debt	242	1 093	-	-	-	1 335
Other financial liabilities	294	152	81	6	-	533
Other liabilities	103	233	17	-	-	353
Deferred tax liability	-	-	-	-	56	56
Total liabilities	**8 422**	**15 903**	**3 479**	**70**	**56**	**27 930**
Net balance sheet position	**2 666**	**1 253**	**(1 425)**	**49**	**892**	**3 435**
Net balance sheet position less fair value of foreign exchange derivatives	**2 724**	**1 280**	**(1 384)**	**49**	**892**	**3 561**
Foreign exchange derivatives (at nominal value) (Note 34)	**(106)**	**(1 681)**	**1 740**	**(79)**	**-**	**(126)**
Net balance sheet and derivatives position as at 31 December 2011	**2 618**	**(401)**	**356**	**(30)**	**892**	**3 435**

31 Financial Risk Management (Continued)

The table below summaries the Group's exposure to foreign currency exchange rate risk as at 31 December 2010:

In millions of US Dollars	USD	RR	EUR	Other curren-cies	Non-monetary	Total
Assets						
Cash and cash equivalents	704	1 408	1 058	12	-	3 182
Mandatory cash balances with central banks	-	148	41	-	-	189
Trading securities	475	809	59	1	82	1 426
Repurchase receivables relating to trading securities	611	285	13	-	5	914
Due from other banks	1 507	1 050	197	-	-	2 754
Loans and advances to customers	5 881	10 207	702	5	-	16 795
Investments	226	1 028	421	-	433	2 108
Other financial assets	264	142	62	6	-	474
Other assets	3	127	16	-	141	287
Premises and equipment	-	-	-	-	304	304
Deferred tax asset	-	-	-	-	45	45
Total assets	**9 671**	**15 204**	**2 569**	**24**	**1 010**	**28 478**
Liabilities						
Due to other banks	977	889	231	-	-	2 097
Customer accounts	3 138	10 553	3 104	17	-	16 812
Debt securities issued	2 277	1 623	207	-	-	4 107
Syndicated and other debt	-	190	-	-	-	190
Subordinated debt	251	1 144	-	-	-	1 395
Other financial liabilities	129	160	36	7	-	332
Other liabilities	143	181	3	-	-	327
Deferred tax liability	-	-	-	-	139	139
Total liabilities	**6 915**	**14 740**	**3 581**	**24**	**139**	**25 399**
Net balance sheet position	**2 756**	**464**	**(1 012)**	**-**	**871**	**3 079**
Net balance sheet position less fair value of foreign exchange derivatives	**2 771**	**487**	**(1 026)**	**2**	**871**	**3 105**
Foreign exchange derivatives (at nominal value) (Note 34)	**(96)**	**(1 264)**	**1 312**	**22**	**-**	**(26)**
Net balance sheet and derivatives position as at 31 December 2010	**2 675**	**(777)**	**286**	**24**	**871**	**3 079**

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.

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 ABH Financial Limited and all other foreign subsidiaries operating internationally).

31 Financial Risk Management (Continued)

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 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 Group includes its net position in other currencies into the net position in US Dollars. As at 31 December 2011 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	(758)	-	(583)
Euro zone	-	(3)	2
US Dollar zone	2 029	(489)	-
Total exposure	**1 271**	**(492)**	**(581)**

As at 31 December 2011 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 foreign exchange rate	127	(49)	(58)
- 10% change in foreign exchange rate	(127)	49	58

As at 31 December 2010 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	(1 384)	-	(112)
Euro zone	-	(333)	2
US Dollar zone	3 629	53	-
Total exposure	**2 245**	**(280)**	**(110)**

At 31 December 2010 if USD/RR, USD/EUR and EUR/RR rate changed by +/-10% 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
+ 10% change in foreign exchange rate	225	(28)	(11)
- 10% change in foreign exchange rate	(225)	28	11

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.

31 Financial Risk Management (Continued)

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 2011						
Total financial assets	8 343	5 891	2 671	13 426	469	30 800
Total financial liabilities	(13 287)	(5 435)	(2 672)	(6 127)	-	(27 521)
Effect of interest based derivatives	201	156	(84)	(273)	-	-
Net interest sensitivity gap as at 31 December 2011	**(4 743)**	**612**	**(85)**	**7 026**	**469**	**3 279**
31 December 2010						
Total financial assets	7 870	3 783	2 647	13 022	520	27 842
Total financial liabilities	(10 414)	(5 557)	(3 277)	(5 685)	-	(24 933)
Effect of interest based derivatives	312	116	(46)	(382)	-	-
Net interest sensitivity gap as at 31 December 2010	**(2 232)**	**(1 658)**	**(676)**	**6 955**	**520**	**2 909**

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.

Treasury Department applied additional interest rate risk measure "Earnings-at-Risk to 100 basis points interest rate shift" which measured the impact on the net 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 2011, 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 23 million lower (2010: USD 12 million lower based on 100 basis points decrease), mainly as a result of lower interest income on loans and advances to customers. Other components of equity (also pre-tax) would have been USD 5 million higher (2010: USD 9 million higher based on a 100 basis points decrease), as a result of an increase in the fair value of fixed interest rate debt investments classified as available for sale.

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 23 million higher (2010: USD 12 million higher based on 100 basis points increase), mainly as a result of higher interest income on loans and advances to customers). Other components of equity (also pre-tax) would have been USD 5 million lower (2010: USD 9 million lower based on a 100 basis points increase) lower, as a result of a decrease in the fair value of fixed interest rate debt investments classified as available for sale.

31 Financial Risk Management (Continued)

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

	2011				2010			
% per annum	USD	RR	Euro	Other	USD	RR	Euro	Other
Assets								
Cash balances with central banks	-	0.0	0.0	-	-	0.0	0.0	-
Correspondent accounts and overnight placements with other banks	0.1	3.9	0.3	0.1	0.1	2.9	0.1	0.0
Mandatory cash balances with central banks	-	0.0	0.0	-	-	0.0	0.0	-
Debt trading securities	7.7	9.3	-	-	8.2	9.0	9.5	3.5
Repurchase receivables relating to trading debt securities	7.7	8.9	5.1	-	7.9	9.7	6.9	-
Due from other banks	1.6	5.8	0.7	-	3.1	3.3	1.4	-
Loans and advances to customers	7.0	12.0	6.0	18.0	10.9	11.6	8.3	0.0
Debt investments available for sale	7.0	9.9	4.1	-	7.4	8.8	4.6	-
Investments held to maturity	6.4	-	3.7	-	6.4	-	3.7	-
Liabilities								
Due to other banks	2.0	5.8	3.7	0.0	2.1	3.5	4.2	-
Customer accounts								
- current and settlement accounts	0.2	0.5	1.3	0.1	0.1	0.3	0.7	0.2
- term deposits	2.2	6.5	3.8	0.0	2.9	6.5	4.0	0.0
Debt securities issued	8.3	7.4	4.2	-	8.1	7.2	4.6	-
Syndicated and other debt	3.8	6.7	-	-	-	6.7	-	-
Subordinated debt	8.9	7.7	-	-	8.9	7.7	-	-

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 2011 is disclosed in table below:

In millions of US Dollars	Russia	Europe	CIS	USA	Other	Total
Assets						
Cash and cash equivalents	1 594	1 013	4	92	4	2 707
Mandatory cash balances with central banks	315	1	-	-	-	316
Trading securities	1 055	-	151	-	-	1 206
Repurchase receivables relating to trading securities	537	-	31	-	-	568
Due from other banks	547	1 371	222	33	69	2 242
Loans and advances to customers	18 054	2 620	744	53	333	21 804
Investments	856	507	5	9	4	1 381
Other financial assets	400	169	4	2	1	576
Other assets	198	23	-	-	-	221
Premises and equipment	325	15	-	-	-	340
Deferred tax asset	-	4	-	-	-	4
Total assets	**23 881**	**5 723**	**1 161**	**189**	**411**	**31 365**
Liabilities						
Due to other banks	1 302	867	56	18	141	2 384
Customer accounts	15 807	2 104	100	38	205	18 254
Debt securities issued	1 404	3 211	-	-	4	4 619
Syndicated and other debt	149	247	-	-	-	396
Subordinated debt	1 093	242	-	-	-	1 335
Other financial liabilities	174	355	2	-	2	533
Other liabilities	330	20	2	1	-	353
Deferred tax liability	53	3	-	-	-	56
Total liabilities	**20 312**	**7 049**	**160**	**57**	**352**	**27 930**
Net balance sheet position as at 31 December 2011	**3 569**	**(1 326)**	**1 001**	**132**	**59**	**3 435**

31 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities as at 31 December 2010 is disclosed in table below:

In millions of US Dollars	Russia	Europe	CIS	USA	Other	Total
Assets						
Cash and cash equivalents	1 646	1 374	3	157	2	3 182
Mandatory cash balances with central banks	148	41	-	-	-	189
Trading securities	1 045	51	324	5	1	1 426
Repurchase receivables relating to trading securities	868	-	46	-	-	914
Due from other banks	1 229	865	569	80	11	2 754
Loans and advances to customers	14 841	1 308	487	10	149	16 795
Investments	1 394	689	19	6	-	2 108
Other financial assets	249	126	94	5	-	474
Other assets	267	20	-	-	-	287
Premises and equipment	284	20	-	-	-	304
Deferred tax asset	45	-	-	-	-	45
Total assets	**22 016**	**4 494**	**1 542**	**263**	**163**	**28 478**
Liabilities						
Due to other banks	1 061	804	46	-	186	2 097
Customer accounts	14 360	2 077	104	35	236	16 812
Debt securities issued	1 778	2 323	-	-	6	4 107
Syndicated and other debt	190	-	-	-	-	190
Subordinated debt	1 144	251	-	-	-	1 395
Other financial liabilities	158	169	2	1	2	332
Other liabilities	322	5	-	-	-	327
Deferred tax liability	139	-	-	-	-	139
Total liabilities	**19 152**	**5 629**	**152**	**36**	**430**	**25 399**
Net balance sheet position as at 31 December 2010	**2 864**	**(1 135)**	**1 390**	**227**	**(267)**	**3 079**

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

The majority of credit related commitments were issued in favour of Russian counterparties and their offshore companies both as at 31 December 2011 and 2010.

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.

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.

The table below shows liabilities as at 31 December 2011 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 2011 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	1 437	496	336	142	2 411
Customer accounts - individuals	5 779	1 519	1 187	1 333	9 818
Customer accounts - other	5 492	2 168	452	994	9 106
Debt securities issued	339	857	425	4 509	6 130
Syndicated and other debt	1	7	289	125	422
Subordinated debt	-	54	55	2 249	2 358
Other non-derivative financial liabilities	165	18	1	5	189
Gross settled swaps and forwards:					
- inflows	(7 569)	(1 296)	(234)	(256)	(9 355)
- outflows	7 580	1 309	232	256	9 377
Net settled derivatives	22	151	46	8	227
Guarantees issued	2 923	-	-	-	2 923
Import letters of credit	149	-	-	-	149
Total potential future payments for financial obligations	**16 318**	**5 283**	**2 789**	**9 365**	**33 755**

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 2010 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	1 038	419	465	200	2 122
Customer accounts - individuals	4 303	1 194	1 436	1 291	8 224
Customer accounts - other	4 838	2 616	767	716	8 937
Debt securities issued	80	1 171	683	3 069	5 003
Syndicated and other debt	1	5	39	175	220
Subordinated debt	-	34	78	2 384	2 496
Other non-derivative financial liabilities	89	57	-	23	169
Gross settled swaps and forwards:					
- inflows	(4 467)	(840)	(79)	(478)	(5 864)
- outflows	4 463	845	83	501	5 892
Net settled derivatives	31	49	3	16	99
Guarantees issued	1 443	-	-	-	1 443
Import letters of credit	130	-	-	-	130
Total potential future payments for financial obligations	**11 949**	**5 550**	**3 475**	**7 897**	**28 871**

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 2011 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 part of 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	2 707	-	-	-	-	2 707
Mandatory cash balances with central banks	316	-	-	-	-	316
Trading securities	1 206	-	-	-	-	1 206
Repurchase receivables relating to trading securities	548	-	20	-	-	568
Due from other banks	942	944	163	193	-	2 242
Loans and advances to customers	2 594	4 072	2 471	12 667	-	21 804
Investments	124	12	146	703	396	1 381
Other financial assets	417	100	15	44	-	576
Other assets	45	40	-	1	135	221
Premises and equipment	-	-	-	-	340	340
Deferred tax asset	-	-	-	-	4	4
Total assets	**8 899**	**5 168**	**2 815**	**13 608**	**875**	**31 365**
Liabilities						
Due to other banks	1 435	491	328	130	-	2 384
Customer accounts	5 793	4 042	1 856	6 563	-	18 254
Debt securities issued	338	835	406	3 040	-	4 619
Syndicated and other debt	1	7	278	110	-	396
Subordinated debt	-	53	51	1 231	-	1 335
Other financial liabilities	249	206	49	29	-	533
Other liabilities	14	100	-	239	-	353
Deferred tax liability	-	-	-	-	56	56
Total liabilities	**7 830**	**5 734**	**2 968**	**11 342**	**56**	**27 930**
Net expected liquidity gap as at 31 December 2011	**1 069**	**(566)**	**(153)**	**2 266**	**819**	**3 435**
Cumulative expected liquidity gap as at 31 December 2011	**1 069**	**503**	**350**	**2 616**	**3 435**	

31 Financial Risk Management (Continued)

The following table represents analysis of assets and liabilities as at 31 December 2010 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	3 182	-	-	-	-	3 182
Mandatory cash balances with central banks	189	-	-	-	-	189
Trading securities	1 426	-	-	-	-	1 426
Repurchase receivables relating to trading securities	534	-	380	-	-	914
Due from other banks	1 896	188	325	345	-	2 754
Loans and advances to customers	1 218	2 661	1 638	11 278	-	16 795
Investments	85	313	287	990	433	2 108
Other financial assets	272	74	1	127	-	474
Other assets	73	73	-	-	141	287
Premises and equipment	-	-	-	-	304	304
Deferred tax asset	-	-	-	-	45	45
Total assets	**8 875**	**3 309**	**2 631**	**12 740**	**923**	**28 478**
Liabilities						
Due to other banks	1 037	417	461	182	-	2 097
Customer accounts	3 661	4 192	2 398	6 561	-	16 812
Debt securities issued	79	1 146	651	2 231	-	4 107
Syndicated and other debt	1	5	36	148	-	190
Subordinated debt	-	33	78	1 284	-	1 395
Other financial liabilities	163	120	-	49	-	332
Other liabilities	3	42	51	231	-	327
Deferred tax liability	-	-	-	-	139	139
Total liabilities	**4 944**	**5 955**	**3 675**	**10 686**	**139**	**25 399**
Net expected liquidity gap as at 31 December 2010	**3 931**	**(2 646)**	**(1 044)**	**2 054**	**784**	**3 079**
Cumulative expected liquidity gap as at 31 December 2010	**3 931**	**1 285**	**241**	**2 295**	**3 079**	

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. 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	2011	2010
Tier 1 capital		
Paid up share capital	1 265	1 265
Retained earnings, cumulative translation reserve and non-controlling interests	2 157	1 729
Less: Goodwill	(60)	(64)
Total tier 1 capital	**3 362**	**2 930**
Tier 2 capital		
Asset revaluation reserves	13	85
Subordinated debt	1 335	1 201
Total tier 2 capital	**1 348**	**1 286**
Total capital	**4 710**	**4 216**

Management of the Group is of the opinion that the Group complied with all the external capital adequacy requirements during 2011 and 2010.

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 contingencies. A significant part of operations of the Group is undertaken in the Russian Federation. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. 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 enacted during the current period is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provides the possibility for tax authorities to make transfer pricing adjustments and to 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 of 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. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice. Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The 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. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position 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 2011 it had other possible obligations from exposure to other than remote tax risks of up to approximately USD 49 million (2010: USD 12 million). These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

33 Contingencies and Commitments (Continued)

Capital commitments. As at 31 December 2011 the Group had capital commitments of USD 14 million (2010: USD 23 million), of which USD 5 million (2010: USD 9 million) related to construction expenditure and modernisation of premises and USD 9 million (2010: USD 14 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	2011	2010
Not later than 1 year	45	52
Later than 1 year and not later than 5 years	83	71
Later than 5 years	16	14
Total operating lease commitments	**144**	**137**

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	2011	2010
Guarantees issued	2 923	1 443
Import letters of credit	149	130
Export letters of credit	19	32
Total credit related commitments	**3 091**	**1 605**

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 17 million as at 31 December 2011 (2010: USD 5 million).

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

In millions of US Dollars	2011	2010
Provision for losses on credit related commitments as at 1 January	**5**	**13**
Provision for losses on credit related commitments during the year	12	(8)
Provision for losses on credit related commitments as at 31 December (Note 20)	**17**	**5**

33 Contingencies and Commitments (Continued)

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;
- 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 during 2011 and 2010.

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

In millions of US Dollars	**Notes**	**2011**	**2010**
Loans and advances to customers pledged to the SDIA	10, 18	161	158
Margin call deposits	9	223	273
Trading securities classified as repurchase receivables	8, 15	568	914
Term deposits with other banks placed under the Diversified Payment Rights Secured Debt Issuance Programme	9, 17	28	75
Restricted cash	12	19	21
Total		**999**	**1 441**

As at 31 December 2011 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 2 394 million (2010: USD 496 million). As at 31 December 2011 the fair value of such securities sold under sale and repurchase agreements with other banks and customers amounted to USD 382 million (2010: USD 1 million) (Note 15).

Mandatory cash balances with central banks in the amount of USD 316 million (2010: USD 189 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.

34 Derivative Financial Instruments (Continued)

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.

	2011			2010		
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	982	31	(12)	1 098	14	(21)
-purchase of securities	16	2	-	31	1	-
Non-deliverable forwards						
Securities						
-sale of securities	257	2	(1)	61	-	-
Precious metals						
-sale of precious metals	20	-	-	-	-	-
-purchase of precious metals	21	-	-	-	-	-
Other base assets						
-sale of other base assets	1	-	-	-	-	-
-purchase of other base assets	1	-	-	-	-	-
Futures						
Other base assets						
-sale of other base assets	3	-	-	-	-	-
Call options						
Commodities						
-written call options	111	-	(2)	133	-	(2)
-purchased call options	112	2	-	133	2	-
Foreign currency						
-written call options	15	-	-	-	-	-
-purchased call options	15	-	-	-	-	-
Index						
-written call options	48	-	-	-	-	-
-purchased call options	48	-	-	-	-	-
Put options						
Commodities						
-written put options	85	-	(4)	100	-	(6)
-purchased put options	83	2	-	100	6	-
Swaps						
Interest rate swaps - pay fixed interest, receive floating interest	357	1	(13)	576	-	(25)
Total		**40**	**(32)**		**23**	**(54)**

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.

	2011		2010	
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	834	2 371	5	625
- USD payable on settlement	(2 936)	(1 813)	(2 610)	(665)
- EUR receivable on settlement	2 420	1 089	1 863	460
- EUR payable on settlement	(86)	(1 791)	(25)	(449)
- RR receivable on settlement	130	673	551	245
- RR payable on settlement	(646)	(43)	(13)	(5)
- Other currencies receivable on settlement	444	137	275	28
- Other currencies payable on settlement	(111)	(715)	(18)	(260)
Non-deliverable forwards				
- USD receivable on settlement	3 207	2 662	1284	5066
- USD payable on settlement	(2 267)	(2 071)	(2 713)	(1 008)
- EUR receivable on settlement	1 719	772	462	35
- EUR payable on settlement	(217)	(2167)	(19)	(1 047)
- RR receivable on settlement	581	1 947	1 860	1 058
- RR payable on settlement	(3 255)	(1 161)	(1 348)	(3 659)
- Other currencies receivable on settlement	394	61	568	64
- Other currencies payable on settlement	(37)	(252)	(45)	(590)
Deliverable swaps				
- USD payable on settlement	(93)	-	-	(80)
- EUR receivable on settlement	140	-	144	31
- EUR payable on settlement	-	(139)	-	(143)
- RR receivable on settlement	93	128	-	185
- RR payable on settlement	(128)	-	(138)	-
Net fair value of foreign exchange derivatives and derivatives on precious metals	**186**	**(312)**	**83**	**(109)**

Starting 11 January 2011 the Group decided to start hedge accounting. As at 31 December 2011 derivative financial instruments included currency forwards with a contractual amount of USD 1 740 million which were designated and qualified as hedge 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 2011 on these hedging instruments amounted to USD 76 million. No ineffectiveness was recorded in the profit or loss for 2011 in respect of the hedge. As at 31 December 2011 the positive fair value of these hedging instruments amounted to USD 63 million. No amounts were reclassified from other comprehensive income during 2011, as there were no disposals of subsidiaries, which the hedge related to. Net change in hedge of net investment in foreign operations in the amount of USD 14 million for the year ended 31 December 2010 related to the hedge accounting which was stopped during 2010.

Forward positions in securities are summarised below. As at 31 December 2011 and 2010 the respective securities' long balance sheet positions reduced risks related to securities' short forward positions. Refer to Note 8.

34 Derivative Financial Instruments (Continued)

	2011		2010	
	Principal or agreed amount		Principal or agreed amount	
In millions of US Dollars	Sale	Purchase	Sale	Purchase
Corporate Eurobonds	431	-	621	-
Corporate bonds	332	-	213	-
Municipal bonds	178	-	102	-
Russian Federation bonds	165	-	-	-
Russian Federation Eurobonds	70	16	153	16
Corporate shares	37	-	27	5
Eurobonds of other states	19	-	-	-
Promissory notes	5	-	-	-
ADRs and GDRs	1	-	32	10
Bonds of other states	1	-	11	-
Total	**1 239**	**16**	**1 159**	**31**

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.

Investments held to maturity. The fair value of investments held to maturity has been determined by reference to published price quotations or estimated on the basis of discounted cash flows using interest rates for similar instruments.

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.

35 Fair Value of Financial Instruments (Continued)

Syndicated and other debt. The estimated fair value of syndicated and other debt is based on discounted cash flows using interest rate of new debts with similar remaining maturity.

Subordinated debt. The fair value of traded subordinated debt has been determined by reference to published price 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.

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:

% per annum	**2011**	**2010**
Due from other banks		
- Term placements	0.0 - 10.5	0.0 - 9.5
- Reverse sale and repurchase agreements	1.5 - 9.2	0.0 - 4.8
Loans and advances to customers		
- Corporate loans	3.0 - 11.8	6.6 - 13.7
- Finance lease receivables and advances on lease operations	11.0 - 22.0	12.4 - 22.1
- Loans to small and medium size enterprises	3.0 - 11.8	8.6 - 13.7
- Loans to individuals	7.8 - 27.0	10.2 - 29.1
Due to other banks		
- Correspondent accounts and overnight placements of other banks	0.0 - 6.8	0.0 - 2.5
- Term placements of other banks	0.0 - 8.0	0.0 - 8.5
- Sale and repurchase agreements with other banks	0.3 - 6.75	0.0 - 1.5
Customer accounts		
- Current/settlement accounts of corporates	0.0 - 7.0	0.0 - 5.0
- Term deposits of corporates	0.1 - 14.5	0.1 - 14.0
- Current/settlement accounts of individuals	0.0 - 7.1	0.0 - 3.7
- Term deposits of individuals	0.0 - 16.1	0.0 - 16.1
Syndicated and other debt		
- Syndicated loans	3.8	-
- Loan from SDIA	6.7	6.7
Debt securities issued (excluding quoted instruments)		
- Promissory notes and domestic bonds issued	0 - 14.3	0.0 - 10.5
- Notes issued under a DPR Programme	2.6 - 3.3	2.3 - 3.5

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:

In millions of US Dollars	2011			2010		
	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	***891***	***243***	***72***	***1 276***	***40***	***110***
- Corporate bonds	451	125	-	630	-	-
- Corporate Eurobonds	120	118	-	381	40	-
- Promissory notes	5	-	72	80	-	110
- Bonds of other states	2	-	-	56	-	-
- Eurobonds of other states	16	-	-	30	-	-
- Municipal bonds	153	-	-	15	-	-
- Russian Federation Bonds and Eurobonds	74	-	-	2	-	-
- Corporate shares	47	-	-	44	-	-
- ADRs and GDRs	23	-	-	38	-	-
Repurchase receivables	***456***	***112***	***-***	***914***	***-***	***-***
- Corporate Eurobonds	222	82	-	442	-	-
- Corporate bonds	8	-	-	164	-	-
- Municipal bonds	27	-	-	102	-	-
- Eurobonds of other states	-	30	-	-	-	-
- Russian Federation Bonds and Eurobonds	196	-	-	201		
- Corporate shares	3	-		-		
- ADRs and GDRs	-	-	-	5	-	-
Debt investment securities available for sale	***868***	***-***	***-***	***1 351***	***-***	***-***
- Russian Federation bonds and Eurobonds	462	-	-	969	-	-
- Corporate Eurobonds	324	-	-	238	-	-
- Bonds of other states	47	-	-	76	-	-
- Corporate bonds	35	-	-	39	-	-
- Municipal bonds	-	-	-	29	-	-
Equity investments available for sale	***-***	***-***	***298***	***-***	***-***	***336***
Equity investments at fair value through profit or loss	***-***	***7***	***91***	***-***	***5***	***92***
Other financial assets	***35***	***206***	***-***	***14***	***92***	***62***
- Foreign exchange forward contracts	-	172	-	-	77	-
- Other financial derivatives	35	19	-	14	15	-
- Receivables at fair value through profit or loss	-	15	-	-	-	62
Total financial assets carried at fair value	**2 250**	**568**	**461**	**3 555**	**137**	**600**

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. The fair value of securities with insignificant trading volumes is based on adjusted market quotes.

Level 3. Equity investments available for sale in the amount of USD 298 million (2010: USD 336 million) and equity investments at fair value through profit or loss in the amount of USD 4 million (2010: USD 6 million) allocated to Level 3 represent investments in 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 instruments held by those funds have been in all cases determined either on the basis of market quotes for the instruments held by the funds where available, or on the basis of indicative quotes provided by reputable brokerage houses dealing in such unquoted instruments.

The fair value of equity investments at fair value through profit or loss in the amount of USD 87 million (2010: USD 86 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.

As at 31 December 2010 receivables at fair value through profit or loss in the amount of USD 62 million allocated to level 3 represent financial instruments valued based on the adjusted discounted cash flows (DCF) models.

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. Had other reasonably possible alternative assumptions have been used for the valuation, the fair value as at 31 December 2011 of the equity investments at fair value through profit or loss with the carrying value of USD 74 million (2010: USD 86 million) valued using DCF and peer based models would have been in the range from USD 67 million to USD 85 million (2010: from USD 71 million to USD 108 million).

	2011			**2010**		
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 liabilities						
Other financial liabilities	**11**	**333**	**-**	**21**	**142**	**-**
- Foreign exchange forward contracts	-	301	-	-	102	-
- Other derivative financial instruments	11	32	-	21	40	-
Total financial liabilities carried at fair value	**11**	**333**	**-**	**21**	**142**	**-**

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 2011 is as follows:

In millions of US Dollars	Trading securities	Equity investments available for sale	Equity investments at fair value through profit or loss	Other financial assets
Fair value at 1 January 2011	**110**	**336**	**92**	**62**
Gains or losses recognised in profit or loss for the year	12	-	35	-
Gains or losses recognised in other comprehensive income	-	(38)	-	-
Disposals	(50)	-	(36)	-
Redemption at nominal value	-	-	-	(62)
Fair value at 31 December 2011	**72**	**298**	**91**	**-**
Revaluation gains less losses recognised in profit or loss for the year for assets held at 31 December 2011	**7**	**-**	**27**	**-**
Revaluation gains less losses recognised in other comprehensive income for the year for assets held at 31 December 2011	**-**	**(38)**	**-**	**-**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the year ended 31 December 2010 is as follows:

In millions of US Dollars	Trading securities	Debt investments available for sale	Equity investments available for sale	Equity investments at fair value through profit or loss	Other financial assets
Fair value at 1 January 2010	**23**	**32**	**414**	**72**	**42**
Gains or losses recognised in profit or loss for the year	(3)	-	41	17	-
Gains or losses recognised in other comprehensive income	-	-	17	-	-
Acquisition	113	-	39	11	62
Disposals	-	(22)	(175)	(8)	
Redemption at nominal value	-	(10)	-	-	(42)
Coupon accrued	2	1	-	-	-
Coupon received	(2)	(1)	-	-	-
Transfers out of level 3 to level 2	(23)	-	-	-	-
Fair value at 31 December 2010	**110**	**-**	**336**	**92**	**62**
Revaluation gains less losses recognised in profit or loss for the period for assets held at 31 December 2010	**(3)**	**-**	**-**	**17**	**(8)**
Revaluation gains less losses recognised in other comprehensive income for the period for assets held at 31 December 2010	**-**	**-**	**17**	**-**	**-**

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 (Note 1) 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.

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.

Alfa DA Limited (''ADA'') and its subsidiaries ("ADA Group") is a sub-holding of Alfa Group established in 2009. 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.

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:

	2011					
In millions of US Dollars	**TNK-BP**	**Alfa Group, its associates and sharehol-ders***	**ADA Group and its associates**	**ABH Holdings S.A.**	**ABH Ukraine Group**	**Key manage-ment**
Trading securities as at the year end	**8**	**61**	**-**	**-**	**1**	**-**
Investment securities available for sale as at the year end	**32**	**21**	**-**	**-**	**2**	**-**
Correspondent accounts with other banks as at the year end	**-**	**1**	**-**	**-**	**2**	**-**
Term placements with other banks as at the year end	**-**	**44**	**-**	**-**	**28**	**-**
RUR, effective contractual rate of 10.5%	-	9	-	-	-	-
USD, effective contractual rate of 5.9% - 10.0%	-	35	-	-	25	-
EUR, effective contractual rate of 5.0%	-	-	-	-	3	-
Subordinated loan to PAO Alfa-Bank Ukraine in USD, effective contractual rate of 5.75%	**-**	**-**	**-**	**-**	**132**	**-**

36 Related Party Transactions (Continued)

	2011					
In millions of US Dollars	**TNK-BP**	**Alfa Group, its associates and sharehol-ders***	**ADA Group and its associates**	**ABH Holdings S.A.**	**ABH Ukraine Group**	**Key manage-ment**
Loans and advances to customers as at the year end (gross of provision for impairment)	**-**	**855**	**453**	**-**	**15**	**2**
RUR, effective contractual rate of 5.5% - 22.0%	-	503	207	-	-	-
USD, effective contractual rate of 4.5% - 20.0%	-	349	246	-	15	2
EUR, effective contractual rate of 7.3%	-	3	-	-	-	-
Provision for loan impairment as at 1 January 2011	-	**(18)**	**(252)**	-	-	-
Provision for loan impairment during the year	-	(24)	52	-	-	-
Provision for loan impairment as at 31 December 2011	-	**(42)**	**(200)**	-	-	-
Receivables as at the year end	**-**	**11**	**81**	**93**	**-**	**-**
Correspondent accounts of other banks as at the year end	**-**	**5**	**-**	**-**	**17**	**-**
Term placements of other banks as at the year end in RUR, effective contractual rate of 3.5% - 8.0%	**-**	**7**	**-**	**-**	**-**	**-**
Customer accounts						
Current/settlement accounts as at the year end	**51**	**706**	**53**	**1**	**7**	**15**
RUR, effective contractual rate of 0.0% - 7.7%	50	167	23	-	-	1
USD, effective contractual rate of 0.0% - 3.1%	1	142	30	1	5	14
EUR, effective contractual rate of 0.0% - 0.1%	-	397	-	-	2	-
Term deposits as at the year end	**265**	**1 343**	**9**	**-**	**-**	**3**
RUR, effective contractual rate of 2.5% - 14.0%	9	217	7	-	-	2
USD, effective contractual rate of 0.2% - 6.6%	254	1 083	2	-	-	1
EUR, effective contractual rate of 2.4% - 5.8%	2	43	-	-	-	-
Payables as at the year end	**-**	**7**	**10**	**3**	**1**	**37**
Interest income for the year	**3**	**78**	**90**	**-**	**16**	**-**
Interest expense for the year	**(25)**	**(30)**	**-**	**-**	**-**	**-**

36 Related Party Transactions (Continued)

	2011					
In millions of US Dollars	TNK-BP	Alfa Group, its associates and sharehol-ders*	ADA Group and its associates	ABH Holdings S.A.	ABH Ukraine Group	Key manage-ment
Fee and commission income for the year	2	94	-	-	-	-
Fee and commission expense for the year	-	(4)	-	-	(3)	-
Gains less losses arising from trading securities for the year	-	(1)	2	-	-	-
Gains less losses arising from securities available for sale for the year	1	2	-	-	1	-
Gains less losses arising from trading in foreign currencies for the year	12	5	-	-	-	-
Other expenses for the year	-	(14)	-	-	-	(36)
Guarantees issued by the Group at the year end	31	52	-	-	5	-
Guarantees received by the Group at the year end	-	132	376	-	-	-
Import letters of credit as at the year end	2	6	-	-	1	-

*excluding ABH Holdings S.A., ABH Ukraine Group and ADA Group disclosed separately above.

36 Related Party Transactions (Continued)

The outstanding balances as at 31 December 2010 and income and expense items as well as other transactions for the year ended 31 December 2010 with related parties were as follows:

	2010					
In millions of US Dollars	**TNK-BP**	**Alfa Group, its asso-ciates and sharehol-ders***	**ADA Group and its associates**	**ABH Holdings S.A.**	**ABH Ukraine Group**	**Key manage-ment**
Trading securities as at the year end	**-**	**227**	**-**	**-**	**22**	**-**
Investment securities available for sale as at the year end	**11**	**22**	**-**	**-**	**4**	**-**
Investment securities through profit or loss at the year end	**-**	**2**	**-**	**-**	**-**	**-**
Correspondent accounts with other banks as at the year end	**-**	**-**	**-**	**-**	**2**	**-**
Term placements with other banks as at the year end	**-**	**47**	**-**	**-**	**33**	**-**
USD, effective contractual rate of 4.5% - 8.7%	-	40	-	-	33	-
EUR, effective contractual rate of 5.5%	-	7	-	-	-	-
Subordinated loan to PAO Alfa-Bank Ukraine in USD, effective contractual rate of 5.75%	**-**	**-**	**-**	**-**	**248**	**-**
Loans and advances to customers as at the year end (gross of provision for impairment)	**-**	**584**	**842**	**-**	**-**	**1**
RUR, effective contractual rate of 5.1% - 22.1%	-	303	457	-	-	-
USD, effective contractual rate of 5.3% - 20.0%	-	278	354	-	-	1
EUR, effective contractual rate of 6.1% - 17.9%	-	3	31	-	-	-
Provision for loan impairment as at 1 January	**-**	**-**	**(104)**	**-**	**-**	**-**
Provision for loan impairment during the year	-	(18)	(148)	-	-	-
Provision for loan impairment as at 31 December	**-**	**(18)**	**(252)**	**-**	**-**	**-**
Receivables as at the year end	**-**	**15**	**62**	**-**	**93**	**-**
Correspondent accounts of other banks as at the year end	**-**	**1**	**-**	**-**	**5**	**-**
Term placements of other banks as at the year end in RUR, effective contractual rate of 6.3% - 8.5%	**-**	**5**	**-**	**-**	**-**	**-**

36 Related Party Transactions (Continued)

	2010					
In millions of US Dollars	TNK-BP	Alfa Group, its associates and shareholders*	ADA Group and its associates	ABH Holdings S.A.	ABH Ukraine Group	Key management
Current/settlement accounts as at the year end	**101**	**433**	**46**	**-**	**7**	**4**
RUR, effective contractual rate of 0.0% - 3.3%	101	107	14	-	-	2
USD, effective contractual rate of 0.0% - 1.5%	-	195	32	-	5	1
EUR, effective contractual rate of 0.0%	-	130	-	-	2	1
CHF, effective contractual rate of 0.0%	-	1	-	-	-	-
Term deposits as at the year end	**161**	**1 173**	**-**	**-**	**-**	**2**
RUR, effective contractual rate of 1.5% - 7.5%	7	110	-	-	-	-
USD, effective contractual rate of 0.0% - 6.6%	154	1 026	-	-	-	1
EUR, effective contractual rate of 1.5% - 5.8%	-	37	-	-	-	1
Payables as at the year end	**-**	**6**	**-**	**6**	**2**	**51**
Interest income for the year	**3**	**78**	**37**	**-**	**36**	**-**
Interest expense for the year	**(10)**	**(27)**	**-**	**-**	**-**	**-**
Fee and commission income for the year	**2**	**71**	**-**	**-**	**-**	**-**
Fee and commission expense for the year	**-**	**(1)**	**-**	**(6)**	**(3)**	**-**
Gains less losses arising from trading securities for the year	**-**	**1**	**-**	**-**	**-**	**-**
Gains less losses arising from trading in foreign currencies for the year	**3**	**(1)**	**-**	**-**	**-**	**-**
Other income for the year	**-**	**-**	**17**	**-**	**-**	**-**
Other expenses for the year	**-**	**(11)**	**-**	**-**	**-**	**(44)**
Guarantees issued by the Group at the year end	**28**	**52**	**-**	**-**	**8**	**-**
Guarantees received by the Group at the year end	**-**	**-**	**388**	**341**	**-**	**-**
Import letters of credit as at the year end	**-**	**2**	**-**	**-**	**32**	**-**

*excluding ABH Holdings S.A., ABH Ukraine Group and ADA Group disclosed separately above.

36 Related Party Transactions (Continued)

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

In millions of US Dollars	2011	2010
Key management compensation accrued as at the reporting date	**37**	**51**
Bonuses	**37**	**51**
- short-term bonuses	-	13
- long-term bonuses	37	38
Key management compensation expense for the period	**36**	**44**
Salaries	**10**	**8**
Bonuses	**26**	**36**
- short-term bonuses	6	13
- long-term bonuses	20	23

As at 31 December 2011 liabilities of the Group classified as "Alfa Group, its associates and its shareholders" included USD 37 million (2010: USD 56 million) of third parties funds managed by subsidiaries of CTFH.

Also, refer to Note 22 for the information on dividends declared by the Company, to Note 11 for the information on transactions with investments performed with related parties, and to Notes 9 and 12 for the information on balances guaranteed by the shareholders of the Group.

In addition refer to Note 11 for the information on investment in Pamplona Credit Opportunities Fund.