ALFA BANK HOLDINGS LIMITED

Consolidated Financial Statements
and Auditors' Report

30 June 2001

Contents

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AUDITORS' REPORT

To the Shareholders and Board of Directors of Alfa Bank Holdings Limited:

1 We have audited the accompanying consolidated balance sheet of Alfa Bank Holdings Limited (the "Group" as defined in Note 1 to the consolidated financial statements) as at 30 June 2001, and the related consolidated statements of income, of cash flows and of changes in shareholders' equity for the six-month period then ended. These consolidated financial statements are the responsibility of the Group's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 As described in Note 26, during 1998 the Group entered into forward foreign exchange contracts whereby it agreed to buy or sell Russian Roubles in exchange for other currencies at fixed rates of exchange at some future date. As a result of economic conditions in the Russian Federation, the value of the Russian Rouble against other currencies has declined significantly. The total contractual obligation relating to the Group's unsettled domestic forward foreign exchange transactions amounted to USD 32 080 thousand and USD 33 117 thousand at 30 June 2001 and 31 December 2000, respectively, if measured at the contractual exchange rates as required by International Accounting Standards. With respect to these contracts, Management of the Group has only recorded a provision of USD 2 000 thousand at both 30 June 2001 and 31 December 2000 based on their best estimate of the expected ultimate loss. However, if the Group were to have recorded its contractual liabilities under the forward foreign exchange contracts, the following adjustments to the consolidated financial statements would result to each of the periods taken independently:

- For 2000, total liabilities will increase by USD 31 117 thousand, shareholders' equity decrease by USD 31 117 thousand, and net profit for the six-month period ended 30 June 2000 would increase by USD 1 317 thousand; and
- For 2001, total liabilities will increase by USD 30 080 thousand, shareholders' equity decrease by USD 30 080 thousand, and net profit for the six-month period ended 30 June 2001 would increase by USD 1 037 thousand.

4 In our opinion, except for the effect on the consolidated financial statements of the matter referred to in paragraph 3 above, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2001 and the consolidated results of its operations and its cash flows for the six-month period ended 30 June 2001 in accordance with International Accounting Standards.

5 Without further qualifying our opinion, we draw attention to Notes 8, 10 and 28 to the consolidated financial statements. A large portion of the Group's assets are from related parties and, in addition, the Group also holds significant assets in trust and/or in an agency capacity for related parties. Related parties may enter into transactions which unrelated parties would not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Moscow, Russia
6 October 2001

(expressed in thousands of US dollars - Note 3)

	Note	30 June 2001	31 December 2000
Assets			
Cash and cash equivalents	5	278 960	258 916
Mandatory cash balances with the Central Banks of the Russian Federation and other local central banks		116 279	89 190
Trading securities	6	157 313	120 787
Due from banks	7	40 683	19 060
Loans and advances to customers	8	1 065 412	882 624
Investments available for sale	9	143 821	88 202
Other assets and receivables	10	184 244	333 903
Premises and equipment	11	108 276	89 050
Total assets		**2 094 988**	**1 881 732**
Liabilities			
Due to banks	12	264 718	160 913
Customer accounts	13	1 008 925	848 276
Bills of exchange		265 019	353 612
Other borrowed funds	14	59 205	70 977
Other liabilities and payables	15	290 900	305 328
Deferred tax liability	21	15 245	14 367
Total liabilities		**1 904 012**	**1 753 473**
Minority interest		**2 857**	**3 268**
Shareholders' equity			
Share capital	16	56 400	56 400
Investments fair value reserve	9	49 915	-
Revaluation reserve for premises and equipment	11	7 339	8 153
Retained earnings and other reserves		74 465	60 438
Total shareholders' equity		**188 119**	**124 991**
Total liabilities and shareholders' equity		**2 094 988**	**1 881 732**

Signed on behalf of the Board of Directors on 6 October 2001.

Mr. Alex Knaster
Chief Executive Officer

Mr. Ildar Karimov
Deputy Chairman of the Board

(expressed in thousands of US dollars - Note 3)

	Note	Six-month period ended 30 June 2001	Six-month period ended 30 June 2000
Interest income	17	83 787	38 477
Interest expense	17	(42 738)	(29 686)
Net interest income		**41 049**	**8 791**
Provision for loan impairment	7,8	(16 518)	(3 492)
Net interest income after provision for loan impairment		**24 531**	**5 299**
Gains less losses arising from trading securities		21 110	27 816
(Losses net of gains)/gains less losses arising from investment transactions		(1 087)	343
Gains less losses/(losses net of gains) arising from dealing in foreign currency		12 971	(2 054)
Foreign exchange translation (losses net of gains)/gains less losses		(9 737)	4 503
Fee and commission income, net	18	36 423	18 749
Provision for diminution in value of investments	9	-	(4 089)
(Provision)/recovery of provision for impairment of receivables	10	(1 040)	7 792
Other operating income	19	24 994	13 629
Net revenues		**108 165**	**71 988**
Operating expenses	20	(101 793)	(63 202)
Gains arising from retirement of debt	14	-	12 908
Monetary gain		32 260	31 814
Profit before taxation		**38 632**	**53 508**
Taxation	21	(1 174)	(773)
Profit after taxation		**37 458**	**52 735**
Minority interest		305	1 421
Net profit		**37 763**	**54 156**

(expressed in thousands of US dollars - Note 3)

	Note	Six-Month Period Ended 30 June 2001	Six-Month Period Ended 30 June 2000
Cash flows from operating activities			
Interest received		78 575	36 901
Interest paid		(39 569)	(34 696)
Income received from dealing in trading securities, net		28 546	16 574
Income/(loss) received from dealing in foreign currency		12 457	(2 169)
Commissions received		36 865	27 169
Commissions paid		(8 419)	(8 477)
Other income received		18 423	8 352
Operating expenses paid		(103 984)	(66 482)
Income tax paid		(296)	(250)
Operating gains/(losses) before changes in operating assets and liabilities		**22 598**	**(23 078)**
Net cash (increase)/decrease from operating assets and liabilities			
Net increase in CBRF reserves		(27 089)	(39 130)
Net increase in trading securities		(44 444)	(24 270)
Net (increase)/decrease in due from banks		(21 708)	15 766
Net (increase)/decrease in loans and advances to customers		(178 881)	21 384
Net increase in other assets and receivables		149 967	59 859
Net increase/(decrease) in due to banks		100 995	(6 218)
Net increase in customer accounts		130 249	14 598
Net (decrease)/increase in bills of exchange		(91 585)	1 402
Net (decrease)/increase in other liabilities and payables		(1 502)	7 293
Net cash from operating activities		**38 600**	**27 606**
Cash flows from investing activities			
Purchase of premises and equipment, net		(18 484)	(9 258)
Acquisition of subsidiaries		14 357	4 520
Purchase of investments available for sale, net		(6 791)	(10 762)
Dividend income received		872	1 068
Net cash used in investing activities		**(10 046)**	**(14 432)**
Cash flows from financing activities			
Issue of ordinary shares		-	40
Repayment of other borrowed funds		(12 715)	(20 794)
Net cash used in financing activities		**(12 715)**	**(20 754)**
Effect of exchange rate changes on cash and cash equivalents		**4 205**	**8 470**
Net increase in cash and cash equivalents		**20 044**	**890**
Cash and cash equivalents at beginning of the period		258 916	110 531
Cash and cash equivalents at the end of the period	5	**278 960**	**111 421**

(expressed in thousands of US dollars - Note 3)

	Share capital	Share premium	Revaluation reserve for investments	Revaluation reserve for premises and equipment	Retained earnings and other reserves	Total shareholders' equity
Balance at 31 December 1999	**1**	**9 495**	**245 812**	**3 348**	**(25 171)**	**233 485**
Revaluation of premises and equipment, net	-	-	-	1 527	-	1 527
Translation movement	-	-	-	-	(26 437)	(26 437)
Net gain and losses not recognised in the consolidated statement of income	**-**	**-**	**-**	**1 527**	**(26 437)**	**(24 910)**
Profit for the period	-	-	-	-	54 156	54 156
Share issue (Note 1)	40	-	-	-	-	40
Restructuring of share capital (Note 1)	949	(949)	-	-	-	-
Balance at 30 June 2000	**990**	**8 546**	**245 812**	**4 875**	**2 548**	**262 771**

	Share capital	Share premium	Investments fair value reserve	Revaluation reserve for premises and equipment	Retained earnings and other reserves	Total shareholders' equity
Balance at 31 December 2000 (as previously reported)	**56 400**	**-**	**-**	**8 153**	**60 438**	**124 991**
Effect of adopting IAS 39, net of taxation (Note 9)	-	-	11 398	-	-	11 398
Balance at 1 January 2001 (restated)	**56 400**	**-**	**11 398**	**8 153**	**60 438**	**136 389**
Net fair value gains arising on investments available for sale, net of taxation (Note 9)	-	-	38 517	-	-	38 517
Revaluation of premises and equipment, net	-	-	-	189	-	189
Translation movement	-	-	-	-	(24 739)	(24 739)
Other movements	-	-	-	(1 003)	1 003	-
Net gain and losses not recognised in the consolidated statement of income	**-**	**-**	**38 517**	**(814)**	**(23 736)**	**13 967**
Profit for the period	-	-	-	-	37 763	37 763
Balance at 30 June 2001	**56 400**	**-**	**49 915**	**7 339**	**74 465**	**188 119**

1 Principal Activities of Alfa Bank Holdings Limited

Alfa Bank Holdings Limited and its subsidiaries (the "Group" or "Alfa Bank Group") are part of the Alfa Group Consortium (the "Consortium") and comprise two main business segments, commercial banking and investment banking. The commercial banking activities of the Group are principally carried out by Alfa Bank and its subsidiaries and the investment banking activities of the Group are carried out principally by Alfa Capital Investments Limited and certain other subsidiaries. Refer to Note 23 for further information on the two primary business segments of the Group.

Alfa Group Consortium comprises the parent entity, CTF Holdings Limited, and its subsidiaries (together the "CTFH Group"), together with entities in which the parent entity along with the members of the parent entity have a majority interest and/or the ability to control. The Consortium operates in the following business segments: international commodities, domestic commodities, retail trade, food processing, oil and gas and real estate in addition to its financial services activities which are reflected in these consolidated financial statements.

A substantial part of the Consortium's and that of the Group's activities are carried out in Russia. However, a majority of the Group's operations, assets and liabilities are denominated in US Dollar which is regarded by Management as the Group's functional and measurement currency. Refer to Note 24 for a currency analysis of the Group.

Reorganisation of the Group. During the past several years the Group has undergone a multi-stage reorganisation in order to accomplish the following objectives:

- Arrange all of the companies in the Group into a transparent, legal structure with one parent company and in line with the way in which Management manages the business; and

- To create a separate industrial holding for non-banking assets.

As at 31 December 2000, the Group had finalised this restructuring. Set out below are the chronological steps performed to accomplish this:

In December 1999, AB Holdings Limited was registered as part of the Group restructuring to formally bring all the Group companies under one holding company. This was effected via a transfer of assets among entities under common control, and as such, was accounted for under the uniting of interests method.

Alfa Finance Holdings S.A., a Luxembourg holding company, was originally incorporated in May 1999 with capital of USD 40 thousand. During March 2000, Alfa Finance Holdings S.A. was capitalised via the transfer of all the assets and liabilities of AB Holdings Limited, the prior parent of the Group. As a result, Alfa Finance Holdings S.A. became the direct holding company of the Group. AB Holdings Limited has since been liquidated.

In September 2000, Alfa Finance Holdings S.A. sold its 100% interest in Alfa Bank to another of its wholly owned subsidiaries, Alfa Bank Holdings Limited (formerly Alfa Capital Holdings (BVI) Limited). Thus, Alfa Bank Holdings Limited became the parent company of the financial subholding (the constituent entities of these consolidated financial statements) and Medpoint Limited, another wholly owned subsidiary of Alfa Finance Holdings S.A., became the parent of an industrial subholding. Thus, Alfa Bank Holdings Limited and Medpoint Limited became the principal subholding companies of Alfa Finance Holdings S.A. for its financial and industrial holdings, respectively.

Though the parent of the Group has changed, the collection of assets and liabilities being reported on within these consolidated financial statements has remained consistent with the exception of the investment in Tyumen Oil Company which, due to the reorganisation of the Group, has been moved to the industrial subholding. Refer to Note 9.

A summary of the constituent entities within Alfa Bank Holdings Limited is set out below. Refer to Note 29 for a comprehensive listing of subsidiaries. The number of employees of the Group at 30 June 2001 is 6 291 (31 December 2000: 4 859).

Alfa Bank Holdings Limited is registered at PO Box 3339, Geneva Place, 333 Waterfront Drive, Road Town, Tortola, British Virgin Islands.

1 Principal Activities of Alfa Bank Holdings Limited (Continued)

Commercial Banking. Alfa Bank (the "Bank") is an open joint stock commercial bank. 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 (“CBRF”) since 1991. The Bank operates in all sectors of the Russian financial markets including inter-bank and retail deposits, foreign exchange operations and debt and bond trading. In addition, a complete range of banking services is provided in Russian Roubles and foreign currencies to its clients.

The Bank had 27 branches within the Russian Federation at 30 June 2001.

The Bank's registered office is located at 7b1 Novatorov Str., Moscow 117425. The Bank’s principal place of business is 9 Mashi Poryvaevoy Str. Moscow 107078.

At 30 June 2001 the Bank has nine Russian companies as shareholders, all of which are wholly owned by Alfa Bank Holdings Limited. The Bank's major wholly owned subsidiaries comprise Alfa Bank Kazakhstan, Alfa Russia Finance B.V., Alfa Garanty Insurance, Amsterdam Trade Bank, and Alfa Securities Ltd.

Alfa Russia Finance B.V. is a wholly owned special purpose vehicle through which Alfa Bank issued Euro Medium Term Notes and US Commercial Paper Notes, both denominated and settled in US Dollar. See Note 14 for further detail.

Investment banking. Alfa Bank Holdings Limited is also the parent company of Alfa Capital Investments Limited and certain other subsidiaries which are primarily involved in the investment banking segment of the Group. Most of these companies are located outside of Russia. Refer to Note 23 for further information on the geographical segments of the Group. The activities of these companies include proprietary trading and brokerage activities, investment and merchant banking and asset management with a primary emphasis on securities within the Russian Federation and Ukraine.

2 Operating Environment of the Group

The majority of the Group’s operations are tied to the Russian market (approximately 79% of total assets of the Group are represented by entities located in the Russian Federation) and accordingly the operating environment present in the Russian Federation is important to the overall operations of the Group. Although located in the Russian Federation, a majority of the Group’s assets and liabilities at 30 June 2001 are denominated and settled in US Dollar.

The economy of the Russian Federation continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country; a low level of liquidity in the public and private debt and equity markets; and high inflation.

Additionally, the banking sector in the Russian Federation is particularly impacted by adverse currency fluctuations and economic conditions. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Russian Federation. The political stabilisation in 2000 and continuing into 2001 has been a positive contributing factor for the further development of the political and legal environment.

The prospects for future economic stability in the Russian Federation is largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group’s control.

In addition, economic conditions continue to limit the volume of activity in the financial markets. Market quotations may not be reflective of the values for securities which would be determined in an efficient, active market involving willing buyers and willing sellers. Management has therefore used the best available information to adjust downwards, based on the concept of prudence, market quotations to reflect their best estimate of fair values where considered necessary.

(expressed in thousands of US dollars - Note 3)

3 Basis of Presentation

Basis of preparation. These consolidated financial statements of the Group are prepared in accordance with International Accounting Standards ("IAS"). The consolidated financial statements are prepared under the historical cost convention and modified by the revaluation of investments available-for-sale, financial assets and financial liabilities held for trading, all derivative contracts and premises, as described in Note 4 below.

The Bank maintains its accounting records in accordance with Russian banking regulations in the national currency of the Russian Federation, the Russian Rouble ("RR"). Certain other members of the Group (Alfa Trust, Alfa Garanty Insurance and Alfa Capital Asset Management) maintain their accounting records in compliance with Russian Accounting Regulations and Alfa Capital Ukraine, Alfa Bank Ukraine (formerly Kiev Invest Bank) and Ostra Kiev Insurance Company maintain their accounting records in accordance with Ukrainian Accounting Regulations. Other companies maintain their accounting records in compliance with the applicable companies' law in their respective jurisdictions. As indicated earlier, a majority of the Group's transactions by value are undertaken and settled in US Dollars and its assets and liabilities are primarily denominated in US Dollar. The accounting records of the Group are maintained such that original US Dollar and other currency amounts can be determined. The measurement currency of the Group is the US Dollar. Further information regarding the basis of translation of currencies in the preparation of these consolidated financial statements is provided under the "Foreign Currency Translation" section of this Note. These consolidated financial statements, expressed in US Dollar, have been prepared from the accounting records of the constituent entities within the Group and adjusted as necessary in order to comply with International Accounting Standards issued by the International Accounting Standards Committee.

In accordance with IAS 34 "Interim Financial Reporting", the Group is required to present in its half-yearly interim consolidated financial statements the following corresponding information:

Consolidated balance sheet:	at 30 June 2001 and 31 December 2000;
Consolidated statement of income:	six months ended 30 June 2001 and 30 June 2000;
Consolidated statement of cash flow:	six months ended 30 June 2001 and 30 June 2000; and
Consolidated statement of changes in equity:	six months ended 30 June 2001 and 30 June 2000.

These consolidated financial statements are in compliance with the above requirements.

The accounting policies used in preparing these interim consolidated financial statements are consistent with those used in the annual financial statements.

The United States Dollar has been selected as the measurement currency for the consolidated financial statements of Alfa Bank Holdings Limited as a significant portion of the transactions, settlements and profits of the Group are denominated in USD. Moreover, the Group's (and the Bank's) assets and liabilities are largely denominated and settled in United States Dollars and other freely convertible currencies (refer to Note 24). The US Dollar is used to a significant extent in, and has a significant impact on, the operations of the Group. Also, the US Dollar is the currency in which Management of the Group manages business risks and exposures, and measures the performance of its business.

As at 1 January 2001, the Group adopted IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The financial effects of adopting IAS 39 are reported in the consolidated statement of changes in shareholders equity. Further information relating to the effect of the adoption of IAS 39 is presented in the relevant accounting policies for trading securities, investments available for sale, derivative financial instruments, loans and provision for loan impairment and related disclosures.

Prior to the adoption of IAS 39, all investments were recorded in the consolidated financial statements at cost less any permanent diminution in value with realised gains and losses recognised in the consolidated statement of income. IAS 39 has been applied prospectively in accordance with the requirements of the Standard and therefore corresponding financial information has not been restated.

In other respects, corresponding figures have been adjusted, where necessary, to conform with changes in presentation in the current reporting period.

Consolidation. Subsidiary undertakings, which are those companies in which the Group directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, have been fully consolidated. Subsidiaries are consolidated from the date when effective control is transferred to the Group and are removed from consolidation from the date of disposal. All intercompany accounts, transactions and profits have been eliminated upon consolidation. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

3 Basis of Presentation (Continued)

Minority interest is that part of the net results of operations and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Group. Minority interest in the consolidated balance sheet is recorded separate from liabilities and shareholders' equity and is affected by the foreign currency translation adjustment applicable to the minority shareholders' interest in the subsidiary. Minority interest related to operational results of the current period is recorded in the consolidated statement of income.

Foreign currency translation. Monetary assets and liabilities originally denominated in USD are stated at their original USD amounts. Monetary assets and liabilities in other currencies have been translated to USD using the exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities (excluding currencies of countries with hyperinflationary economies), which are denominated in currencies other than USD, have been translated at the exchange rates in effect as at the date of transaction. Income and expenses, which were earned and incurred in other currencies (excluding currencies of countries with hyperinflationary economies), have been translated into USD using a basis that approximates the rate of exchange ruling at the date of transaction. Gains and losses arising from translation of assets and liabilities are reflected in the consolidated statement of income as foreign exchange translation gains less losses.

As the Bank and certain other members of the Group operate independently of the Group, in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", these entities are considered foreign entities (operations not integral to those of the parent) with respect to the Group. Thus, the accounts of the Bank and certain other members of the Group have been adjusted for hyperinflation and then translated into US Dollars at the applicable period end exchange rate as required by IAS 21.

The conversion method described below leads to a translation of non-monetary assets and liabilities, existing as at 30 June 2001, at two different rates (e.g. 31 December 2000 and 30 June 2001). In accordance with IAS 21, this exchange difference arising from the two different rates used forms part of the Group's net investment in a foreign entity and is classified as an element of equity in the consolidated financial statements until the disposal of the net investment, at which time it should be recognised as income or expense. This exchange difference is reflected within the translation movement in the consolidated statement of changes in shareholders' equity.

Refer to "Accounting for the Effects of Hyperinflation" below for an explanation of the conversion of the Bank's and other Russian companies' Russian Rouble accounting records to USD.

At 30 June 2001 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 29.07 (31 December 2000: USD 1 = RR 28.16) and the average exchange rate for the six-month period ended 30 June 2001 was USD 1 = RR 28.78 (six-month period ended 30 June 2000: USD 1 = RR 28.38). During six-month period ended 30 June 2001 the devaluation of the RR against the USD was 3.2% (six-month period ended 30 June 2000: 4.0%). Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies. At present, the Russian Rouble is not a convertible currency outside of the Russian Federation.

Accounting for the effect of hyperinflation. A significant proportion of the Group's activities are carried out in the Russian Federation which continues to experience relatively high levels of inflation and is considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economics". Accordingly, adjustments and reclassifications made for the purposes of IAS presentation include the restatement, in accordance with IAS 29, for changes in the general purchasing power of the Russian Rouble.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. IAS 29 indicates that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The application of IAS 29 results in an adjustment to the consolidated statement of income for the loss of purchasing power of the Russian Rouble. This gain or loss on net monetary position is calculated as the difference resulting from the restatement of non-monetary assets and liabilities, shareholders' equity and profit and loss account items.

(expressed in thousands of US dollars - Note 3)

3 Basis of Presentation (Continued)

The restated financial information of the Bank and other Russian companies has been prepared using conversion factors derived from the Russian Federation Consumer Price Index (“CPI”), published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992. The indices used to restate the financial statements are based on 1988 prices using 100 as the base index. The inflation indices for the five years ended prior to 30 June 2001 and the respective conversion factors are the following:

	Index	**Conversion Factor**
1996	594 110	3.8
1997	659 403	3.4
1998	1 216 400	1.9
1999	1 661 481	1.4
Six-month period ended 30 June 2000	1 819 986	1.2
2000	1 995 937	1.1
Six-month period ended 30 June 2001	2 252 016	1.0

The Bank’s and other companies’ financial records have been maintained with the principal objective of preparing historical cost financial information. This information has been updated to reflect the effects of inflation as required by IAS 29 applying the following assumptions and methodology, and thereafter included in the consolidated balance sheet and consolidated statement of income using the period end exchange rate for translation into USD.

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at 30 June 2001. Non-monetary assets and liabilities (items which are not expressed in terms of the monetary unit current at 30 June 2001) are restated by applying the relevant conversion factor. The effect of inflation on the Bank's net monetary position is included in the consolidated statement of income as a monetary gain or loss.

An independent market appraisal denominated in United States Dollar was used as a basis to value the Group’s premises. Equipment has been indexed by the change in the general price index from the approximate date of purchase. Where large acquisitions or disposals in the period were known, indexation has been applied from that date. In all other cases, an average indexation has been applied to acquisitions and disposals. An assessment has been made of the potential impairment and diminution in the carrying value of premises and equipment, and where applicable such assets have been reduced to their recoverable amounts.

Other non-monetary assets have been indexed from the date that they were originally acquired.

Components of equity have been indexed by the change in the general price index from the approximate date of transactions resulting in a movement in equity.

Amounts included in the consolidated statement of income have been indexed by the change in the general price index based on following assumptions:

- In general, inflation occurred evenly over the period; and
- Income and expenditures have accrued evenly over the period except for charges against profit for aggregate movements in:
    - provision for loan impairment;
    - provision for impairment of receivables; and
    - provision for impairment of premises and equipment.

All such movements have been treated, for the purposes of this calculation, as occurring at the period end.

With the exception of the Bank and other Russian and Ukraine companies, the measurement currency of all other material subsidiaries of the Group is the United States Dollar.

4 Significant Accounting Policies

The following accounting policies have been used by the Group in preparing financial statements of the individual entities forming part of the Group. Alfa Bank, the largest subsidiary of the Group, has also used these policies in preparing its historical cost financial information, which has been adjusted for the effects of inflation in accordance with IAS 29 (refer to Note 3) and thereafter incorporated in the accompanying consolidated financial statements.

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

Mandatory balances with the Central Bank of the Russian Federation and other local central banks. Mandatory balances with the Central Bank of the Russian Federation and other local central banks represent mandatory reserve deposits which are not available to finance the Bank'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.

Precious metals. Gold and other precious metals are recorded at market price at the balance sheet date.

Trading securities. At 1 January 2001 the Group adopted IAS 39 and classified all its securities portfolio as “trading” securities. Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on their market value or based on Management’s assessment of the future realisability of these securities. In determining market value, all securities are valued at the last trade price if quoted on an exchange or, if traded over-the-counter, at the last bid price.

Changes in fair values are recorded within gains less losses arising from trading securities in the consolidated statement of income in the period in which the change occurs. Coupon and interest earned on trading securities are reflected in the consolidated statement of income as interest income.

Because of the inherent settlement risk of the securities market, securities purchases and sales are recorded when the security transaction is settled.

Prior to adoption of IAS 39, all securities were treated by the Group as part of its trading portfolio. Government securities and corporate shares were carried at market value. The carrying values for other securities were derived either from market quotations or from the Management’s assessment of the future realisability of these securities. Changes in market values were recorded within gains less losses arising from securities in the consolidated statement of income in the period in which the change occurred. Coupon and interest earned on trading securities were reflected in the consolidated statement of income as interest income.

Originated loans and provisions for loan impairment. Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated by the Group and are carried at amortised cost less provision for loan impairment. Receivables with maturity at inception of less than one year are stated at their nominal amount.

All loans and advances are recognised when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect the amounts due. The amount of the provision is the difference between the carrying amount and estimated recoverable amount, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the instrument’s interest rate at inception.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings assigned to the borrowers and reflecting the current economic environment in which the borrowers operate.

4 Significant Accounting Policies (Continued)

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary legal procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are treated as income.

If the amount of the provision for loan impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the "provision for loan impairment" line in the consolidated statement of income.

Prior to adoption of IAS 39, loans and advances were stated at the principal amounts outstanding net of provisions for losses on loans and advances.

Other credit related commitments. In the normal course of business, the Group enters into other credit related commitments including loan commitments, letters of credit and guarantees. The accounting policy and provisioning methodology is similar to that for originated loans noted above.

Investments available for sale. At 1 January 2001 the Group adopted IAS 39 and classified all its investments as "available-for-sale". This classification includes investments which Management intends to hold for an indefinite period of time, that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Management determines the appropriate classification of its investments at the time of purchase.

Investments available for sale are initially recognised at cost (which includes transaction costs) and subsequently re-measured to fair value based on quoted bid prices. Certain investments for which there is no available external independent quotation have been fair valued by Management. Fair value has been determined by Management based upon other relevant factors, including Management's estimate of amounts to be realised on settlement. Unrealised gains and losses arising from changes in the fair value of investments available for sale are recognised in the consolidated statement of changes in shareholders' equity. When the investments are disposed of or impaired, the related accumulated fair value adjustments are included in the consolidation statement of income as gains less losses arising from investment transactions.

Because of the inherent settlement risk, investment purchases and sales are recorded when the transaction is settled.

Prior to adoption of IAS 39, investments were carried at cost less provision for diminution in value, created in cases where the value of an investment has declined, and Management believes that the decline is not temporary in nature. Income derived from investments was accounted for on a cash basis. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount was charged or credited to income.

Sale and repurchase agreements. Sale and repurchase agreements ("repo") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included into trading securities or investments available for sale as appropriate. The corresponding liability is presented within due to banks or other borrowed funds. Securities purchased under agreements to resell ("reverse repo") are recorded as loans and advances to banks or customers as appropriate.

Securities borrowed are not recognised in the 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 the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

Originated receivables from customers. Originated receivables from customers represent receivables for the sale of trading securities and investments available for sale, advances made for purchases of trading securities and investments available for sale, and other receivables and advances. Receivables with a maturity at inception of less than one year are stated at their nominal amounts less provision for impairment of receivables. Receivables with a maturity at inception of more than one year are carried at amortised cost less provision for impairment. Provisions made during the period are included in the consolidated statement of income.

Prior to adoption of IAS 39, all receivables from customers were carried at their nominal amount less provision for losses.

4 Significant Accounting Policies (Continued)

Premises and Equipment. Premises and equipment are stated at cost or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required. Where the carrying amount of an asset is greater than its estimate recoverable amount, it is written down to its recoverable amount and the difference is charged to the consolidated statement of income. The estimated recoverable amount is the higher of an asset's net selling price and its value in use.

The Group's premises have been revalued to market value. The valuation was performed on the basis of an appraisal performed by a professional, internationally recognised real estate appraisal company located in Russia. The basis used for the appraisal was market value.

Construction in progress is carried at cost less provision for impairment. 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.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and maintenance are charged to the consolidated statement of income when the expenditure is incurred.

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

Premises	2.5% per annum;
Office equipment	16% per annum;
Computer equipment	25% per annum;
Motor vehicles	14-18% per annum; and
Intangible assets	20% per annum.

Bills of exchange. Bills of exchange issued by the Group to its customers, more commonly known as "veksels", carry a fixed date of repayment. These may be issued against cash deposits or as a payment instrument which the customer can discount in the over-the-counter secondary market. Bills of exchange issued by the Group are recognised initially at cost, being their issue proceeds net of transaction costs incurred. Subsequently, bills of exchange issued are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the consolidated statement of income over the period of the security issue using the effective yield method.

The Group also purchases bills of exchange from its customers or in the market. These bills of exchange are included in trading securities, loans and advances to customers or in due from banks, depending on their substance and subsequently re-measured and accounted in accordance with the accounting policies described above for those categories of assets.

Share premium. Share premium represents the excess of contributions over the nominal value of the shares issued.

Dividends. Dividends payable are not accounted for until they have been ratified by the Directors of Alfa Bank Holdings Limited.

Income taxes. Taxation has been provided for in the consolidated financial statements in accordance with legislation currently in force in the respective territories that the Group operates. Taxation on the profit or loss for the period comprises current tax and movements in deferred tax. Current tax is calculated on the basis of the expected taxable profit for the period, using the tax rates enacted at the balance sheet date. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are netted only within the individual Group companies due to the number of tax jurisdictions in which the Group operates.

(expressed in thousands of US dollars - Note 3)

4 Significant Accounting Policies (Continued)

Income and expense recognition. Interest income and expense are recognised in the consolidated statement of income on an accruals basis. Interest income is not recognised when it is overdue and/or in situations where Management believes it is not collectible. Commissions and other income are credited to income when the related transactions are completed. Non-interest expenses are recognised at the time the products are received or the service is provided.

Derivative financial instruments. Derivative financial instruments include forward and spot transactions in foreign exchange markets and other derivative financial instruments.

According to the Group's normal policy derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices. 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 derivatives are included in gains less losses arising from dealing in foreign currencies. When the Group had contracts to both buy and sell foreign currencies with the same counterparty, the gains and losses have been offset. See further details on treatment of these forward contracts in Note 26.

The August 1998 economic crisis and the subsequent legal uncertainty over derivative contracts have necessitated the Group to modify its accounting policy with regard to domestic index forwards as described below.

Gains and losses on domestic index forwards have been calculated applying the exchange rate on the contractual maturity date. Where settlements have been negotiated with counterparties, the gain or loss has been recognised based on the settlement amounts. For contracts which have not been settled, Management has recognised the gain or loss at the amount at which they believe the contract could be settled. When the Bank had contracts to both buy and sell foreign currencies with the same counterparty, the gains and losses have been offset.

The Group also trades in forwards in securities and precious metals. All related gains and losses are reflected within gains less losses arising from trading securities and other operating income respectively.

The Group does not enter into derivative instruments for hedging purposes.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Pension costs. The Bank contributes to the Russian Federation state pension schemes, social insurance and employment funds in respect of its employees. The Bank's pension scheme contributions amount to 28% of employees' gross salaries, and are expensed as incurred. The contributions are included into staff costs.

Operating leases. Payments made under operating leases are charged against income in equal instalments over the period of the lease.

Segment reporting. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are 10 per cent more of all the segments are reported separately.

5 Cash and Cash Equivalents

	30 June 2001	**31 December 2000**
Cash on hand	47 020	38 140
Cash balances with the CBRF (other than mandatory reserve deposits)	70 557	96 681
Correspondent accounts and placements with other banks		
- Russian Federation	34 349	7 534
- Other countries	127 034	116 561
Total cash and cash equivalents	**278 960**	**258 916**

(expressed in thousands of US dollars - Note 3)

6 Trading Securities

	30 June 2001	31 December 2000
Corporate eurobonds	28 631	45 235
Corporate shares	25 162	16 056
VneshEconomBank 3% coupon bonds (VEB)	23 584	-
Corporate bonds	23 542	-
Russian Federation Eurobonds	23 394	12 594
Federal loan bonds (OFZ)	23 137	23 657
Promissory notes of Russian banks and enterprises	3 718	11 742
Local government bonds	2 013	4 553
Other securities	4 132	6 950
Total trading securities	**157 313**	**120 787**

Corporate eurobonds are interest bearing securities denominated in USD and issued by large Russian companies. They are freely tradable internationally and are reflected at period end market value. The annual coupon rates on these bonds range from 8% to 9%.

Corporate shares are shares of Russian and Ukrainian companies. The majority of corporate shares are stated at period end market value, which has been estimated by the Management using last traded prices or maximum bid prices obtained from the Russian Trade System (RTS) and the over-the-counter market. Certain corporate shares, for which there is no readily attainable market value or those securities for which Management has determined that the available quotation does not depict the security's true fair value, have been fair valued by Management.

VEB bonds are bearer securities which carry the guarantee of the Ministry of Finance of the Russian Federation, and are commonly referred to as "MinFin bonds". The bonds are purchased at a discount to nominal value and carry an annual coupon of 3%. The bonds have maturity dates from May 2003 to May 2011. VEB bonds are stated at market value.

Corporate bonds are interest bearing securities denominated in Russian Roubles and issued by large Russian companies. They are freely tradable in Russian Federation and are reflected at period end market value. The annual coupon rates on these bonds range from 12% to 20%.

Russian Federation Eurobonds are securities issued by the Ministry of Finance of the Russian Federation, are freely tradable internationally and stated at period end market value. The Bank's portfolio of Russian Federation Eurobonds consists of three tranches with maturity dates ranging from March 2010 to March 2030. The annual coupon rates on these bonds range from 5% to 11%, and interest is payable semi-annually.

OFZ bonds are Russian Rouble denominated government securities issued and guaranteed by the Ministry of Finance of the Russian Federation and are stated at period end market value. OFZs are issued at a discount to face value, have a medium to long term maturity period with a coupon rate ranging from 0% to 20% in 2001, depending on the type of bond issue. The weighted average interest rate on OFZs during six-month period ended 30 June 2001 was 18%.

The Bank is licensed by the CBRF as a primary dealer at MICEX for dealing and trading in government securities.

7 Due from Banks

	30 June 2001	31 December 2000
Current interbank loans	42 713	20 584
Less: Provision for loan impairment	(2 030)	(1 524)
Total due from banks	**40 683**	**19 060**

(expressed in thousands of US dollars - Note 3)

7 Due from Banks (Continued)

Movements in provision for loan impairment are as follows:

	Six-month period ended 30 June 2001	Six-month period ended 30 June 2000
Provision for loan impairment at 1 January	**1 524**	**542**
Charge for provision for loan impairment during the period	506	298
Provision for loan impairment at 30 June	**2 030**	**840**

Geographical and currency analysis of due from banks is disclosed in Note 24. The weighted average interest rates and maturity structure of the loan portfolio is detailed in Note 25.

8 Loans and Advances to Customers

	30 June 2001	31 December 2000
Current loans and advances	1 130 578	926 774
Overdue loans and advances	18 980	25 399
Less: Provision for loan impairment	(84 146)	(69 549)
Total loans and advances to customers	**1 065 412**	**882 624**

Movements in provision for loan impairment are as follows:

	Six-month period ended 30 June 2001	Six-month period ended 30 June 2000
Provision for loan impairment at 1 January	**69 549**	**56 811**
Charge for provision for loan impairment during the period	16 012	3 194
Loans and advances written off during the period as uncollectable	(1 415)	(11 351)
Acquisition of subsidiaries	-	52
Provision for loan impairment at 30 June	**84 146**	**48 706**

Economic sector risk concentrations within the customer loan portfolio are as follows:

	30 June 2001		31 December 2000	
	Amount	**%**	**Amount**	**%**
Energy and oil related enterprises	399 212	35	522 785	55
Manufacturing and construction	359 982	31	154 856	16
Trade and commerce	196 624	17	144 884	15
Telecommunications	110 000	9	-	-
Agriculture	42 196	4	54 258	6
Government bodies and municipals	10 729	1	8 787	1
Individuals	8 930	1	10 789	1
Other	21 885	2	55 814	6
Total loans and advances to customers (aggregate amount)	**1 149 558**	**100**	**952 173**	**100**

(expressed in thousands of US dollars - Note 3)

8 Loans and Advances to Customers (Continued)

As an illustration of risk concentration, at 30 June 2001, the Group had 14 borrowers with aggregated loan amounts above USD 15 000 thousand. The aggregate amount of these loans was USD 665 958 thousand or 58% of the gross loan portfolio.

Included in the loan portfolio at 31 December 2000 were loans to customers in the amount of USD 259 801 thousand which were fully collaterised by matching deposits of USD 100 000 thousand and bills of exchange of USD 159 801 thousand. The Group did not have a legally enforceable right to offset these amounts. These loans were repaid shortly after the year end, and thus, no provision against these loans was recorded.

Alfa Bank is an authorised bank of the Russian Government for the purposes of distribution of loans to agricultural entities under the Ministry of Agriculture and Ministry of Finance Program. As at 30 June 2001, the amount of agricultural loans outstanding was USD 32 313 thousand (31 December 2000: USD 36 176 thousand). These loans matured on 1 November 1999; however there has been a Presidential Decree extending the maturity date though the terms have not been finalised. Alfa Bank acts as an agent as the loans are granted by the Bank to approved borrowers in the agricultural sector out of the funding received under the federal special purpose fund of the Russian Government. Included within customer accounts is a deposit of USD 32 423 thousand (31 December 2000: USD 39 362 thousand) from the Ministry of Agriculture.

On 2 April 2001 the Group entered into agreement to purchase shares representing a 43.8% interest in Golden Telecom, an internet and telecommunications provider, for USD 110 000 thousand. On 10 April 2001 all rights and obligations of the Group related to the agreement were reassigned to Alfa Telecom, a wholly owned subsidiary of Alfa Finance Holdings S.A. On 10 May 2001 the shares were reregistered on the name of Alfa Telecom. Purchase consideration in amount of USD 55 000 thousand was paid on 11 May 2001 and a further USD 55 000 thousand was paid on 30 May 2001. The acquisition was financed by a loan in the amount of USD 110 000 thousand issued by the Group to Alfa Telecom. The loan is repayable by May 2004 and carries an interest at 20% p.a., payable at maturity.

The geographical and currency analysis of loans and advances to customers is disclosed in Note 24. The weighted average interest rates and maturity structure of the loan portfolio is detailed in Note 25. The Group has several loans to related parties. The relevant information on related party loans is disclosed in Note 28.

Loans totalling USD 25 000 thousand (31 December 2001: USD 25 000) have been pledged to third parties as collateral. Refer to Note 14.

9 Investments Available for Sale

	30 June 2001	31 December 2000
Investments measured at fair value	143 821	-
Investments measured at cost	-	139 888
Less: Provision for diminution in value of investments	-	(51 686)
Total investments available for sale	**143 821**	**88 202**

As described in Note 3, the Group adopted IAS 39 as at 1 January 2001. Prior to adoption of IAS 39, investments were carried at cost less provision for diminution in value. The diminution in value provision of USD 51 686 thousand at 31 December 2000 now constitutes a part of the carrying value of the investments available for sale.

Upon adoption of IAS 39, the Group recognised an adjustment of USD 11 398 thousand to its opening carrying value of investments available for sale. This amount related to investments in which the fair value at 1 January 2001 exceeded the carrying value of such investments as of that date.

(expressed in thousands of US dollars - Note 3)

9 Investments Available for Sale (Continued)

A rollforward of the investments available for sale is as follows:

	30 June 2001
Carrying value at 1 January 2001	88 202
Movement in investments fair value reserve during the period	49 915
Purchase of investments available for sale, net	6 791
Net losses on sale of investments available for sale	(1 087)
Total investments available for sale	**143 821**

Investments in Tyumen Oil Company

One of the most significant investments of the Group was in Tyumen Oil Company ("TNK"), one of the Russian Federation's largest oil companies. The Group purchased 25.05% of TNK and 11% of Nizhnivartovskneftegaz ("NNG"), a majority owned subsidiary of TNK and its main production facility. In 1997 the Group obtained a 20% interest in TNK and the additional interests were acquired during 1998. The investments were made via both cash and promissory notes. The investments were made with an equal joint venture partner through a mutually owned holding company structure, Novy Petroleum, and Novy Holding, a wholly owned subsidiary of Novy Petroleum. Novy Petroleum is 50% owned by Redhill Properties Limited. The historical purchase price of the Group's investments is USD 249 186 thousand.

TNK, including all its subsidiaries, was revalued by an independent appraiser as at 31 December 1998. This appraisal, based on crude oil reserve reports, was done on a discounted cash flow basis. The Group used this appraisal in order to determine the carrying value of their investment in TNK, amounting to USD 405 614 thousand as at 31 December 1999. A provision for deferred tax of USD 31 786 thousand had been estimated with respect to the carrying value of this investment.

In August 2000, Alfa Bank Holdings Limited finalised a transaction whereby it sold a wholly owned subsidiary, Redhill Properties Limited, and therefore the Group's interest in TNK, to Medpoint Limited for USD 375 000 thousand. Medpoint Limited paid USD 184 050 thousand (2000: USD 118 950 thousand) to the Group during 2001 in respect of this loan. Refer to Note 10.

As the above transaction was a sale to a company whose shareholders are the same as that of the Group, it was a transaction between entities under common control and no gain or loss was recognised by the Group on this transaction. In accordance with IAS 25, the revaluation reserve of USD 245 812 thousand related to TNK was transferred to retained earnings and other reserves in the consolidated statement of changes in shareholders' equity as of 31 December 2000.

Investments measured at fair value

These investments cover industries, which are not part of the long-term strategy of the Group or the Consortium. Management of the Group is focused on an eventual exit strategy for each of these companies. The principal investments available for sale at 30 June 2001 are:

Name	**Nature of business**	**Country of registration**	**Fair value**
Akrikhin	Pharmaceutical	Russia	30 762
UIF Alfa Capital	Investment	Russia	21 529
TV Service	Television	Russia	20 000
Siracuse	Construction	Russia	17 279
STS TV	Television	Russia	13 438
New Channel (NCU TV)	Television	Ukraine	12 200
Yasenevo	Construction	Russia	8 700
Svet	Manufacturing	Russia	5 100
Other			14 813
Total			**143 821**

(expressed in thousands of US dollars - Note 3)

9 Investments Available for Sale (Continued)

UIF Alfa Capital is a specialised investment fund (the "Fund") in which the Group has a majority investment. Management has valued the underlying securities in order to determine the fair value of their share of the Fund's net assets.

External independent market quotations were not available for Akrikhin, TV Service, Siracuse or STS TV. These assets were fair valued by Management.

In 1998 the Group entered into a sale and repurchase agreement with a western credit institution, in which the collateral was the Group's investment in Akrikhin. The amount due, in respect of this transaction, was USD 6 500 thousand as at 31 December 2000. The balance was repaid during the six-month period ended 30 June 2001 and the investment was released from the pledge. Refer to Note 14.

Investments available for sale totalling USD 8 672 thousand (31 December 2000: USD 4 398 thousand) have been pledged to third parties as collateral.

10 Other Assets and Receivables

	30 June 2001	**31 December 2000**
Receivable from related parties	92 742	271 952
Receivables on operations with securities	62 785	30 230
Trade debtors and prepayments	12 112	15 534
Accrued income	8 961	8 299
ATM debtors	4 643	5 105
Prepayment for investment in subsidiary (Note 30)	3 300	-
Debtors on plastic card operations	3 144	5 467
Settlements on conversion operations	2 649	280
Settlements on equipment acquisition	1 460	1 037
Precious metals	-	1 006
Other	4 401	6 017
Subtotal	**196 197**	**344 927**
Less: provision for impairment of receivables	(11 953)	(11 024)
Total other assets and receivables	**184 244**	**333 903**

Receivable from related parties includes USD 72 000 thousand (31 December 2000: USD 256 050 thousand) due from Medpoint Limited related to the sale of TNK. Refer to Note 9.

In addition, receivable from related parties includes USD 4 400 thousand of commission income receivable from Alfa Telecom for services provided by the Group in relation to the acquisition of Golden Telecom by Alfa Telecom. Refer to Note 8.

A summary of the movements in the provision for impairment of receivables are as follows:

	Six-month period ended 30 June 2001	**Six-month period ended 30 June 2000**
Provision for impairment of receivables at 1 January	**11 024**	**18 285**
Charge/(recovery) of provision for impairment of receivables during the period	1 040	(7 792)
Receivables written off during the period as uncollectable	(111)	(1 546)
Provision for impairment of receivables at 30 June	**11 953**	**8 947**

(expressed in thousands of US dollars - Note 3)

11 Premises and Equipment

	Premises	Leasehold Improvements	Office and computer equipment	Intangible assets	Construction in progress	Total
Net book amount as at 31 December 2000	**31 908**	**7 746**	**30 228**	**9 036**	**10 132**	**89 050**
Cost or valuation						
Opening balance	35 012	8 042	53 240	11 778	10 132	118 204
Additions and transfers	4 412	2 489	8 871	5 549	(2 662)	18 659
Disposals	(332)	-	(1 164)	(15)	-	(1 511)
Translation movement	3 274	748	4 142	335	686	9 185
Impairment (Note 20)	(1 100)	-	-	-	-	(1 100)
Closing balance	**41 266**	**11 279**	**65 089**	**17 647**	**8 156**	**143 437**
Accumulated depreciation						
Opening balance	**3 104**	**296**	**23 012**	**2 742**	**-**	**29 154**
Depreciation charge	864	188	2 437	1 110	-	4 599
Disposals	(9)	(56)	(784)	(7)	-	(856)
Translation movement	276	22	1 800	166	-	2 264
Closing balance	**4 235**	**450**	**26 465**	**4 011**	**-**	**35 161**
Net book amount as at 30 June 2001	**37 031**	**10 829**	**38 624**	**13 636**	**8 156**	**108 276**

Construction in progress consists mainly of construction and refurbishment of branch premises and equipment. Upon completion, assets are transferred to premises and equipment at their carrying value.

The branch network was revalued as at 31 December 1998 and has been restated in accordance with IAS 29 since that date. Other significant premises of the Group have been independently valued as at 31 December 2000. These valuations were carried out by an independent firm of valuers, American Appraisers. The basis used for the appraisal was market value. Included in the above net book amount of premises is USD 12 745 thousand representing revaluation surplus relating to the external valuation. A cumulative deferred tax of USD 5 395 thousand was calculated with respect to this fair value adjustment and has been recorded directly to equity in accordance with the applicable accounting standards. Refer to Note 21.

Fixed assets totalling USD 9 256 thousand have been pledged to third parties as collateral. Refer to Note 14.

12 Due to Banks

	30 June 2001	31 December 2000
Amounts on “Vostro” accounts of other banks		
- Russian Federation	40 121	30 795
- Other countries	17 655	11 428
Short term placements of other banks		
- Russian Federation	136 229	62 610
- Other countries	70 713	56 080
Total due to banks	**264 718**	**160 913**

The geographical and currency analysis of due to banks are disclosed in Note 24. The weighted average interest rates and maturity structure of the due to banks portfolio is detailed in Note 25.

(expressed in thousands of US dollars - Note 3)

13 Customer Accounts

Economic sector concentrations within customer accounts are as follows:

	30 June 2001		31 December 2000	
	Amount	**%**	**Amount**	**%**
Individuals	312 125	31	180 161	21
Energy and oil	272 332	27	192 220	23
Manufacturing and construction	88 729	9	142 380	17
Finance and investment companies	69 284	7	118 933	14
Mass media and telecommunications	63 707	6	-	-
Government bodies and municipals	63 260	6	41 134	5
Agriculture	62 125	6	6 266	1
Trade and commerce	51 415	5	132 361	16
Other	25 948	3	34 821	3
Total customer accounts	**1 008 925**	**100**	**848 276**	**100**

Included in customer accounts are deposits of USD 100 000 thousand at 31 December 2000 held as collateral for issued loans.

Included in customer accounts are deposits of USD 25 120 thousand (31 December 2000: USD 11 177 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 26.

The geographical and currency analysis of customer accounts is disclosed in Note 24. The weighted average interest rates and maturity structure of customer accounts is detailed in Note 25. The Group has several deposits with related parties. The relevant information on related party deposits is disclosed in Note 28.

14 Other Borrowed Funds

	30 June 2001	31 December 2000
Loan from the Agency for Restructuring of Credit Organisations	34 400	35 511
US Commercial Paper Notes	24 805	28 966
Sale and repurchase agreement	-	6 500
Total other borrowed funds	**59 205**	**70 977**

In 1999 the Group obtained financing from the Agency for Restructuring of Credit Organisations in the Russian Federation (“ARKO”). The total amount outstanding as at 30 June 2001 was RR 1 000 000 thousand (31 December 2000: RR 1 000 000 thousand). The loan matures during second half of 2001 and bears an annual interest rate of 50% of the refinancing rate set by the CBRF. With respect to the loan, the Group pledged customer loans of USD 25 000 thousand, investments available for sale totalling USD 7 397 thousand and fixed assets totalling 9 256 thousand as collateral. Also, 25% of the Bank’s shares were pledged as collateral which gave ARKO voting rights, but not an economic interest in Alfa Bank.

In 1997 the Group obtained a term loan in the form of US Commercial Paper Notes in the amount of USD 77 000 million with a maturity date of 29 October 1998. The Group was unable to timely comply with their obligation to reimburse the issuing banks. On 23 December 1998 the Group signed a Framework Rescheduling Agreement. According to the agreement, the Group made an interim payment of USD 7.7 million from its own funds and paid USD 2 million from the proceeds of subordinated loans received from a related company of the Alfa Group Consortium.

In July 1999, the Group and the issuing banks signed a Reimbursement Agreement whereby the Group paid USD 17 283 thousand of principal and USD 2 907 thousand of accrued interest on the date of signing the agreement. The remaining principal amount is to be paid via scheduled repayments until 31 December 2002. The first repayment took place on 30 September 2000.

(expressed in thousands of US dollars - Note 3)

14 Other Borrowed Funds (Continued)

In addition, from the date of the Reimbursement Agreement until 31 December 1999, the Group capitalised additional accrued interest. From 1 January 2000 interest is to be paid on a quarterly basis at a rate of LIBOR plus 3.7%. As at 30 June 2001 the outstanding principal balance of US Commercial Paper Notes was USD 23 184 thousand (31 December 2000: USD 27 073 thousand) and capitalised interest amounted to USD 1 621 thousand (31 December 2000: USD 1 893 thousand).

During 2000, the Group purchased USD 22 930 thousand of its US Commercial Paper Notes for a consideration of USD 9 083 thousand. As the Group has the intention to retire this portion of the US Commercial Paper Notes, the Group has recognised a gain of USD 12 810 thousand during six-month period ended 30 June 2000 and a further gain of USD 1 037 thousand was recognised during the second half of 2000. These gains were reflected in gains arising from retirement of debt.

In 1998, under a sale and repurchase agreement, the Group obtained a loan in the amount of USD 60 000 thousand with an interest rate of 13% per annum. Refer to Note 9. On 29 November 1999 the Group restructured the agreement in which they were to make monthly payments until the expiration of the agreement on 29 May 2001. The balance was repaid along with interest prior to 29 May 2001.

During 1997 the Group had obtained a borrowing of USD 175 000 thousand in the form of Euro Medium Term Notes ("Euro Notes"). The contracted maturity of the borrowing was 28 July 2000 and interest was charged at the rate of 10.375%. The Euro Notes matured on 28 July 2000 and were repaid along with interest.

Prior to maturity, the Group purchased certain of its Euro Medium Term Notes which was accounted for as a retirement of debt, as the Group had the intention to retire these Euro Notes upon repurchase. A gain of USD 98 thousand has been reflected in gains arising from retirement of debt for the six-month period ended 30 June 2000.

15 Other Liabilities and Payables

	Note	30 June 2001	31 December 2000
Dividends payable	22	129 340	129 340
Payable on operations with securities		57 253	35 042
Payables to related parties		32 025	530
Client funds in transit		18 493	63 452
Accrued compensation expenses		17 937	28 811
Provision for credit related commitments	26	10 033	8 945
Settlements on foreign exchange transactions		7 365	6 324
Accrued expense		6 987	5 484
Plastic card creditors		3 863	4 078
Provision for derivative financial instruments	26	2 000	2 000
Taxation payable		413	2 870
Other		5 191	18 452
Total other liabilities and payables		**290 900**	**305 328**

Subsequent to 30 June 2001 the Group paid approximately USD 30 000 thousand of dividends to Alfa Finance Holdings S.A.

16 Share Capital

As at 30 June 2001 and 31 December 2000, Alfa Bank Holdings Limited had authorised, issued and fully paid share capital of 56 400 000 shares with par value of USD 1 per share.

(expressed in thousands of US dollars - Note 3)

17 Interest Income and Expense

	Six-month period ended 30 June 2001	Six-month period ended 30 June 2000
Interest income		
Loans and advances to customers	68 745	25 560
Trading securities	8 805	9 028
Due from banks	6 237	3 889
Total interest income	**83 787**	**38 477**
Interest expense		
Bills of exchange	12 835	9 170
Current/settlement accounts	10 701	5 484
Term deposits of legal entities	7 071	7 983
Term deposits of individuals	5 181	1 015
Other borrowed funds	4 110	4 841
Term deposits of banks	2 840	1 193
Total interest expense	**42 738**	**29 686**
Net interest income	**41 049**	**8 791**

18 Fee and Commission Income and Expense

	Six-month period ended 30 June 2001	Six-month period ended 30 June 2000
Commission income from the Alfa Eco Group	12 547	-
Commission on settlement transactions	13 469	5 199
Commission on cash transactions	5 984	3 711
Commission income from Alfa Telecom (Note 10)	4 400	-
Commission on guarantees issued	3 029	6 254
Commission for consulting services	2 338	4 848
Commission transactions with securities	2 309	2 358
Other	882	4 903
Total fee and commission income	**44 958**	**27 273**
Commission on settlement transactions	2 390	2 200
Commission on transactions with securities	1 748	83
Commission on cash transactions	248	126
Other	4 149	6 115
Total fee and commission expense	**8 535**	**8 524**
Total fee and commission income, net	**36 423**	**18 749**

Commission income from the Alfa Eco Group, a member of Alfa Group Consortium, relates to advisory and other services provided by the Group to Alfa Eco Group in assisting them with their acquisition of a significant subsidiary. At 30 June 2001 the Group has received USD 10 547 thousand and the remaining balance of USD 2 000 thousand is included in other assets and receivables.

(expressed in thousands of US dollars - Note 3)

19 Other Operating Income

	Six-month period ended 30 June 2001	Six-month period ended 30 June 2000
Debt repossession operations	13 275	3 963
Negative goodwill amortisation	2 886	-
Gains less losses from dealing in precious metals	1 915	-
Late charges on loans and other penalties	1 777	2 795
Income from insurance operations	954	385
Dividends received	872	1 090
Leasing and other income on premises and equipment	189	657
Other	3 126	4 739
Total other operating income	**24 994**	**13 629**

20 Operating Expenses

	Note	Six-month period ended 30 June 2001	Six-month period ended 30 June 2000
Staff costs		42 191	26 511
Computer and telecommunications expenses		12 076	5 305
Premises and equipment related expenses		10 180	6 651
Consulting and professional services		9 119	3 963
Maintenance		6 549	1 336
Rent, heat and utilities		5 525	6 036
Advertising and marketing		5 497	1 683
Taxes		3 323	5 293
Travel expenses		1 325	1 319
Provision for impairment of premises and equipment	11	1 100	-
Provision for credit related commitments	26	1 088	-
Other		3 820	5 105
Total operating expenses		**101 793**	**63 202**

21 Income Taxes

Income tax expense is comprised of the following:

	Six-month period ended 30 June 2001	Six-month period ended 30 June 2000
Current tax expense	296	250
Deferred taxation:		
- release of deferred tax recorded directly to equity	-	1 949
- other movements	878	(1 426)
Total income tax expense for the period	**1 174**	**773**

The income tax rate applicable to the majority of Alfa Bank's income is 43 percent (30 June 2000: 38 percent). The tax rate went from 43 percent to 38 percent as of 1 April 1999. Effective 1 January 2001, the tax rate has been increased to 43 percent. The income tax rate applicable to the majority of income from investment banking operations ranges from 0 to 5 percent (30 June 2000: 0 to 5 percent). A reconciliation between the expected and the actual taxation charge is stated below.

(expressed in thousands of US dollars - Note 3)

21 Income Taxes (Continued)

	Six-Month Period Ended 30 June 2001	Six-Month Period Ended 30 June 2000
IAS profit before taxation	**38 632**	**53 508**
Theoretical tax charge at the applicable statutory rate	16 612	20 333
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Investments available for sale fair value adjustment	4 924	-
- Non deductible expenses	49 116	29 512
- Income which is exempt from taxation	(88 650)	(52 198)
- Income on government securities taxed at different rates	(175)	250
- Loss/(income) earned in tax free jurisdictions	17 949	(5 224)
- Negative taxable base which has no future income tax benefit	7 918	7 887
- Other IAS adjustments that have non-temporary nature	(8 317)	213
Tax loss carry forward	1 797	-
Income tax expense for the period	**1 174**	**773**

Differences between IAS and Russian and other countries statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profits tax purposes. The tax effect of the movement on these temporary differences is primarily recorded at the rate of 43%, except for income on state securities that is taxed at 15%.

	31 December 2000	Movement	30 June 2001
Tax effect of deductible temporary differences			
Accumulated depreciation	6 008	4 136	10 144
Accruals	6 335	(4 072)	2 263
Tax loss carry forward	7 188	(1 797)	5 391
Other	2 288	2 778	5 066
Gross deferred tax asset	**21 819**	**1 045**	**22 864**
Tax effect of taxable temporary differences			
Accruals	(2 055)	(19)	(2 074)
Provision for loan impairment	(19 928)	8 623	(11 305)
Valuation of premises and equipment	(13 501)	(8 657)	(22 158)
Other	(702)	(1 870)	(2 572)
Gross deferred tax liability	**(36 186)**	**(1 923)**	**(38 109)**
Total net deferred tax liability	**(14 367)**	**(878)**	**(15 245)**

At 30 June 2001, a deferred tax liability of USD 15 245 thousand (31 December 2000: USD 14 367 thousand) has been recorded in the consolidated balance sheet, of which USD 5 395 thousand (31 December 2000: USD 4 829 thousand) relates to the Group's premises. Refer to Note 11.

A 24% income tax rate has been enacted in August 2001 which becomes effective starting from 1 January 2002. As this tax rate was not enacted or substantively enacted at 30 June 2001, the effect of the change in tax rate on deferred tax liabilities (assets) is not recognised in these consolidated financial statements. The effect of the change on closing deferred tax liabilities (assets) balance will be reflected in the consolidated financial statements for the year ended 31 December 2001. The estimated amount of the change of deferred tax liabilities as at 30 June 2001 resulting from reduction in the tax rate is USD 6 737 thousand.

Investments available for sale are held and disposed primarily by consolidated subsidiaries of the Group operating in tax-free jurisdictions. Therefore, the net fair value gains arising on investments available for sale recognised directly in the consolidated statement of changes in shareholders equity had no impact on the deferred tax position of the Group.

(expressed in thousands of US dollars - Note 3)

22 Dividends

On 29 December 2000 the Directors of Alfa Bank Holdings Limited, the parent company of the Group, declared a dividend of USD 129 340 thousand, to be paid within one year, which resulted in an amount of dividends per share of approximately USD 2. This amount is included within other liabilities and payables within the consolidated balance sheet as at 30 June 2001 and as at 31 December 2000. Refer to Note 15.

23 Analysis by Segment

In accordance with IAS 14, "Segment Reporting", the Group's primary format for reporting segment information is business segments and the secondary format is geographical segments. Segment information for the two main reportable business segments of the Group, commercial banking and investment banking, is set out below for the period ended 30 June 2001.

	Commercial Banking	**Investment Banking**	**Eliminations**	**Consolidated Group**
Net revenues	**299 565**	**51 418**	**(242 818)**	**108 165**
Profit before taxation	**(5 460)**	**21 111**	**22 981**	**38 632**
Taxation	(1 174)	-	-	(1 174)
Profit after taxation	**(6 634)**	**21 111**	**22 981**	**37 458**
Minority interest	305	-	-	305
Net profit for the period	**(6 329)**	**21 111**	**22 981**	**37 763**
Total assets	**2 989 620**	**1 300 861**	**(2 195 493)**	**2 094 988**
Total liabilities	**2 760 988**	**1 338 517**	**(2 195 493)**	**1 904 012**
Other segment items				
Capital expenditure	16 793	1 866	-	18 659
Depreciation	4 139	460	-	4 599
Other non-cash (income)/expenses including provisions	17 893	8 452	-	26 345

Segment information for the main geographical segments of the Group is set out below for the period 30 June 2001. The total carrying amount of segment assets by geographical location of assets has been presented based on the domicile of the respective Group companies (refer to Note 29), and not necessarily the ultimate domicile of the counterparty.

	Russia	**British Virgin Islands**	**Isle of Man**	**Other**	**Eliminations**	**Consolidated Group**
Net revenues	**88 336**	**34 376**	**3 445**	**(5 048)**	**(12 944)**	**108 165**
Total assets	**2 270 913**	**1 289 116**	**2 293 200**	**266 967**	**(4 025 208)**	**2 094 988**
Capital expenditure	**16 920**	**-**	**-**	**1 739**	**-**	**18 659**

(expressed in thousands of US dollars - Note 3)

24 Geographical Analysis and Currency Risk

Geographical analysis. The Group extended loans and received deposits, including interbank loans and deposits within the following regions:

	30 June 2001		31 December 2000	
	Loans	**Deposits**	**Loans**	**Deposits**
Russia	943 389	1 064 479	867 328	833 498
Europe	140 015	121 917	3 951	56 714
CIS	39 533	80 463	6 313	31 733
United States	37 064	3 991	85 345	51 149
Other	32 270	2 793	9 820	36 095
Total	**1 192 271**	**1 273 643**	**972 757**	**1 009 189**

Currency analysis. Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. At period end, the Group had balances in US dollars, Russian Roubles, the EURO and other currencies. Other currencies represent mainly amounts in Kazakhstan Tenge and Ukrainian Hryvnya.

At 30 June 2001, the Group had the following positions in currencies:

	USD	**RR**	**EURO**	**Other currencies**	**Total**
Assets					
Cash and cash equivalents	141 773	110 832	4 598	21 757	278 960
Mandatory cash balances with the CBRF and other local central banks	-	115 370	212	697	116 279
Trading securities	103 369	52 163	-	1 781	157 313
Due from banks	18 438	8 200	11 168	2 877	40 683
Loans and advances to customers	652 304	403 308	2 640	7 160	1 065 412
Investments available for sale	143 821	-	-	-	143 821
Other assets and receivables	145 097	34 665	1 087	3 395	184 244
Premises and equipment	14 225	87 852	-	6 199	108 276
Total assets	**1 219 027**	**812 390**	**19 705**	**43 866**	**2 094 988**
Liabilities					
Due to banks	112 664	126 279	24 465	1 310	264 718
Customer accounts	500 005	460 269	20 141	28 510	1 008 925
Bills of exchange	197 581	67 438	-	-	265 019
Other borrowed funds	24 805	34 400	-	-	59 205
Other liabilities and payables	254 565	25 166	4 974	6 195	290 900
Deferred tax liability	-	15 245	-	-	15 245
Total liabilities	**1 089 620**	**728 797**	**49 580**	**36 015**	**1 904 012**
Net balance sheet position	**129 407**	**83 593**	**(29 875)**	**7 851**	**190 976**
Credit commitments	**637 006**	**4 699**	**21 950**	**12 118**	**675 773**

(expressed in thousands of US dollars - Note 3)

24 Geographical Analysis and Currency Risk (Continued)

At 31 December 2000, the Group had the following positions in currencies:

	USD	RR	EURO	Other currencies	Total
Net balance sheet position	**73 973**	**41 210**	**1 111**	**11 965**	**128 259**
Credit commitments	**309 821**	**5 529**	**10 390**	**574**	**326 314**

The off-balance sheet position represents forward and spot exchange positions on foreign exchange deliverable forward and option contracts entered into during 2000 and 2001; it excludes outstanding index forward contracts entered into prior to August 1998.

The Group has extended loans and advances denominated in foreign currencies. Depending on the revenue stream of the borrower, the appreciation of the currencies against the Russian Rouble may adversely affect the borrowers' repayment ability and therefore potentially increases the likelihood of future loan losses.

25 Interest Rate, Liquidity and Credit Risk

Interest rate risk. The Group is exposed to interest rate price risk, principally as a result of lending and advances to customers and other banks, at fixed interest rates, in amounts and for periods which differ from those of term deposits and other borrowed funds at fixed interest rates.

In practice, interest rates are generally fixed on a short term basis normally at three month intervals. Also, interest rates, that are contractually fixed on both assets and liabilities, are often renegotiated to reflect current market conditions.

The table below summarises the effective average interest rate, by major currencies, for monetary interest bearing financial instruments outstanding as at 30 June 2001. The analysis has been prepared on the basis of weighted average interest rates for the various financial instruments using period end contractual rates.

	USD	RR	Euro	Other currencies
Assets				
Cash and cash equivalents	3.4%	34.0%	-	-
Trading securities	6.1%	7.9%	-	-
Due from banks	4.3%	13.0%	4.4%	14.0%
Loans and advances to customers	15.0%	22.0%	12.0%	20.0%
Liabilities				
Due to banks	9.1%	22.0%	11.1%	65.0%
Customer accounts	2.3%	3.8%	2.3%	-
Bills of exchange	11.5%	12.3%	-	-
Other borrowed funds	7.5%	12.5%	-	-

(expressed in thousands of US dollars - Note 3)

25 Interest Rate, Liquidity and Credit Risk (Continued)

Liquidity risk. Liquidity risk is defined as risk when maturity of assets and liabilities does not match. The table below shows assets and liabilities as at 30 June 2001 by remaining contractual maturity. Some of the assets have a longer term nature; for example, loans are frequently renewed and accordingly short term loans can have a longer term duration.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the liquidity 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.

The liquidity position of the Group as at 30 June 2001 is set out below.

	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	278 960	-	-	-	-	278 960
Mandatory cash balances with the CBRF and other local central banks	116 279	-	-	-	-	116 279
Trading securities	157 313	-	-	-	-	157 313
Due from banks	13 214	25 660	-	122	1 687	40 683
Loans and advances to customers	63 680	514 958	247 993	238 781	-	1 065 412
Investments available for sale	-	-	-	-	143 821	143 821
Other assets and receivables	49 430	131 385	227	3 202	-	184 244
Premises and equipment	-	-	-	-	108 276	108 276
Total assets	**678 876**	**672 003**	**248 220**	**242 105**	**253 784**	**2 094 988**
Liabilities						
Due to banks	198 094	66 616	-	8	-	264 718
Customer accounts	815 331	79 482	91 118	21 274	1 720	1 008 925
Bills of exchange	91 520	143 749	10 540	19 210	-	265 019
Other borrowed funds	7 351	24 330	11 041	16 483	-	59 205
Other liabilities and payables	52 237	24 375	197 040	5 214	12 034	290 900
Deferred tax liability	-	-	-	-	15 245	15 245
Total liabilities	**1 164 533**	**338 552**	**309 739**	**62 189**	**28 999**	**1 904 012**
Net liquidity gap	**(485 657)**	**333 451**	**(61 519)**	**179 916**	**224 785**	**190 976**
Cumulative liquidity gap at 30 June 2001	**(485 657)**	**(152 206)**	**(213 725)**	**(33 809)**	**190 976**	
Cumulative liquidity gap at 31 December 2000	**(508 902)**	**(446 458)**	**(341 421)**	**(40 020)**	**128 259**	

25 Interest Rate, Liquidity and Credit Risk (Continued)

Mandatory cash balances with the CBRF and other local central banks are included within demand and less than one month as the majority of liabilities to which this balance relates to are also included in this category. All trading securities are classified in the "demand and less than 1 month" column as the nature of the portfolio is that of a dealing portfolio and Management believes this is a fairer portrayal of its liquidity position. Overdue assets are fully provided against, and thus, have no impact on the above table.

Management believes that in spite of a substantial portion of deposits from customers being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these deposits provide a long-term and stable source of funding for the Group.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but also may reduce or create losses in the event that unexpected movements arise. The Group's interest rate sensitivity analysis based on the re-pricing of the Group's assets and liabilities does not differ significantly from the maturity analysis disclosed in the table above.

Credit risk. The Group takes on exposure to credit risk which 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 geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, borrower and industry sector are approved quarterly by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital 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.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the term of the contract. The Group uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

26 Contingencies, Commitments and Derivative Financial Instruments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank are received from customers. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Tax legislation. Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgement of business activities, Management's judgement of the Group's business activities may not coincide with the interpretation of the same activities by tax authorities. If a particular treatment was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest, which can be significant. Tax years in Russia remain open to review by the tax authorities for three years.

Current Russian tax legislation is principally based on the formal manner in which transactions are documented and the underlying accounting treatment as prescribed by Russian Accounting Rules. Accordingly, there are opportunities for banks to structure transactions to take advantage of opportunities in the Russian tax legislation to restructure income and expenses in order to reduce the overall effective tax rate. The consolidated statement of income as presented in these consolidated financial statements includes reclassifications to reflect the underlying economic substance of those transactions. The effect of these reclassifications does not have an effect on the Group's profit before taxation or the tax charge recognised in these consolidated financial statements.

The Group's Management is confident that this ongoing restructuring of taxable income and deductible expenses is unlikely to result in additional tax liabilities. Accordingly, no provision for a potential tax liability, with regard to these transactions, has been recognised in these consolidated financial statements.

(expressed in thousands of US dollars - Note 3)

26 Contingencies, Commitments and Derivative Financial Instruments (Continued)

In addition, transfer pricing legislation, which was introduced from 1 January 1999, provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect to all controlled transactions, provided that the transaction price differs from the market price by more than 20%. Controlled transactions include transactions with related parties, and transactions with unrelated parties if the price differs on similar transactions with two different counterparties by more than 20%. However, there is no formal guidance as to how these rules should be applied in practice.

Capital commitments. As at 30 June 2001 the Group had capital commitments in respect of new computer systems totalling USD 3 000 thousand (31 December 2000: USD 8 407 thousand). The Group's Management has already allocated the necessary resources in respect of this commitment. The Group's Management believes that future net revenues and funding will be sufficient to cover this and any similar such commitments.

Credit related commitments. The credit related commitments comprise loan commitments, letters of credit and guarantees. The contractual amount of these commitments represents the value of risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. In general, the Group's import letters of credit are collateralised with cash deposits or collateral pledged to the Group and accordingly the Group normally assumes minimal risk. Outstanding credit related commitments are as follows:

	30 June 2001	**31 December 2000**
Export letters of credit	195 400	161 058
Import letters of credit (Note 13)	38 272	8 602
Guarantees issued	416 614	154 179
Undrawn credit lines	25 487	2 475

The Group has the right to renegotiate the terms of credit line agreements. At 30 June 2001, the probability of losses arising in connection with these undrawn credit lines is considered remote and accordingly no provision has been established.

Management evaluated the likelihood of possible losses arising from other credit related commitments and concluded that a provision of USD 10 033 thousand was necessary as at 30 June 2001 (31 December 2000: USD 8 945 thousand). This provision is disclosed within other liabilities and payables in Note 15. The total outstanding contractual amount of guarantees, letters of credit, and undrawn credit lines does not necessarily represent future cash requirements, as these undrawn credit lines may expire or terminate without being funded.

In May 2001 the Group entered into a performance guarantee in which they partially guaranteed TNK's payment of USD 510 000 thousand in respect of TNK's acquisition of 40% of Sidanko. This performance guarantee is jointly and severally with other related parties and the maximum liability of the Group is 25% of the Bank's statutory capital which at 30 June 2001 is approximately USD 171 999 thousand. This amount is included within total guarantees issued.

In May 2001 the Group entered into a transaction whereby it guaranteed a payment of USD 53 000 thousand by Eco Telecom, a related party, to Vimpel-Communications as part of the acquisition of this company by Eco Telecom.

Derivatives financial instruments. At 30 June 2001 the Group, primarily through the Bank's operations, had outstanding forward foreign exchange contracts with Russian and foreign banks whereby it had agreed to buy or sell Russian Roubles in exchange for another currency at an exchange rate agreed to at the date of the contract. Some of these contracts were entered into prior to 17 August 1998 and matured during 1998 but have not yet been settled. The Group has been able to settle outstanding contracts with a few counterparties and any resultant gains or losses have been recorded in the consolidated statement of income. The Group has calculated the exposure on outstanding contracts using the exchange rates ruling on the maturity dates of the contracts as the Group has historically settled domestic derivatives in Russian Roubles.

At present there is uncertainty in Russia with respect as to how, and on which basis, certain derivative contracts will be settled; only a small proportion of outstanding domestic index forward contracts have been settled in the market. Such settlements have been made at rates substantially below the contractual rates.

Management believes that it is possible that contracts between Russian banks may become void or other remedial measures may be available. In the event the outstanding contracts are declared void or settled at an amount different than the amount called for in the contract, the losses and gains would be adjusted and the difference would be recognised in the consolidated statement of income in the period that the settlement occurs.

(expressed in thousands of US dollars - Note 3)

26 Contingencies, Commitments and Derivative Financial Instruments (Continued)

The Bank also engages in transactions with other off-balance sheet financial instruments. Foreign exchange and other off-balance sheet financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. The nominal amounts for off-balance sheet financial instruments are not reflected in the consolidated balance sheet.

The following two tables provide an analysis of the principal or agreed amounts of contracts outstanding at the period end and loss or gain arising. These tables reflect gross position before the netting of any counterparty position by type of instrument.

The table below includes contracts with a maturity date subsequent to 30 June 2001. These contracts were entered into in 2001 and are short term in nature.

	Domestic		Foreign	
	Principal or agreed amount	**Gain/(loss)**	**Principal or agreed amount**	**Gain/(loss)**
Deals entered into in 2001:				
Deliverable forwards				
Foreign currency				
- sale of foreign currency	-	-	(29 633)	(464)
- purchase of foreign currency	-	-	29 170	-
Precious metals				
- sale of precious metals	(8 199)	(390)	(18 040)	728
- purchase of precious metals	72 578	2 139	392	(45)
Securities				
- sale of securities	(5 044)	-	-	-
- purchase of securities	1 190	-	-	-
Spot				
Foreign currency				
- sale of foreign currency	(483 643)	232	(203 159)	(195)
- purchase of foreign currency	471 163	-	198 798	-
Precious metals				
- purchase of precious metals	5 924	(44)	1 371	(146)
Total		**1 937**		**(122)**

For these deals the Bank has recorded a net loss of USD 427 thousand which is included within gains less losses arising from dealing in foreign currency and a net gain of USD 2 242 thousand which is included within gains less losses arising from dealing in precious metals within other operating income.

The following table includes contracts for which the date of maturity is past due, no settlement has been completed as of 30 June 2001 and relates to contracts entered into before August 1998.

	Domestic			Foreign		
	Principal or agreed amount	**Loss**	**Gain**	**Principal or agreed amount**	**Loss**	**Gain**
Deals entered into in 1998:						
Index forwards						
- sale of foreign currency	158 000	36 901	-	-	-	-
- purchase of foreign currency	163 300	-	32 132	-	-	-
Total		**36 901**	**32 132**		**-**	**-**

(expressed in thousands of US dollars - Note 3)

26 Contingencies, Commitments and Derivative Financial Instruments (Continued)

A summary of the Group's net obligations as at 30 June 2001 with respect to contracts entered into during 1998 is set out below.

	Loss	Gain
Domestic counterparty losses and gains	(36 901)	32 132
Losses offset by counterparty gains	111	(111)
Gains offset by counterparty losses	4 710	(4 710)
Subtotal before provision for impairment of uncollectable gains	**(32 080)**	**27 311**
Less: provision for impairment of uncollectable gains	-	(27 311)
Obligations on index forward exchange contracts as at 30 June 2001	**(32 080)**	**-**

The table below summarises the change in the Group's obligations with respect to the 1998 index forward exchange contracts.

	Six-month period ended 30 June 2001	Six-month period ended 30 June 2000
Obligations on unsettled contracts at 1 January	**(33 117)**	**(34 540)**
Exchange gain arising on Russian Rouble liability	1 037	1 317
Obligations on index forward exchange contracts at 30 June	**(32 080)**	**(33 223)**

With respect to further obligations due in respect of the 1998 contracts, the Group has established a provision of USD 2 000 thousand (31 December 2000: USD 2 000 thousand) as an estimate of the actual loss that Management expects to incur in respect of the calculated net loss of USD 32 080 thousand (31 December 2000: USD 33 117 thousand) as reflected in the table above. This provision is disclosed within other liabilities and payables. Refer to Note 15.

Fiduciary assets. These assets are not included in the Group's balance sheet as they are not assets of the Group. Nominal values disclosed below may be different from the fair values of certain securities. The fiduciary assets fall into the following categories:

	30 June 2001 Nominal value	31 December 2000 Nominal value
Shares in companies held in custody	151 213	120 426
Eurobonds in Euroclear	7 500	5 275
OVGVZ held on account with Vneshtorgbank	35 965	30 659
Client OFZ securities held on an account with NDC	25 437	30 379
Other	884	-

In December 1999, a second privatisation auction was held whereby New Priorities acquired 49.8% of TNK's ordinary voting shares, formerly held by the Russian Government. New Priorities was 50% owned by Ronko Capital, a company which is legally part of the Group but is held in beneficial trust for the Alfa Group Consortium. In July 2001 New Priorities was sold to the industrial subholding of Alfa Finance Holdings S.A. As part of this transaction the beneficial trust arrangement was dissolved. As New Priorities was held under this beneficial trust arrangement as at 30 June 2001, the financial results of New Priorities have not been included within these consolidated financial statements. Under the terms of the privatisation auction, New Priorities was required to make payments totalling USD 273.3 million to the State Property Committee; in turn, the State Property Committee is required to make contributions totalling USD 185.3 million to TNK. As at 30 June 2001, New Priorities had fulfilled its commitments under the terms of the privatisation auction.

26 Contingencies, Commitments and Derivative Financial Instruments (Continued)

Assets pledged. At 30 June 2001, the Group has assets in the total amount of USD 42 928 thousand pledged (31 December 2000: USD 37 868). Refer to Notes 8, 9 and 11.

27 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 a 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. As described in more detail in Note 2, the Russian Federation has shown signs of an emerging market and has experienced a significant decline in the volume of activity in its financial markets. While Management has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

Management considers that it is not possible to reliably estimate the fair value of loans and advances to banks and customers and term deposits. These instruments are not currently traded in the Russian financial markets, and an objective estimate of their fair value is not available. The instability of the interest rate and exchange rate environment significantly affects the fair value of these financial instruments. Some financial institutions have been unwilling to lend to or invest in Russian companies, thus limiting information which might otherwise be available to Management to assist in estimating fair values. Because of these factors, Management does not believe that an objective basis for the fair value of loans and advances to customers and term deposits can be obtained with sufficient reliability to provide meaningful information to users. Nevertheless, Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. Refer to Note 25.

As set out in Note 9, external independent market quotations were not available for certain investments available for sale. These were fair valued by Management using relevant factors such as discounted cash flows and financial information of the underlying investments.

As at 30 June 2001 the fair value of the Group's other financial assets and liabilities does not differ significantly from their carrying value in these consolidated financial statements, particularly because of the short-term nature of a significant portion of these assets and liabilities.

Management believes that it is impossible to reliably estimate the fair value of forward foreign exchange contracts entered into prior to the economic crisis of August 1998. Currently these instruments are not actively traded in the Russian financial markets and an objective estimate of fair value is not available. Also refer to Note 26.

28 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or 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.

Transactions are entered into in the normal course of business with significant shareholders, directors, subsidiaries and companies with which the Group has significant shareholders in common. As stated in Note 1, the Group is part of the Alfa Group Consortium, and thus, the Group has certain business arrangements with other members of the Consortium. These transactions are reflected in the table below.

(expressed in thousands of US dollars - Note 3)

28 Related Party Transactions (Continued)

During six-month period ended 30 June 2001, a number of transactions were entered into with related parties in the normal course of business. These included settlements, loans, deposit taking, trade finance and foreign currency transactions. Some of these transactions were priced at preferential rates. The outstanding balances at the period end and interest expense and income as well as other transactions for the period with related parties are as follows:

	30 June 2001	31 December 2000
Loans		
Loans outstanding as at period end	255 144	24 598
Interest income	6 258	2 881
Receivables (Note 10)	92 742	271 952
Deposits		
Outstanding balance as at period end	41 097	56 983
Interest expense	5 863	5 356
Bills of exchange	3 095	62 750
Dividends payable	129 340	129 340
Payables	32 025	530
Letters of credit	5 295	4 187
Guarantees issued by the Group (Note 26)	234 811	4 630
Income on other operations	19 610	13 200
Expense on other operations	-	9 581

In September 2000, a company of the Group, acting in the capacity of an agent, assisted companies controlled by TNK Group in acquiring an 85% beneficial interest in Onako, a vertically integrated oil and gas company operating in the Orenburg region of the Russian Federation. With respect to this investment, companies controlled by TNK Group paid USD 1 080 000 thousand to the State Property Committee of the Russian Federation. Onako is currently in the process of being consolidated within the TNK ownership structure.

Refer to Note 26 for the description of a trust arrangement with a related party. Also, refer to Note 30 for an additional guarantee issued on a related party transaction subsequent to 30 June 2001.

29 Principal Subsidiaries

Russian Federation and CIS
Alfa Bank
Alfa Bank Kazakhstan
Alfa Capital Asset Management
Alfa Capital Ukraine
Alfa Garanty Insurance
Alfa Trust
Alfa Bank Ukraine
Ostra Kiev Insurance Company (Ukraine)
Ronko Capital

British Virgin Islands
Alfa Asset Management Limited
Alfa Capital Investments Limited
Alfa Capital Stock Trading Limited
Atrium Consolidated Limited
Croftgate Investments Limited
Merrow Ventures Limited

Cyprus
Alfa AM Services Limited
Alfa Capital Holding (Cyprus) Limited
Firefly Holdings Limited
Sypten Management Limited

Isle of Man
Acrefair Limited
Aldworth Limited
Banstead Enterprises Limited
Beechville Trading Limited
Braunton Resources Limited
Fairfax Services Limited
Laburnum Resources Limited
Mancroft Limited
Manwood Limited
Tormead Marketing Limited
Waltham Enterprises Limited
Wasdale Limited

Rest of the World
Amsterdam Trade Bank (Netherlands)
Alfa Employment Corporation (Bahamas)
Alfa-Russia Finance B.V. (Netherlands)
Alfa Securities Limited (UK)
Arbat Capital Limited (Anquilla, British West Indies)
Bowett Consultants Limited (Turks & Caicos Islands)
Business Trade Bank (Montenergo)
Westlaw Incorporated (Nevis, West Indies)

During six-months period ended 30 June 2001 the following wholy-owned subsidiaries were liquidated: Aldworth Limited (Isle of Man), Acrefair Limited (Isle of Man), Bowett Consultants Limited (Turks and Caicos Islands); and Arbat Holdings LLC is currently in the process of liquidation. Assets and liabilities and operations of these entities were transferred in the course of the liquidation to wholly owned subsidiaries of the Group.

In March 2001 the Group purchased a 100% stake in Amsterdam Trade Bank N.V. The acquisition cost, including new capital injection, was USD 10 100 thousand.

During the first half of 2000, the Group acquired effective control of Kiev Invest Bank (88%), subsequently renamed to Alfa Bank Ukraine, and Ostra Kiev Insurance Company (60%) as an exchange for the forgiveness of an outstanding loan in the net amount of USD 5 087 thousand. As at 30 June 2001, Alfa Bank Ukraine had total assets of USD 26 703 thousand and Ostra Kiev Insurance Company had total assets of USD 6 026 thousand. This transaction was accounted for by the purchase method.

Also, during June 2000, the Group formed Alfa Garanty Insurance with an initial capital investment of USD 8 906 thousand.

30 Subsequent Events

In July 2001 the Group obtained control of a 98% stake in Vesta, a Russian insurance company. The acquisition cost approximated USD 6 200 thousand. Advance payments for the investment amounting to USD 3 300 thousand at 30 June 2001 are included in these consolidated financial statements in other assets and receivables (Note 10).

In August 2001, with respect to an additional acquisition of 44% of Sidanko by TNK, the Group partially guaranteed TNK’s payment of USD 726 000 thousand. This performance guarantee is jointly and severally with other related parties and the maximum liability of the Group is 25% of the Bank’s statutory capital which at 30 June 2001 is approximately USD 171 999 thousand.