ABH Financial Limited

Consolidated Financial Statements and Auditors' Report

30 June 2004

Contents

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AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of ABH Financial Limited and its subsidiaries (the "Group" as defined in Note 1 to the consolidated financial statements) as at 30 June 2004, 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.

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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2004 and the consolidated results of its operations and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Moscow, Russian Federation
8 October 2004

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(expressed in thousands of US dollars - Note 3)

	Note	30 June 2004	31 December 2003
Assets			
Cash and cash equivalents	5	696 604	923 191
Mandatory cash balances with the Central Bank of the Russian Federation and other local central banks		226 503	293 294
Trading securities	6	980 510	694 575
Due from other banks	7	218 354	131 621
Loans and advances to customers	8	4 093 467	3 440 680
Investments	9	87 114	65 443
Other assets and receivables	10	272 158	185 609
Premises and equipment	11	149 715	149 721
Total assets		**6 724 425**	**5 884 134**
Liabilities			
Due to other banks	12	575 333	796 301
Customer accounts	13	4 229 480	3 400 406
Promissory notes issued		440 960	594 940
Other borrowed funds	14	511 900	323 917
Other liabilities and payables	15	341 935	201 517
Deferred tax liability	21	11 466	13 448
Total liabilities		**6 111 074**	**5 330 529**
Minority interest		**1 979**	**6 635**
Shareholders' equity			
Share capital	16	160 800	160 800
Fair value reserve for investments available for sale	9	29 614	22 798
Revaluation reserve for premises and equipment	11	4 659	5 195
Retained earnings		416 299	358 177
Total shareholders' equity		**611 372**	**546 970**
Total liabilities and shareholders' equity		**6 724 425**	**5 884 134**

Approved for issue by the Board of Directors and signed on its behalf on 8 October 2004.

Mr. Petr Smida	Mr. Teijo Pankko
Chief Executive Officer	Chief Financial Officer

Consolidated Statement of Income for Six-Month Period Ended 30 June 2004

(expressed in thousands of US dollars - Note 3)

	Note	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Interest income	17	271 227	241 399
Interest expense	17	(127 126)	(108 755)
Net interest income		**144 101**	**132 644**
Provision for loan impairment	7, 8	(16 153)	(18 335)
Net interest income after provision for loan impairment		**127 948**	**114 309**
Fee and commission income	18	67 870	56 799
Fee and commission expense	18	(17 834)	(28 025)
Gains less losses arising from trading securities		79	16 486
Gains less losses arising from investments available for sale	9	344	-
Gains less losses arising from trading in foreign currencies		5 149	10 705
Foreign exchange translation gains less losses		2 708	(14 519)
Other provisions	10, 24	(2 117)	(4 180)
Other operating income	19	17 124	30 548
Operating income		**201 271**	**182 123**
Operating expenses	20	(148 507)	(143 496)
Profit from operations		**52 764**	**38 627**
Share of results of associated company after tax	9	6 256	-
Profit before tax		**59 020**	**38 627**
Income tax expense	21	(5 828)	(1 494)
Profit after tax		**53 192**	**37 133**
Minority interest		(138)	29
Net profit		**53 054**	**37 162**

The notes set out on pages 5 to 44 form an integral part of these consolidated financial statements.

(expressed in thousands of US dollars - Note 3)

	Note	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Cash flows from operating activities			
Interest received		265 720	221 851
Interest paid		(135 194)	(91 066)
Fees and commissions received		67 014	51 475
Fees and commissions paid		(19 973)	(28 025)
Income received from trading in securities		12 217	38 641
Income received from trading in foreign currencies		7 981	10 948
Other operating income received		11 037	11 294
Operating expenses paid		(157 905)	(124 296)
Income tax paid		(4 453)	(1 492)
Cash flows from operating activities before changes in operating assets and liabilities		**46 444**	**89 330**
Changes in operating assets and liabilities			
Net decrease/(increase) in mandatory cash balances with the Central Bank of the Russian Federation and other local central banks		71 046	(64 895)
Net decrease/(increase) in trading securities		42 587	(246 489)
Net (increase)/decrease in due from other banks		(84 477)	1 470
Net increase in loans and advances to customers		(630 126)	(274 711)
Net (increase)/decrease in other assets and receivables		(69 215)	1 097
Net (decrease)/increase in due to other banks		(223 906)	112 778
Net increase in customer accounts		541 648	712 419
Net (decrease)/increase in promissory notes issued		(148 065)	(172 924)
Net increase in other liabilities and payables		47 362	11 872
Net cash (used in)/from operating activities		**(406 702)**	**169 947**
Cash flows from investing activities			
Proceeds from disposal of investments available for sale		3 700	47 056
Acquisition of investments available for sale	9	(8 955)	(1 504)
Acquisition of premises and equipment, net		(10 178)	(18 079)
Proceeds from disposal of subsidiary		3 000	-
Dividend income received		2 028	1 483
Net cash (used in)/from investing activities		**(10 405)**	**28 956**
Cash flows from financing activities			
Contribution from shareholder		-	48 000
Proceeds from other borrowed funds	14	306 007	-
Repayment of other borrowed funds		(119 471)	(19 489)
Net cash from financing activities		**186 536**	**28 511**
Effect of exchange rate changes on cash and cash equivalents		**3 984**	**13 020**
Net (decrease)/increase in cash and cash equivalents		**(226 587)**	**240 434**
Cash and cash equivalents as at the beginning of the period		923 191	382 234
Cash and cash equivalents as at the end of the period		**696 604**	**622 668**

(expressed in thousands of US dollars - Note 3)

	Share capital	Fair value reserve for investments available for sale	Revaluation reserve for premises and equipment	Retained earnings	Total shareholders' equity
Balance as at 1 January 2003	**160 800**	**62 657**	**6 267**	**201 462**	**431 186**
Net fair value gains arising on investments available for sale (Note 9)	-	1 747	-	-	1 747
Translation movement	-	-	-	13 528	13 528
Other movements	-	-	(536)	536	-
Net profit	-	-	-	37 162	37 162
Balance as at 30 June 2003	**160 800**	**64 404**	**5 731**	**252 688**	**483 623**

	Share capital	Fair value reserve for investments available for sale	Revaluation reserve for premises and equipment	Retained earnings	Total shareholders' equity
Balance as at 1 January 2004	**160 800**	**22 798**	**5 195**	**358 177**	**546 970**
Net fair value gains arising on investments available for sale (Note 9)	-	6 816	-	-	6 816
Translation movement	-	-	-	4 532	4 532
Other movements	-	-	(536)	536	-
Net profit	-	-	-	53 054	53 054
Balance as at 30 June 2004	**160 800**	**29 614**	**4 659**	**416 299**	**611 372**

1 Principal Activities of ABH Financial Limited

ABH Financial Limited and its subsidiaries (the "Group" or "Alfa Bank Group") comprise two main business segments, commercial banking and investment banking (refer to Note 22). The commercial banking activities of the Group are carried out principally by Open Joint Stock Company Alfa Bank (the "Bank" or "Alfa Bank") and its subsidiaries and the investment banking activities of the Group are carried out principally by Alfa Capital Holdings (Cyprus) Limited and certain other subsidiaries. A substantial part of the Group's activities are carried out in Russia.

Before June 2004 ABH Financial Limited was wholly owned by Alfa Finance Holdings S.A., which is a subsidiary within the Alfa Group Consortium (the "Consortium"). The Consortium operates in the following business segments: oil and gas, financial services, telecommunications, domestic commodities and retail trade. On 1 March 2004 the Supervisory Board of the Consortium decided to restructure ownership and control over ABH Financial Limited to comply with newly enacted instructions of the Central Bank of the Russian Federation ("CBRF") which may allow the Bank to participate in the banking deposit insurance scheme which has been developed by the CBRF. In June 2004, the Consortium finalised a restructuring in which ABH Financial Limited, and its subsidiaries including Alfa Bank, was transferred to the newly created ABH Holdings Corp ("ABHH"), a BVI company. ABHH is owned by the same beneficial shareholders and in the same proportions as ABH Financial Limited was owned prior to the restructuring by the beneficial shareholders.

A summary of the constituent entities within the Group is set out below. Refer to Note 27 for a listing of principal consolidated subsidiaries. The number of employees of the Group as at 30 June 2004 was 5 812 (31 December 2003: 6 256).

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

Commercial Banking. Alfa Bank is a wholly owned subsidiary of ABH Financial Limited. 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 CBRF since 1991. The Bank operates in all sectors of the Russian financial markets, including interbank 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.

As at 30 June 2004 the Bank had 32 (31 December 2003: 32) branches within the Russian Federation. The Bank's major wholly owned subsidiaries comprise Alfa Bank Kazakhstan, Alfa Bank Ukraine and Amsterdam Trade Bank.

The Bank's registered office is located at 27 Kalanchyovskaya Str., Moscow 107078. The Bank's principal place of business is 9 Mashi Poryvaevoy Str., Moscow 107078.

Investment banking. ABH Financial Limited is also the parent company of Alfa Capital Holdings (Cyprus) Limited and certain other subsidiaries which are primarily involved in the investment banking segment of the Group including proprietary trading and brokerage activities, investment and merchant banking and asset management with a primary emphasis on securities within the Russian Federation and Ukraine. Alfa Capital Holdings (Cyprus) Limited was regulated by the Central Bank of Cyprus as a financial services company under a permit issued in April 2002. In 2004, the Cyprus Securities and Exchange Commission (CySEC) became the regulator of Alfa Capital Holdings (Cyprus) Limited. Alfa Capital Holdings (Cyprus) Limited obtained a license by the CySEC to engage principally in brokerage activities and proprietary trading (own trading in shares and debentures). The license entitles Alfa Capital Holdings (Cyprus) Limited to operate both locally and outside Cyprus.

The Company is registered at Julia House, 3 Themistocles Dervis Street, Nicosia, Cyprus. In July 2004 the registered office of the Company has been changed to Elenion Building, 5 Themistocles Dervis Street, 2nd floor, CY-1066 Nicosia, PO Box 25549, CY-1310 Nicosia, Cyprus.

The Bank is licensed by the Federal Commission on securities market for trading in securities.

2 Operating Environment of the Group

The Group through its operations has significant exposure to Russia's economy and financial markets.

Whilst there have been improvements in economic trends in the country, the Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

The banking sector in the Russian Federation is particularly sensitive to adverse fluctuations in confidence 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.

From June 2004 certain banks in the Russian banking sector, and amongst them the Group, have experienced severe liquidity problems, which have also affected the general confidence in the banking sector. In July-August 2004, to support the Group, the shareholders of the Group and a company controlled by the shareholders placed short term deposits with the Group. Management plans to cover any liquidity gap via the issuance of different types of debt securities on international markets and restructuring of its loan portfolio. The Group's assets and operations could be at risk if there is any further adverse change in the liquidity position of the Russian banking sector. It is not possible to predict what effect, if any, any further significant deterioration in the liquidity or confidence in the Russian banking system may have on the financial position of the Group.

3 Basis of Preparation

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 Leasing and Alfa Capital Asset Management) maintain their accounting records in compliance with Russian Accounting Regulations. Other companies maintain their accounting records in compliance with the applicable companies' law in their respective jurisdictions. These consolidated financial statements have been prepared from the accounting records of the constituent entities of the Group and adjusted as necessary in order to be in accordance with IFRS.

The consolidated financial statements have been measured and presented in US Dollars ("USD"), a currency which is used to a significant extent in, and has significant impact on the Group and reflects the economic substance of its underlying events and circumstances. A significant portion of the transactions, settlements and profits of the Group are denominated in US Dollars. Moreover, the Group's (and the Bank's) assets and liabilities are largely denominated and settled in US Dollars (refer to Note 23). 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.

The accounting records of the Group are maintained such that original US Dollar and other currency amounts can be determined. 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.

The preparation of these consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the balance sheet date and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Where necessary, corresponding figures have been adjusted to conform with changes in the presentation of the current period.

3 Basis of Preparation (Continued)

Consolidated financial statements. Subsidiaries are those entities (including special purpose entities) 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 financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which power to control is transferred to the Group and are removed from consolidation from the date the power to control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the identifiable assets and liabilities of the subsidiary acquired is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

Foreign currency translation. The Group determines the appropriate measurement currency for each subsidiary. Monetary assets and liabilities originally denominated in US Dollars are stated at their original US Dollar amounts. Monetary assets and liabilities in other currencies have been translated to US Dollars using the exchange rate in effect as at the balance sheet date. Non-monetary assets and liabilities (excluding those expressed in currencies of countries with hyperinflationary economies), whose values are denominated in currencies other than the US Dollar, 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, have been translated into US Dollars using a basis that approximates the rate of exchange in effect as at the date of transaction. Gains and losses arising from translation of assets and liabilities are recorded in the consolidated statement of income as foreign exchange translation gains less losses. Translation differences on non-monetary items, such as equity securities held for trading or available for sale, are recorded as part of the fair value gain or loss. The Bank and other Group companies operating in the Russian Federation use Russian Rouble as a measurement currency.

As the Bank and certain other Group companies operate independently of the Group and, 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. Balance sheets of the foreign entities are translated into the Group's measurement currency at the exchange rates in effect as at the balance sheet date and the related statements of income and of cash flows are translated at the average exchange rates for the period. Exchange differences arising from the translation of the net investment in foreign entities are recorded as the translation movement in the consolidated statement of changes in shareholders' equity.

Prior to 1 January 2003 the Bank and other Russian companies of the Group applied the provisions of IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") and their financial information had been adjusted for hyperinflation and then translated into US Dollars at the exchange rates in effect as at the balance sheet date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from 1 January 2003 the Bank and other Russian companies of the Group have no longer applied the provisions of IAS 29. Accounting for the effects of hyperinflation prior to 1 January 2003 is detailed below.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into US Dollars at the exchange rate in effect as at the balance sheet date.

As at 30 June 2004 the principal exchange rate used for translating foreign currency balances was USD 1 = RR 29.0274 (31 December 2003: USD 1 = RR 29.4545) and the average exchange rate for the six-month period ended 30 June 2004 was USD 1 = RR 28.7802 (six-month period ended 30 June 2003: USD 1 = 31.2653).

Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies. At present, the Russian Rouble is not a freely convertible currency in most countries outside of the Russian Federation.

(expressed in thousands of US dollars - Note 3)

3 Basis of Preparation (Continued)

Accounting for the effects of hyperinflation. A significant proportion of the Group's activities are carried out in the Russian Federation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29. Accordingly, prior to 1 January 2003 the adjustments and reclassifications made to the statutory records of the Bank and other Russian companies of the Group for the purpose of IFRS presentation included the restatement of balances and transactions for the changes in the general purchasing power of the Russian Rouble in accordance with IAS 29. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from 1 January 2003 the Bank and other Russian companies of the Group no longer apply the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at as 31 December 2002 were treated as the basis for the carrying amounts in these consolidated financial statements.

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. IFRS 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 restatement was calculated using the 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 CPI used to restate the consolidated financial statements is based on 1988 prices using 100 as the base index. The CPI for the five years ended 31 December 2002 and the respective conversion factors were the following:

	CPI	Conversion Factor
1998	1 216 400	2.24
1999	1 661 481	1.64
2000	1 995 937	1.37
2001	2 371 572	1.15
2002	2 730 154	1.00

The main guidelines followed in restating the balance sheets of the Bank and of the Russian companies as at 31 December 2002 were:

- All amounts were stated in terms of the measuring unit current as at 31 December 2002;
- Monetary assets and liabilities held as at 31December 2002 were not restated because they were already expressed in terms of the monetary unit current at 31 December 2002;
- Non-monetary assets and liabilities (those balance sheet items that were not expressed in terms of the monetary unit current as at 31 December 2002) and components of shareholders' equity were restated from their historical cost by applying the change in the general price index from the date the non-monetary item was originated to 31 December 2002;

4 Significant Accounting Policies

The following accounting policies have been used by the Group in preparing these 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 placements with other banks, beyond overnight placements, are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Mandatory cash balances with 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 Group's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

4 Significant Accounting Policies (Continued)

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

Trading securities are initially recorded at cost (which includes transaction costs) and subsequently remeasured at fair value based on their market value or after the application of various valuation methodologies, including assumptions as to the future realisability of these securities. In determining market value, all trading securities are valued, at the last bid price.

All related realised and unrealised gains and losses are recorded within gains less losses arising from trading securities in the consolidated statement of income in the period in which the change occurs. Interest earned on trading securities is reflected in the consolidated statement of income as interest income on trading securities and is recognised on an effective yield basis. Dividends received are included in dividend income within other operating income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise, such transactions are treated as derivative instruments until settlement occurs.

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, other than those that are originated with the intent of being sold immediately or in the short-term which are recorded as trading assets, are categorised as originated loans.

Originated loans are recorded when cash is advanced to borrowers. Initially, originated loans and advances are recorded at cost, which is the fair value of the consideration given, and subsequently are carried at amortised cost less provision for loan impairment. Amortised cost is based on the fair value of cash consideration given to originate those loans determinable by reference to market prices at origination date. Third party expenses, such as legal fees incurred in securing a loan are treated as part of the cost of the transaction.

Loans originated at interest rates different from market rates are remeasured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar loans. The difference between the fair value and the nominal value at origination is credited or charged to the consolidated statement of income as gains on origination of assets at rates above market or losses on origination of assets at rates below market. Subsequently, the carrying value of such loans is adjusted for amortisation of the gains/losses on origination and the related income is recorded as interest income within the consolidated statement of income using the effective yield method.

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 according to original contractual terms. 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 original effective interest rate.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio as 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 reflect the current economic environment in which the borrowers operate.

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 procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to other income in the consolidated statement of 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 in the consolidated statement of income.

Purchased loans and receivables. Purchased loans and receivables are categorised as held to maturity, available for sale or trading assets depending on the Management's intent. Purchased loans and receivables with a fixed maturity where Management has both the intent and the ability to hold to maturity are classified as held to maturity assets.

4 Significant Accounting Policies (Continued)

Purchased loans and receivables intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates are classified as available for sale assets. Purchased loans and receivables that were acquired principally for the purpose of generating a short-term profit are classified as trading assets.

Purchased loans and receivables are initially recorded at cost (which includes transaction costs). Purchased loans and receivables classified as available for sale or trading assets are subsequently remeasured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of available for sale assets are recorded in the consolidated statement of changes in shareholders' equity. When the available for sale assets are disposed of, the related accumulated fair value adjustments are included in the consolidated statement of income. Impairment and reversal of impairment of available for sale assets is recorded through the consolidated statement of income. Realised and unrealised gains and losses arising from changes in the fair value of trading assets are included in the consolidated statement of income in the period in which they arise. Purchased loans and receivables classified as held to maturity assets are carried at amortised cost using the effective yield method, less any provision for impairment.

Interest earned whilst holding purchased loans and receivables is recorded in the consolidated statement of income as interest income. All regular way purchases and sales of purchased loans and receivables are recorded at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivative instruments until settlement occurs.

Other credit related commitments. In the normal course of business, the Group enters into other credit related commitments including letters of credit and guarantees. Specific provisions are recorded against other credit related commitments when losses are considered probable.

Promissory notes purchased. Promissory notes purchased are included in trading securities, or in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Investments 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 investments at the time of purchase.

Investments available for sale are initially recorded at cost (which includes transaction costs) and subsequently re-measured to fair value based on quoted bid prices. Certain investments available for sale for which there is no available external independent quotation have been fair valued by Management on the basis of results of recent sales of equity interests in the investees between unrelated third parties, consideration of other relevant factors such as discounted cash flows and financial data of the investees and application of other valuation methodologies. Unrealised gains and losses arising from changes in the fair value of investments available for sale are recorded in the consolidated statement of changes in shareholders' equity. When the investments available for sale are disposed of, the related accumulated fair value adjustments are included in the consolidated statement of income as gains less losses arising from investments available for sale. Impairment and reversal of impairment of investments available for sale is recorded through the consolidated statement of income. An investment available for sale is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset. Dividends received are included in dividend income within other operating income.

All regular way purchases and sales of investments available for sale are recorded at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recorded as derivative forward transactions until settlement.

4 Significant Accounting Policies (Continued)

Associated companies. Associated companies are entities over which the Group has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associated companies are accounted for using the equity method of accounting. Under this method, the Group's share of the post-acquisition profits or losses of associated companies is recorded in the consolidated statement of income, and its share of post-acquisition movements in reserves is recorded in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investments. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associated companies includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the associated company.

Sale and repurchase agreements and lending of securities. 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 other banks or other borrowed funds. Securities purchased under agreements to resell ("reverse repo") are recorded as due from other banks or loans and advances to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the consolidated financial statements. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses arising from trading securities in 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 are carried at amortised cost less provision for impairment. A receivable is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate of the receivable. Provisions made during the period are included in the consolidated statement of income.

Premises and equipment. Premises and equipment are stated at cost, restated, where applicable, to the equivalent purchasing power of the Russian Rouble as at 31 December 2002 for assets acquired prior to 1 January 2003, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises and equipment of acquired subsidiaries are initially recorded in the consolidated balance sheet at their estimated fair value at the date of acquisition of the acquired subsidiary.

Premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation reserve for premises and equipment included in shareholders' equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Construction in progress is carried at cost, restated, where applicable, to the equivalent purchasing power of the Russian Rouble as at 31 December 2002 for assets acquired prior to 1 January 2003, less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying value. Construction in progress is not depreciated until the asset is available for use.

4 Significant Accounting Policies (Continued)

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

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

Computer software development costs. Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and will probably generate economic benefits exceeding costs beyond one year, are recorded as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recorded as a capital improvement and added to the original cost of the software. Computer software development costs recorded as assets are amortised using the straight-line method over their useful lives, not exceeding a period of ten years.

Depreciation and amortisation. 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;
Computer software	10-20% per annum; and
Leasehold improvements	over the term of the underlying lease.

Operating leases. Where the Group is the lessee, the total lease payments, including those on expected termination, are charged by the lessee to the consolidated statement of income on a straight-line basis over the period of the lease.

Finance leases. Where the Group is the lessor, upon inception of a finance lease, the present value of the lease payments ("net investment in leases") is recorded within other assets. Lease income is recorded over the term of the lease using the effective yield method.

The inception of a lease is considered to be the date of the lease agreement, or commitment if earlier. For purposes of this definition, a commitment should be in writing, signed by the parties with an interest in the transaction, and should specifically set forth the principal terms of the transaction.

Any advance payments made by the lessee prior to commencement of the lease reduce the net investment in the lease.

Finance income from leases is recorded within other operating income in the consolidated statement of income.

When impaired, a provision against net investment in lease is recorded. A financial lease is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate of the finance lease receivable.

4 Significant Accounting Policies (Continued)

Promissory notes issued. Promissory notes issued by the Group carry a fixed date of repayment. These may be issued against cash deposits or as a payment instrument, which the purchaser can discount in the over-the-counter secondary market. Promissory notes issued by the Group are recorded initially at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, promissory notes issued are stated at amortised cost and any difference between net proceeds and the redemption value is recorded in the consolidated statement of income over the period of the security issue using the effective yield method.

If the Group purchases its own promissory notes, they are removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is recorded in the consolidated statement of income.

Borrowings. Borrowings are recorded initially at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recorded in the consolidated statement of income over the period of the borrowings using the effective yield method.

Borrowings originated at interest rates different from market rates are remeasured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar borrowings. The difference between the fair value and the nominal value at origination is credited or charged to the consolidated statement of income as gains on origination of liabilities at rates below market or losses on origination of liabilities at rates above market. Subsequently, the carrying value of such borrowings is adjusted for amortisation of the gains/losses on origination and the related expense is recorded as interest expense within the consolidated statement of income using the effective yield method.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recorded in the consolidated statement of income.

Accrued interest income and accrued interest expense. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount, are included in the carrying values of related balance sheet items.

Dividends. Dividends are recorded in equity in the period in which they are ratified by the Directors of ABH Financial Limited. Dividends declared after the balance sheet date are disclosed in the subsequent events note.

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. The income tax charge in the consolidated statement of income 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 as at the balance sheet date. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recorded to the extent that it is probable that future taxable profit will be available against which the 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 as at the balance sheet date. Deferred tax assets and liabilities are netted only within the individual Group companies of the Group.

Deferred income tax relating to the fair value remeasurement of investments available for sale, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recorded in the consolidated statement of income when the gain or loss on the investments is realised.

Income and expense recognition. Interest income and expense are recorded in the consolidated statement of income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes accrued coupon, discount and premium earned on fixed income instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recorded based on the interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(expressed in thousands of US dollars - Note 3)

4 Significant Accounting Policies (Continued)

Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Loan commitment fees for loans, which are probable of being drawn down, are deferred (together with related direct costs) and recorded as an adjustment to the effective yield on the loan. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses and portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Custody fees are recorded ratably over the period the service is provided.

Derivative financial instruments. Derivative financial instruments including foreign exchange contracts, currency swaps and other derivative financial instruments are initially recorded in the consolidated balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models or using the spot rate as at the balance sheet date as the basis as appropriate. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivative instruments are included in gains less losses arising from trading in foreign currency, gains less losses arising from trading securities and gains less losses from trading in precious metals within other operating income, depending on the related contracts.

The Group does not apply hedge accounting.

Fiduciary assets. Assets and liabilities held by the Group in its own name, but for the account of third parties, are not recorded on the consolidated balance sheet. Commissions received from such business are shown in fee and commission income within the consolidated statement of income.

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.

Provisions. Provisions are recorded when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Staff costs and related contributions. The Group's contributions to state pension and social insurance funds in respect of its employees are expensed as incurred and included into staff costs.

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 customers and whose revenue, result or assets are ten percent or more of all the segments are reported separately.

5 Cash and Cash Equivalents

	30 June 2004	**31 December 2003**
Cash on hand	122 643	169 099
Cash balances with the CBRF and local central banks (other than mandatory cash balances)	182 657	227 528
Correspondent accounts with other banks		
- Russian Federation	96 775	33 014
- Other countries	169 523	168 827
Overnight placements with other banks		
- Russian Federation	33 621	45 262
- Other countries	91 385	279 461
Total cash and cash equivalents	**696 604**	**923 191**

Currency and interest rates analyses of cash and cash equivalents are disclosed in Note 23.

(expressed in thousands of US dollars - Note 3)

6 Trading Securities

	30 June 2004	31 December 2003
Corporate shares	363 340	35 119
Corporate Eurobonds	176 105	183 300
Corporate bonds	172 329	72 698
Russian Federation Eurobonds	107 100	305 759
Eurobonds of other states	53 946	52 644
Municipal bonds	39 820	23 975
Promissory notes	31 278	12 138
ADRs and GDRs	8 181	6 297
Other	28 411	2 645
Total trading securities	**980 510**	**694 575**

Corporate shares are shares of major Russian and Ukrainian companies.

Corporate Eurobonds are interest-bearing securities denominated in US Dollars and Euros, issued mainly by large Russian companies, and are freely tradable internationally. These bonds have maturity dates ranging from November 2004 to April 2014, coupon rates from 7.4% to 12.8% during the six-month period ended 30 June 2004 and yields to maturity from 3.9% to 11.1% as at 30 June 2004, depending on the type of bond issue.

Corporate bonds are interest-bearing securities mainly denominated in Russian Roubles, issued by Russian and Ukranian companies, and are freely tradable in the Russian Federation and the Ukraine. These bonds have maturity dates ranging from October 2004 to January 2010, coupon rates from 8.1% to 20.5% during the six-month period ended 30 June 2004 and yields to maturity from 3.5% to 19.7% as at 30 June 2004, depending on the type of bond issue.

Russian Federation Eurobonds are interest-bearing securities denominated in US Dollars, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. These bonds have maturity dates ranging from March 2010 to March 2030, coupon rates form 5.0% to 12.8% during the six-month period ended 30 June 2004 and yields to maturity from 6.6% to 8.3% as at 30 June 2004, depending on the type of bond issue.

Eurobonds of other states are interest-bearing securities denominated in US Dollars, issued by governmental bodies of other states, and are freely tradable internationally. These bonds have maturity dates ranging from August 2004 to August 2040, coupon rates from 7.7% to 12.3% during the six-month period ended 30 June 2004 and yields to maturity from 2.6% to 11.7% as at 30 June 2004, depending on the type of bond issue.

Trading securities with a fair value of USD 152 989 thousand (31 December 2003: USD 319 126 thousand) have been sold to third parties under sale and repurchase agreements with other banks. Refer to Note 12.

Currency and interest rates analyses of trading securities are disclosed in Note 23. The information on trading securities issued by related parties and owned by the Group is disclosed in Note 26.

7 Due from Other Banks

	30 June 2004	31 December 2003
Term placements with other banks	186 939	91 552
Reverse sale and repurchase agreements with other banks	31 415	40 069
Total due from other banks	**218 354**	**131 621**

(expressed in thousands of US dollars - Note 3)

7 Due from Other Banks (Continued)

Movements in the provision for loan impairment are as follows:

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Provision for loan impairment as at 1 January	-	**50**
Release of provision for loan impairment during the period	-	(50)
Provision for loan impairment as at 30 June	-	-

As at 30 June 2004 the estimated fair value of securities purchased under reverse sale and repurchase agreements with other banks was USD 34 231 thousand (31 December 2003: USD 45 626 thousand).

As at 30 June 2004 the estimated fair value of due from other banks was USD 218 354 thousand (31 December 2003: USD 131 621 thousand). Refer to Note 25.

Currency, maturity and interest rate analyses of due from other banks are disclosed in Note 23.

8 Loans and Advances to Customers

	30 June 2004	31 December 2003
Current loans	4 247 565	3 585 253
Overdue loans	37 778	31 150
Less: Provision for loan impairment	(191 876)	(175 723)
Total loans and advances to customers	**4 093 467**	**3 440 680**

Movements in the provision for loan impairment are as follows:

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Provision for loan impairment as at 1 January	**175 723**	**134 921**
Provision for loan impairment during the period	16 153	18 385
Provision for loan impairment as at 30 June	**191 876**	**153 306**

(expressed in thousands of US dollars - Note 3)

8 Loans and Advances to Customers (Continued)

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

	30 June 2004		31 December 2003	
	Amount	**%**	**Amount**	**%**
Manufacturing and construction	1 756 811	41	1 471 294	41
Energy and oil and gas	1 243 599	29	1 049 572	29
Trade and commerce	526 136	12	520 365	14
Telecommunications	220 043	5	205 547	6
Finance and investment companies	144 452	3	98 775	3
Individuals	76 860	2	49 858	1
Agriculture	26 009	1	13 570	-
Other	291 433	7	207 422	6
Total loans and advances to customers (aggregate amount)	**4 285 343**	**100**	**3 616 403**	**100**

As at 30 June 2004 the Group had 23 borrowers with aggregated loan amounts equal to or above USD 50 000 thousand. The aggregate amount of these loans is USD 2 345 993 thousand or 54.7% of the gross loans and advances to customers. As at 31 December 2003 the Group had 16 borrowers with aggregated loan amounts equal to or above USD 50 000 thousand. The aggregate amount of those loans was USD 1 742 925 thousand or 48.2% of the gross loans and advances to customers.

As at 30 June 2004 loans in the amount of USD 24 115 thousand (31 December 2003: USD 23 765 thousand) have been pledged to third parties as collateral with respect to due to other banks. Refer to Note 12.

As at 30 June 2004 the estimated fair value of loans and advances to customers was USD 4 106 546 thousand (31 December 2003: USD 3 454 249 thousand). Refer to Note 25.

Currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 23. The information on related party balances is disclosed in Note 26.

9 Investments

	30 June 2004	31 December 2003
Investments available for sale	61 300	45 885
Investment in associated company	25 814	19 558
Total investments	**87 114**	**65 443**

Investments available for sale. The movements in the fair value of investments available for sale were as follows:

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
As at 1 January	**45 885**	**95 776**
Net fair value gains arising on investments available for sale	6 816	1 747
Acquisition of investments available for sale	8 955	1 504
Disposal of investments available for sale	(700)	-
Gains less losses arising from investments available for sale operations, net of gains previously recorded directly in shareholders' equity	344	-
Total investments available for sale as at 30 June	**61 300**	**99 027**

(expressed in thousands of US dollars - Note 3)

9 Investments (Continued)

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 equity investments available for sale are:

			Fair value	
Name	**Nature of business**	**Country of registration**	**30 June 2004**	**31 December 2003**
Akrikhin	Pharmaceutical	Russia	38 110	38 630
Saratovstroysteklo	Manufacturing	Russia	11 614	3 934
Pushka	Manufacturing	Ukraine	8 610	-
Other			2 966	3 321
Total			**61 300**	**45 885**

External independent market quotations were not available for Akrikhin, Saratovstroysteklo, Pushka and certain other investments available for sale. The fair values of these assets were determined by Management on the basis of results of recent sales of equity interest in the investees between unrelated third parties, consideration of other relevant factors such as discounted cash flows and financial information of the investees, and application of other valuation methodologies.

Investment in associated company. As at 30 June 2004 an investment in an associated company in the amount of USD 25 814 thousand (31 December 2003: 19 558 thousand) represents a 24% (31 December 2003: 25%) interest in Story First Communications Inc. ("SFC"), a Delaware corporation primarily investing in television and radio ventures.

In 1999 the Group acquired a 25% plus 2 shares as an investment in the STS Network ("STS"), a national television network in Russia and a 75% owned subsidiary of SFC, with an intention to sell it within a short period after purchase. The investment in STS was carried on the consolidated balance sheet at fair value within investments available for sale. As at 31 December 2002 the fair value of the investment in STS was USD 42 110 thousand.

In August 2003 the Group restructured its entire interest in STS into a 25% interest in SFC. In the course of restructuring the Group forgave indebtedness of STS to the Group in amount of USD 10 428 thousand and paid USD 8 210 thousand to STS and one of the shareholders of SFC.

Following the restructuring the Group classified its investment in SFC as an investment in associated company accounted for by the equity method of accounting. The carrying value of the investment in STS as at the date of restructuring was recalculated using the equity method of accounting retrospectively from the date of its acquisition for the purposes of determination of the cost of acquisition of the investment in SFC.

Fair value gains in the amount of USD 34 460 thousand previously recorded directly in shareholders' equity in relation to the investment in STS were reversed in the consolidated statement of changes in shareholders' equity for the six-month period ended 31 December 2003.

The Group's interest in the SFC decreased during 2004 mainly as a result of acquisitions by SFC partially paid for by shares of SFC.

(expressed in thousands of US dollars - Note 3)

10 Other Assets and Receivables

	30 June 2004	31 December 2003
Receivables on operations with securities	75 450	41 663
Net investment in lease	49 334	26 328
Conversion operations and derivative financial instruments	44 703	17 723
Precious metals	36 941	21 258
Trade debtors and prepayments	35 604	26 287
Plastic card debtors and other settlements with clients	15 929	25 959
Prepaid taxes	9 340	6 212
Receivables from related parties	3 611	10 252
Other	7 295	17 679
	278 207	**193 361**
Less: Provision for impairment of receivables	(6 049)	(7 752)
Total other assets and receivables	**272 158**	**185 609**

Movements in the provision for impairment of receivables were as follows:

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Provision for impairment of receivables as at 1 January	**7 752**	**1 875**
Provision for impairment of receivables during the period	(1 703)	713
Provision for impairment of receivables as at 30 June	**6 049**	**2 588**

As at 30 June 2004 precious metals included gold with a carrying value of USD 19 038 thousand (31 December 2003: USD 19 943 thousand) that had been sold to third parties under sale and repurchase agreements with other banks. Refer to Note 12.

Currency and maturity analyses of other assets and receivables are disclosed in Note 23. The information on related party balances is disclosed in Note 26.

(expressed in thousands of US dollars - Note 3)

11 Premises and Equipment

	Premises	Leasehold improvements	Office and computer equipment	Computer software	Construction in progress	Total
Net book amount as at 31 December 2003	**50 121**	**10 344**	**46 652**	**32 141**	**10 463**	**149 721**
Cost or valuation						
Opening balance	58 767	11 878	95 351	45 916	10 463	222 375
Additions and transfers	4 286	594	12 280	2 306	(6 100)	13 366
Disposals	(195)	(2 115)	(5 012)	(48)	-	(7 370)
Translation movement	814	175	1 255	245	65	2 554
Closing balance	**63 672**	**10 532**	**103 874**	**48 419**	**4 428**	**230 925**
Accumulated depreciation						
Opening balance	8 646	1 534	48 699	13 775	-	72 654
Depreciation charge	608	116	7 555	2 828	-	11 107
Disposals	(116)	(169)	(3 191)	-	-	(3 476)
Translation movement	120	23	111	671	-	925
Closing balance	**9 258**	**1 504**	**53 174**	**17 274**	**-**	**81 210**
Net book amount as at 30 June 2004	**54 414**	**9 028**	**50 700**	**31 145**	**4 428**	**149 715**

12 Due to Other Banks

	30 June 2004	31 December 2003
Term placements of other banks	376 982	369 465
Sale and repurchase agreements with other banks	141 099	289 341
Correspondent accounts of other banks		
- Russian Federation	29 868	70 725
- Other countries	27 384	66 770
Total due to other banks	**575 333**	**796 301**

Trading securities with a fair value of USD 152 989 thousand (31 December 2003: USD 319 126 thousand) have been sold to third parties under sale and repurchase agreements with other banks. Refer to Note 6.

In addition, as at 31 December 2003 securities purchased by the Group under reverse sale and repurchase agreements with other banks with a fair value of USD 13 775 thousand were sold by the Group under sale and repurchase agreements with other banks. Refer to Note 7.

Gold with a carrying value of USD 19 038 thousand (31 December 2003: USD 19 943 thousand) had been sold to third parties under sale and repurchase agreements with other banks. Refer to Note 10.

As at 30 June 2004 loans in the amount of USD 24 115 thousand (31 December 2003: USD 23 765 thousand) have been pledged to third parties as collateral with respect to due to other banks. Refer to Note 8.

(expressed in thousands of US dollars - Note 3)

12 Due to Other Banks (Continued)

As at 30 June 2004 the estimated fair value of due to other banks was USD 575 333 thousand (31 December 2003: USD 796 301 thousand). Refer to Note 25.

Currency, maturity and interest rate analyses of due to other banks are disclosed in Note 23.

13 Customer Accounts

	30 June 2004	31 December 2003
Commercial organisations		
- Current/settlement accounts	1 459 455	944 284
- Term deposits	1 346 749	1 076 782
Individuals		
- Current/demand accounts	389 231	331 236
- Term deposits	914 842	961 926
State and public organisations		
- Current/settlement accounts	7 045	7 817
- Term deposits	112 158	78 361
Total customer accounts	**4 229 480**	**3 400 406**

Economic sector concentrations within customer accounts are as follows:

	30 June 2004		31 December 2003	
	Amount	%	Amount	%
Individuals	1 304 073	31	1 293 162	38
Energy and oil and gas	977 892	23	832 203	24
Finance and investment companies	783 145	18	173 278	5
Manufacturing and construction	332 347	8	337 220	10
Trade and commerce	233 302	6	258 047	8
Science	122 398	3	61 341	2
State and public organisations	119 203	3	86 178	3
Mass media and telecommunications	48 558	1	70 447	2
Other	308 562	7	288 530	8
Total customer accounts	**4 229 480**	**100**	**3 400 406**	**100**

As at 30 June 2004 the Group had 5 customers with aggregated balances equal to or above USD 50 000 thousand. The aggregate amount of these deposits was USD 1 242 836 thousand or 29.4% of the total customer accounts.

Included in customer accounts are balances in amount of USD 76 110 thousand (31 December 2003: USD 45 337 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 24.

As at 30 June 2004 the estimated fair value of customer accounts was USD 4 229 480 thousand (31 December 2003: USD 3 400 406 thousand). Refer to Note 25.

Currency, maturity and interest rate analyses of customer accounts are disclosed in Note 23. The information on related party balances is disclosed in Note 26.

(expressed in thousands of US dollars - Note 3)

14 Other Borrowed Funds

	30 June 2004	31 December 2003
Syndicated loans	201 048	82 237
Eurobonds	175 138	174 535
Euro-Commercial Papers	74 809	50 442
Russian Rouble denominated bonds maturing in 2010	60 623	-
Russian Rouble denominated bonds maturing in 2007	282	16 703
Total other borrowed funds	**511 900**	**323 917**

On 5 December 2003 the Group received a syndicated loan in the amount of USD 82 000 thousand from a consortium of large international banks. The loan matures on 24 November 2004 and bears a floating interest rate equal to LIBOR plus 2.4% per annum payable semi-annually. As at 30 June 2004 the interest rate was 3.7% per annum. Issue costs relating to the loan amounted to USD 826 thousand. Issue proceeds amounted to USD 81 174 thousand.

On 24 June 2004 the Group received another syndicated loan in the amount of USD 120 000 thousand from a consortium of large international banks. The loan matures on 24 June 2005 and bears a floating interest rate equal to LIBOR plus 2.0% per annum payable semi-annually. As at 30 June 2004 the interest rate was 3.9% per annum. Issue costs relating to the loan amounted to USD 1 243 thousand. Issue proceeds were equal to USD 118 757 thousand.

On 19 November 2002 the Group issued US Dollar denominated Eurobonds with a nominal value of USD 175 000 thousand. The bonds carry a fixed coupon at a rate of 10.75% per annum payable semi-annually and mature on 19 November 2005. The bonds have been issued at a discount of 0.5% to the nominal value and issue costs amounted to USD 3 032 thousand. Issue proceeds amounted to USD 171 093 thousand and the effective interest rate at origination was 12.0%.

On 11 December 2003 the Group established a Euro - Commercial Paper Programme (ECP "Programme"). The aggregate principal amount of outstanding notes issued under ECP Programme at any time may not exceed USD 200 000 thousand and the tenor of the notes may not be more than 365 days. As at 30 June 2004 the nominal value of outstanding notes was USD 76 950 thousand (31 December 2003: USD 51 550 thousand) and they were issued at a discount to the nominal value ranging from 2.4% to 5.7% depending on the type of issue.As at 30 June 2004 the average effective interest rate at origination was 5.9%.

On 7 April 2004 the Group issued Russian Rouble denominated bonds maturing in March 2010 at a nominal value of RR 2 000 000 thousand. The bonds have a floating interest rate and the coupon is payable semi-annually. As at 30 June 2004 coupon was to be paid at an interest rate of 7.4% per annum.

On 14 June 2002 the Group issued Russian Rouble denominated bonds maturing in June 2007 at a nominal value of RR 908 758 thousand. The bonds have a floating interest rate and the coupon is payable semi-annually. As at 30 June 2004 coupon was to be paid at an interest rate of 9.0% per annum.

On 22 June 2004 the Group established a Euro Medium Term Note Programme ("MTN Programme"). The aggregate principal amount of outstanding notes issued under MTN Programme at any time may not exceed USD 400 000 thousand. As at 30 June 2004 the Group had no notes issued under MTN Programme.

As at 30 June 2004 the estimated fair value of other borrowed funds was USD 517 302 thousand (31 December 2003: USD 335 978 thousand). Refer to Note 25.

Currency, maturity and interest rate analyses of other borrowed funds are disclosed in Note 23.

(expressed in thousands of US dollars - Note 3)

15 Other Liabilities and Payables

	Note	30 June 2004	31 December 2003
Payable on operations with securities		101 051	51 393
Conversion operations and derivative financial instruments		100 586	7 005
Trade creditors		36 761	29 796
Provision for staff compensation expenses		35 760	49 254
Settlements with clients		16 781	9 738
Plastic card creditors		15 499	15 568
Payable to related parties		13 711	9 499
Provision for losses on credit related commitments	24	11 602	7 782
Taxation payable		5 317	4 968
Other		4 867	16 514
Total other liabilities and payables		**341 935**	**201 517**

Provision for staff compensation expenses mainly relates to employee bonus plans based on certain performance indicators.

Currency and maturity analyses of other liabilities are disclosed in Note 23. The information on related party balances is disclosed in Note 26.

16 Share Capital

As at 30 June 2004 and 31 December 2003 authorised, issued and fully paid share capital of ABH Financial Limited comprised 160 800 000 ordinary shares. All shares have nominal value of USD 1 per share, rank equally and carry one vote. Refer to Note 1 for the information on restructuring of ownership and control over ABH Financial Limited.

17 Interest Income and Expense

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Interest income		
Loans and advances to customers	238 949	199 991
Trading securities	26 129	27 758
Due from other banks	6 149	13 650
Total interest income	**271 227**	**241 399**
Interest expense		
Legal entities	41 456	28 404
Individuals	30 946	33 255
Promissory notes issued	20 780	25 342
Other borrowed funds	18 100	9 049
Due to other banks	15 844	12 705
Total interest expense	**127 126**	**108 755**
Net interest income	**144 101**	**132 644**

Refer to Note 26 for details of related party transactions.

(expressed in thousands of US dollars - Note 3)

18 Fee and Commission Income and Expense

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Fee and commission income		
Commission on settlement transactions	30 190	21 967
Commission on cash and foreign currency exchange transactions	15 156	9 251
Commission on transactions with securities	10 324	3 660
Commission on guarantees issued	5 292	4 074
Commission for consulting services	4 432	5 665
Commission income from the Alfa Eco Group	-	7 000
Other	2 476	5 182
Total fee and commission income	**67 870**	**56 799**
Fee and commission expense		
Commission for consulting services	6 544	20 813
Commission on settlement transactions	4 317	3 128
Commission on transactions with securities	1 948	1 593
Commission on cash and foreign currency exchange transactions	1 072	657
Other	3 953	1 834
Total fee and commission expense	**17 834**	**28 025**
Net fee and commission income	**50 036**	**28 774**

During six-month period ended 30 June 2003 commission income in the amount of USD 7 000 thousand from Alfa Eco Group, a party related to the Group, represented fees in relation to significant investment transactions of Alfa Eco Group.

Refer to Note 26 for details of related party transactions.

19 Other Operating Income

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Leasing and other income on premises and equipment	3 710	2 796
Late charges on loans and other penalties	2 352	2 752
Dividend income	2 028	1 483
Structured debt operations	-	21 682
Other	9 034	1 835
Total other operating income	**17 124**	**30 548**

Structured debt operations represent operations with debts of other companies, which were acquired at a discount, and then settled at a higher value resulting in a gain for the Group. Gains from the structured debt operations for six-month period ended 30 June 2003 included a gain in the amount of USD 20 863 thousand from the restructuring of a debt of a large telecommunication company.

(expressed in thousands of US dollars - Note 3)

20 Operating Expenses

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Staff costs	69 711	62 470
Depreciation and other expenses related to premises and equipment	14 793	12 022
Rent, heat and utilities	11 170	8 161
Taxes other then income tax	8 382	11 653
Administrative expenses	7 555	7 108
Maintenance	6 828	10 803
Computer and telecommunications expenses	6 753	8 427
Consulting and professional services	5 477	6 824
Advertising and marketing	4 287	13 829
Other	13 551	2 199
Total operating expenses	**148 507**	**143 496**

21 Income Taxes

Income tax expense comprises the following:

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Current tax charge	7 810	2 532
Deferred taxation movement due to origination and reversal of temporary differences	(1 982)	(1 038)
Income tax expense for the year	**5 828**	**1 494**

The statutory income tax rate applicable to the majority of the Bank's income is 24% (2003: 24%). The income tax rate applicable to the majority of income from investment banking operations ranges from 0% to 10% (2003: from 0% to 5%). A reconciliation between the expected and the actual taxation charge is provided below.

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
IFRS profit before tax	**59 020**	**38 627**
Theoretical tax charge at the applicable statutory rate	14 165	9 270
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Effect of changes in differences in provisions in accordance with IFRS and statutory rules	(16 528)	(10 949)
- Non deductible expenses	1 880	15 618
- Income taxed at different rates	(673)	(13 114)
- (Gain)/loss earned in lower/higher tax jurisdictions	5 533	(866)
- Other IFRS adjustments	1 454	1 344
Tax effect of utilisation of tax loss carry forward	(1 654)	-
Tax effect of expiry of tax loss carry forward	1 651	191
Income tax expense for the year	**5 828**	**1 494**

(expressed in thousands of US dollars - Note 3)

21 Income Taxes (Continued)

Differences between IFRS and Russian and other countries' statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for income tax purposes. The tax effect of the movement of these temporary differences is recorded mainly at the rate of 24%, except for income on state securities that is taxed at 15%.

	31 December 2003	Movement	30 June 2004
Tax effect of deductible temporary differences			
Accumulated depreciation of premises and equipment	9 822	1 845	11 667
Tax loss carry forward	5 490	(3 226)	2 264
Accruals	3 910	5 270	9 180
Other	1 361	704	2 065
Gross deferred tax asset	**20 583**	**4 593**	**25 176**
Tax effect of taxable temporary differences			
Premises and equipment	(17 292)	(486)	(17 778)
Provision for loan impairment	453	(453)	-
Accruals	(9 926)	1 052	(8 874)
Other	(7 266)	(2 724)	(9 990)
Gross deferred tax liability	**(34 031)**	**(2 611)**	**(36 642)**
Total net deferred tax liability	**(13 448)**	**1 982**	**(11 466)**

	31 December 2002	Movement	30 June 2003
Tax effect of deductible temporary differences			
Accumulated depreciation of premises and equipment	7 777	532	8 309
Tax loss carry forward	2 283	(191)	2 092
Accruals	876	10 806	11 682
Other	(257)	2 679	2 422
Gross deferred tax asset	**10 679**	**13 826**	**24 505**
Tax effect of taxable temporary differences			
Premises and equipment	(16 010)	(757)	(16 767)
Provision for loan impairment	(4 857)	(9 106)	(13 963)
Accruals	(124)	(2 925)	(3 049)
Gross deferred tax liability	**(20 991)**	**(12 788)**	**(33 779)**
Total net deferred tax liability	**(10 312)**	**1 038**	**(9 274)**

Deferred income tax assets are recorded for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable.

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

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

(expressed in thousands of US dollars - Note 3)

22 Analysis by Segment

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Group is organised on a basis of two main business segments:

- Commercial banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

- Investment banking – representing financial instruments trading, structured financing, corporate leasing, merger and acquisitions advice.

Funds are ordinarily reallocated between segments free of charge. There are no material items of income or expense between the business segments.

Segment information for the main reportable business segments of the Group for the six-month periods ended 30 June 2004 and 30 June 2003 is set out below:

Six-Month Period Ended 30 June 2004	**Commercial banking**	**Investment banking**	**Eliminations**	**Total**
Total revenues	**313 414**	**51 087**	**-**	**364 501**
Segment results	152 941	48 330	-	201 271
Unallocated costs				(148 507)
Share of results of associated company after tax				6 256
Profit before tax				**59 020**
Income tax expense				(5 828)
Profit after tax				**53 192**
Minority interest				(138)
Net profit				**53 054**
30 June 2004				
Segment assets	**5 371 707**	**1 421 306**	**(94 402)**	**6 698 611**
Associates		25 814		25 814
Total assets				**6 724 425**
Segment liabilities	**5 725 898**	**468 112**	**(94 402)**	**6 099 608**
Unallocated liabilities				11 466
Total liabilities				**6 111 074**
Other segment items				
Capital expenditure	(12 344)	(1 022)	-	(13 366)
Depreciation expense	(10 257)	(850)	-	(11 107)
Other non-cash (expense)/income	(18 932)	662	-	(18 270)

(expressed in thousands of US dollars - Note 3)

22 Analysis by Segment (Continued)

Six-Month Period Ended 30 June 2003	**Commercial banking**	**Investment banking**	**Eliminations**	**Total**
Total revenues	**261 814**	**94 123**	**-**	**355 937**
Segment results	94 059	88 064	-	182 123
Unallocated costs	-	-	-	(143 496)
Profit before tax	-	-	-	**38 627**
Income tax expense	-	-	-	(1 494)
Profit after tax	-	-	-	**37 133**
Minority interest	-	-	-	29
Net profit	-	-	-	**37 162**
31 December 2003				
Segment assets	**4 911 911**	**1 159 947**	**(207 282)**	**5 864 576**
Associates		19 558		19 558
Total assets				**5 884 134**
Segment liabilities	**5 090 189**	**434 174**	**(207 282)**	**5 317 081**
Unallocated liabilities				13 448
Total liabilities				**5 330 529**
Other segment items				
Capital expenditure	(18 327)	(2 036)	-	(20 363)
Depreciation expense	(8 518)	(946)	-	(9 464)
Other non-cash income/(expenses)	(22 127)	21 294	-	(833)

(expressed in thousands of US dollars - Note 3)

22 Analysis by Segment (Continued)

Geographical segments. Segment information for the main geographical segments of the Group is set out below for the year ended 30 June 2004.

	Russia	Europe	CIS	USA	Other	Total
Assets						
Cash and cash equivalents	396 608	120 004	38 578	139 045	2 369	696 604
Mandatory cash balances with the CBRF and other local central banks	201 676	19 695	5 132	-	-	226 503
Trading securities	890 765	10 618	25 951	1 826	51 350	980 510
Due from other banks	61 541	135 707	17 693	3 413	-	218 354
Loans and advances to customers	3 792 634	69 884	226 500	4 349	100	4 093 467
Investments	87 114	-	-	-	-	87 114
Other assets and receivables	175 819	83 464	6 290	5 723	862	272 158
Premises and equipment	135 829	874	13 012	-	-	149 715
Total assets	**5 741 986**	**440 246**	**333 156**	**154 356**	**54 681**	**6 724 425**
Liabilities						
Due to other banks	215 028	269 919	87 369	3 017	-	575 333
Customer accounts	3 612 435	276 927	127 399	204 727	7 992	4 229 480
Promissory notes issued	403 980	34 756	1 852	372	-	440 960
Other borrowed funds	60 905	450 995	-	-	-	511 900
Other liabilities and payables	162 484	125 876	15 216	31 457	6 902	341 935
Deferred tax liability	11 466	-	-	-	-	11 466
Total liabilities	**4 466 298**	**1 158 473**	**231 836**	**239 573**	**14 894**	**6 111 074**
Net balance sheet position as at 30 June 2004	**1 275 688**	**(718 227)**	**101 320**	**(85 217)**	**39 787**	**613 351**
Net balance sheet position as at 31 December 2003	**827 180**	**(458 098)**	**(11 774)**	**165 501**	**30 796**	**553 605**

The majority of credit related commitments were issued in favour of Russian counterparties and their off-shore companies both as at 30 June 2004 and 31 December 2003.

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

Substantially all of the Group's revenues are generated from counterparties operating in the Russian Federation.

The majority of capital expenditure of the Group relates to operations of the Group in the Russian Federation.

23 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (market, credit, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Executive Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

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 industry sectors. Such risks are monitored on a revolving basis and subject to regular review. Limits on the level of credit risk by product, borrower and industry sectors are approved regularly by the Executive Board.

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

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

The Group’s maximum exposure to credit risk is primary reflected in the carrying amounts of financial assets on the consolidated balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms 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.

Geographical risk. Refer to Note 22 for the geographical analysis of the Groups’ assets and liabilities.

(expressed in thousands of US dollars - Note 3)

23 Financial Risk Management (Continued)

Currency risk. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Executive Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 30 June 2004. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet net notional position represents the difference between the notional amounts of foreign currency derivative financial instruments. As at 30 June 2004 the Group had the following positions in currencies:

	USD	RR	EURO	Other currencies	Total
Assets					
Cash and cash equivalents	202 863	338 972	112 832	41 937	696 604
Mandatory cash balances with the CBRF and other local central banks	-	201 676	19 695	5 132	226 503
Trading securities	712 212	232 931	24 051	11 316	980 510
Due from other banks	158 476	54 907	-	4 971	218 354
Loans and advances to customers	2 432 255	1 504 541	106 411	50 260	4 093 467
Investments	87 114	-	-	-	87 114
Other assets and receivables	150 128	65 379	11 209	45 442	272 158
Premises and equipment	-	135 829	874	13 012	149 715
Total assets	**3 743 048**	**2 534 235**	**275 072**	**172 070**	**6 724 425**
Liabilities					
Due to other banks	354 827	141 782	51 415	27 309	575 333
Customer accounts	1 942 979	1 919 986	286 576	79 939	4 229 480
Promissory notes issued	122 582	312 508	4 027	1 843	440 960
Other borrowed funds	450 995	60 905	-	-	511 900
Other liabilities and payables	192 338	120 253	11 211	18 133	341 935
Deferred tax liability	-	11 466	-	-	11 466
Total liabilities	**3 063 721**	**2 566 900**	**353 229**	**127 224**	**6 111 074**
Net balance sheet position	**679 327**	**(32 665)**	**(78 157)**	**44 846**	**613 351**
Off-balance sheet net notional position (Note 24)	**374 531**	**(138 885)**	**35 647**	**(338 803)**	**(67 510)**
Credit related commitments (Note 24)	**651 850**	**201 449**	**97 937**	**6 023**	**957 259**

(expressed in thousands of US dollars - Note 3)

23 Financial Risk Management (Continued)

As at 31 December 2003 the Group had the following currency positions:

	USD	RR	EURO	Other currencies	Total
Net balance sheet position	**277 615**	**178 633**	**55 011**	**42 346**	**553 605**
Off-balance sheet net notional position	**(34 973)**	**(26 026)**	**70 659**	**374**	**10 034**
Credit related commitments (Note 24)	**541 296**	**93 694**	**60 531**	**784**	**696 305**

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

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The liquidity risk is managed by the Asset and Liability Committee of the Group.

The table below shows assets and liabilities as at 30 June 2004 by their remaining contractual maturity, unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement is used. Some of the assets, however, may be of a longer term nature; for example, loans are frequently renewed and accordingly short term loans can have a longer term duration.

(expressed in thousands of US dollars - Note 3)

23 Financial Risk Management (Continued)

The liquidity position of the Group as at 30 June 2004 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	696 604	-	-	-	-	696 604
Mandatory cash balances with the CBRF and other local central banks	226 503	-	-	-	-	226 503
Trading securities	980 510	-	-	-	-	980 510
Due from other banks	203 573	14 781	-	-	-	218 354
Loans and advances to customers	191 233	1 327 376	1 131 327	1 443 531	-	4 093 467
Investments	-	-	-	-	87 114	87 114
Other assets and receivables	163 269	21 828	786	49 334	36 941	272 158
Premises and equipment	-	-	-	-	149 715	149 715
Total assets	**2 461 692**	**1 363 985**	**1 132 113**	**1 492 865**	**273 770**	**6 724 425**
Liabilities						
Due to other banks	378 434	102 652	2 639	91 608	-	575 333
Customer accounts	2 653 432	1 273 839	263 889	38 320	-	4 229 480
Promissory notes issued	81 624	258 757	79 988	20 591	-	440 960
Other borrowed funds	8 983	90 723	192 706	219 488	-	511 900
Other liabilities and payables	237 874	55 287	39 255	9 519	-	341 935
Deferred tax liability	-	-	-	-	11 466	11 466
Total liabilities	**3 360 347**	**1 781 258**	**578 477**	**379 526**	**11 466**	**6 111 074**
Net liquidity gap as at 30 June 2004	**(898 655)**	**(417 273)**	**553 636**	**1 113 339**	**262 304**	**613 351**
Cumulative liquidity gap as at 30 June 2004	**(898 655)**	**(1 315 928)**	**(762 292)**	**351 047**	**613 351**	
Cumulative liquidity gap as at 31 December 2003	**(409 585)**	**(1 212 842)**	**(343 189)**	**330 631**	**553 605**	

The entire portfolio of trading securities is classified within "demand and less than one month" column as the portfolio is of a trading nature and Management believe this is a fairer portrayal of its liquidity position. 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 these balances relate to is also included in this category.

Management believes that in spite of a substantial portion of customer accounts being of a short term nature, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group. Also refer to Note 2.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

23 Financial Risk Management (Continued)

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

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Group is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally fixed on a short term basis. Also, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Executive Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. In the absence of any available hedging instruments, the Group normally seeks to match its interest rate positions.

(expressed in thousands of US dollars - Note 3)

23 Financial Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risks as at 30 June 2004. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	696 604	-	-	-	-	696 604
Mandatory cash balances with the CBRF and other local central banks	226 503	-	-	-	-	226 503
Trading securities	608 989	-	-	-	371 521	980 510
Due from other banks	203 573	14 781	-	-	-	218 354
Loans and advances to customers	191 233	1 327 376	1 131 327	1 443 531	-	4 093 467
Investments	-	-	-	-	87 114	87 114
Other assets and receivables	163 269	21 828	786	49 334	36 941	272 158
Premises and equipment	-	-	-	-	149 715	149 715
Total assets	**2 090 171**	**1 363 985**	**1 132 113**	**1 492 865**	**645 291**	**6 724 425**
Liabilities						
Due to other banks	414 794	104 726	2 639	53 174	-	575 333
Customer accounts	2 653 432	1 273 839	263 889	38 320	-	4 229 480
Promissory notes issued	81 624	258 757	79 988	20 591	-	440 960
Other borrowed funds	8 983	209 839	73 870	219 208	-	511 900
Other liabilities and payables	237 874	55 287	39 255	9 519	-	341 935
Deferred tax liability	-	-	-	-	11 466	11 466
Total liabilities	**3 396 707**	**1 902 448**	**459 641**	**340 812**	**11 466**	**6 111 074**
Net sensitivity gap as at 30 June 2004	**(1 306 536)**	**(538 463)**	**672 472**	**1 152 053**	**633 825**	**613 351**
Cumulative sensitivity gap as at 30 June 2004	**(1 306 536)**	**(1 844 999)**	**(1 172 527)**	**(20 474)**	**613 351**	
Cumulative sensitivity gap as at 31 December 2003	**(451 001)**	**(1 353 198)**	**(401 308)**	**289 215**	**553 605**	

(expressed in thousands of US dollars - Note 3)

23 Financial Risk Management (Continued)

The table below summarises the effective interest rates by major currencies for major monetary financial instruments. The analysis has been prepared using period-end effective contractual rates.

	30 June 2004				31 December 2003			
	USD	**RR**	**Euro**	**Other currencies**	**USD**	**RR**	**Euro**	**Other currencies**
Assets								
Correspondent accounts and overnight placements with other banks	1.3%	9.6%	2.6%	0.0%	4.0%	2.3%	2.3%	0.0%
Mandatory cash balances with the CBRF and other local banks	-	0.0%	0.0%	-	-	0.0%	0.0%	0.0%
Debt trading securities	9.0%	11.3%	5.0%	11.2%	7.5%	11.1%	5.7%	5.1%
Due from other banks	2.1%	13.1%	-	7.6%	3.7%	4.3%	6.5%	5.0%
Loans and advances to customers	10.2%	13.5%	8.7%	14.7%	11.9%	16.1%	9.6%	14.2%
Liabilities								
Due to other banks	3.1%	7.4%	3.7%	0.9%	3.2%	7.1%	3.8%	1.0%
Customer accounts								
- current and settlement accounts	0.6%	0.6%	0.0%	0.0%	1.8%	0.5%	0.2%	0.0%
- term deposits	4.4%	6.6%	3.8%	8.1%	3.9%	6.2%	3.3%	4.8%
Promissory notes issued	4.0%	9.5%	4.9%	14.0%	4.0%	12.5%	2.7%	-
Other borrowed funds	7.4%	7.4%	-	-	9.6%	7.5%	-	-

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

24 Contingencies, Commitments and Derivative Financial Instruments

Legal proceedings. Since 2002, Alfa Finance Holdings S.A., and certain other parties related to the Group, have been listed as the defendants in an action commenced by Norex Petroleum Limited (‘‘Norex’’) in the United States District Court for the Southern District of New York in relation to the ownership of a company which is currently owned by TNK-BP Limited, a company related to the Group.

On 18 February 2004, the court dismissed the claim on the grounds of ‘‘forum non conveniens’’. In the opinion and order dismissing the action, Alfa Bank and Alfa Capital Markets (USA) Inc. were identified by the judge in the grouping of defendants. However, neither Alfa Bank nor Alfa Capital Markets (USA) Inc. have been served with any court papers or have been named in the caption to this action. Norex representatives filed a notice of appeal against the court decision. Management believes that the allegations are without merit and intends to vigorously defend this action.

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

(expressed in thousands of US dollars - Note 3)

24 Contingencies, Commitments and Derivative Financial Instruments (Continued)

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

In addition, the tax consequence of transactions for Russian taxation purposes is frequently determined by the form in which transactions are documented and the underlying accounting treatment prescribed by Russian Accounting Rules. Accordingly, the Group structures certain transactions so as to take advantage of such form driven determinations to reduce the overall effective tax rate of the Group. 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 recorded in these consolidated financial statements.

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.

In July 2004, the Constitutional Court of the Russian Federation made publicly available an interpretation of existing VAT legislation that has a possible effect of denying the recovery of input VAT or deferring the point at which the companies operating in the Russian Federation are able to offset input VAT to the extent the arising of such VAT is deemed to be attributable to the utilisation of funds other than own funds (e.g. borrowings of funds received free of charge). Management estimates that in the event local taxation authorities would follow this decision and are successful, the claim to the Group, could not exceed USD 26 000 thousand. Management is unable to predict the outcome of this uncertainty as of the date of issuing these financial statements.

The Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Accordingly, as at 30 June 2004 no provision for potential tax liabilities had been recorded (31 December 2003: no provision).

Capital commitments. As at 30 June 2004 the Group had capital commitments in the amount of USD 6 796 thousand (31 December 2003: USD 18 649 thousand). The Group's Management has already allocated the necessary resources in respect of these commitments. The Group's Management believes that future net revenues and funding will be sufficient to cover this and any similar such commitments.

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

	30 June 2004	**31 December 2003**
Not later than 1 year	15 348	11 700
Later than 1 year and not later than 5 years	36 917	31 614
Later than 5 years	17 008	11 025
Total operating lease commitments	**69 273**	**54 339**

(expressed in thousands of US dollars - Note 3)

24 Contingencies, Commitments and Derivative Financial Instruments (Continued)

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

Outstanding credit related commitments are as follows:

	Note	30 June 2004	31 December 2003
Guarantees issued		642 135	387 073
Export letters of credit		188 295	241 843
Import letters of credit	13	121 463	75 171
Undrawn credit lines		16 968	-
Less: provision for losses on credit related commitments	15	(11 602)	(7 782)
Total credit related commitments		**957 259**	**696 305**

The total outstanding contractual amount of guarantees and letters of credit does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

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

	Six-Month Period Ended 30 June 2004	Six-Month Period Ended 30 June 2003
Provision for losses on credit related commitments as at 1 January	**7 782**	**9 462**
Provision for losses on credit related commitments during the period	3 820	3 467
Provision for losses on credit related commitments as at 30 June	**11 602**	**12 929**

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

The principal or agreed amounts and fair values of derivative instruments held are set out in the following table. This table reflects gross position before the netting of any counterparty position by type of instrument and covers the contracts with a maturity date subsequent to 30 June 2004.

(expressed in thousands of US dollars - Note 3)

24 Contingencies, Commitments and Derivative Financial Instruments (Continued)

	Domestic			Foreign		
	Principal or agreed amount at fair value	**Negative fair value**	**Positive fair value**	**Principal or agreed amount at fair value**	**Negative fair value**	**Positive fair value**
Deliverable forwards						
Foreign currency						
- sale of foreign currency	17 772	(64)	100	49 481	(224)	35
- purchase of foreign currency	31 677	-	773	175 455	(740)	2 555
Securities						
- sale of securities	247 600	(3 752)	8 350	443 389	(81 471)	8 226
- purchase of securities	53 315	(273)	591	31 190	(23)	139
Precious metals						
- sale of precious metals	-	-	-	19 704	-	390
- purchase of precious metals	-	-	-	18 907	(482)	-
Futures						
Foreign currency						
- sale of foreign currency	-	-	-	-	-	-
- purchase of foreign currency	-	-	-	113 592	(2 098)	-
Spot						
Foreign currency						
- sale of foreign currency	1 232 746	(2 546)	578	2 342 271	(4 694)	938
- purchase of foreign currency	1 338 968	(611)	2 555	2 341 515	(644)	4 843
Precious metals						
- sale of precious metals	-	-	-	266	-	-
- purchase of precious metals	408	(1)	-	-	-	-
Call options						
Foreign currency						
- sale of call options	-	-	-	-	-	-
- purchase of call options	1 683	-	40	-	-	-
Securities						
- sale of call options	8 000	-	-	34 853	(390)	-
- purchase of call options	8 000	-	-	35 854	-	390
Put options						
Foreign currency						
- sale of put options	-	-	-	-	-	-
- purchase of put options	1 061	-	28	-	-	-
Securities						
- sale of put options	1 609	(417)	-	-	-	-
- purchase of put options	10 664	-	389	-	-	-
Total		**(7 664)**	**13 404**		**(90 766)**	**17 516**

Deliverable forward positions in securities as at 30 June 2004 are summarized below. As at 30 June 2004 respective securities long balance sheet positions of the Group exceeded respective securities short deliverable forward positions. Refer to Note 6.

(expressed in thousands of US dollars - Note 3)

24 Contingencies, Commitments and Derivative Financial Instruments (Continued)

	30 June 2003		31 December 2003	
	Principal or agreed amount		Principal or agreed amount	
	Sale	Purchase	Sale	Purchase
Corporate shares of Russian entities	337 908	-	-	-
Russian Federation Eurobonds	135 818	53 690	263 548	-
Corporate Eurobonds	76 728	1 160	149 388	48 645
Corporate bonds	70 820	507	29 841	-
Eurobonds of other states	49 267	-	33 867	9 847
Municipal bonds	20 448	-	7 691	-
Other	-	29 148	4 284	-
Total	**690 989**	**84 505**	**488 619**	**58 492**

Refer to Note 26 for information on a call option received by the Group from a related party.

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 are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

	30 June 2004 Nominal value	31 December 2003 Nominal value
Corporate bonds held in custody	205 390	153 355
Shares in companies held in custody	181 423	225 694
Promissory notes of companies held in custody	67 604	103 425
Eurobonds	46 520	43 151
OVGVZ held on account with Vneshtorgbank	33 026	31 162
Client OFZ securities held on an account with NDC	17 742	15 131
Other	10 139	200

Assets pledged. As at 30 June 2004 the Group has the following assets pledges as collateral:

	Notes	30 June 2004	31 December 2003
Trading securities	6, 12	152 989	319 126
Loans and advances to customers	8, 12	24 115	23 765
Precious metals	10, 12	19 038	19 943
Total		**196 142**	**362 834**

As at 31 December 2003 securities purchased by the Group under reverse sale and repurchase agreements with other banks with a fair value of USD 13 775 thousand were sold by the Group under sale and repurchase agreements with other banks. Refer to Notes 7 and 12.

Mandatory cash balances with the CBRF and other local central banks in the amount of USD 226 503 thousand (31 December 2003: USD 293 294 thousand) represent mandatory reserve deposits, which are not available to finance the Group's day to day operations.

25 Fair Value of Financial Instruments

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

The estimated fair values of financial instruments have been determined by Management using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may not be reflective of the values for financial instruments, which would be determined in an efficient, active market involving willing buyers and willing sellers. 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.

Financial instruments carried at fair value. Cash and cash equivalents, trading securities and investments available for sale are carried on the consolidated balance sheet at their fair value. As set out in Note 9, external independent market quotations were not available for certain investments available for sale. The fair value of these assets were determined by Management on the basis of results of recent sales of equity interests in the investees between unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation methodologies.

Loans originated carried at amortised cost less provision for impairment. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Refer to Notes 7 and 8 for the estimated fair value of due from other banks and loans and advances to customers, respectively.

Liabilities carried at amortized cost. The fair value of instruments with a quoted market price is based on quoted market prices. The estimated fair value of instruments repayable on demand is their carrying value. The estimated fair value of fixed interest rate instruments without a quoted market price is based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Refer to Notes 12, 13 and 14 for the estimated fair values of due to other banks, customer accounts and other borrowed funds, respectively. As at 30 June 2004 the estimated fair value of promissory notes issued was USD 441 237 thousand (31 December 2003: USD 596 068 thousand).

Derivative financial instruments. All derivative financial instruments are carried at fair value as asset when the fair value is positive and as a liability when the fair value is negative. The fair value of derivative financial instruments is disclosed in Note 24.

26 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.

Banking transactions are entered into in the normal course of business with significant shareholders, directors, associated companies and companies with which the Group has significant shareholders in common, including other companies in Alfa Group Consortium and other related parties. These transactions include settlements, loans, deposit taking, guarantees, trade finance, corporate finance, foreign currency exchange and other transactions. A vast majority of these transactions were priced predominantly at market rates. Related party transactions are reflected in the table below.

(expressed in thousands of US dollars - Note 3)

26 Related Party Transactions (Continued)

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

	30 June 2004			31 December 2003		
	TNK-BP	**Alfa Group Consortium (Note 1)**	**Other**	**TNK-BP**	**Alfa Group Consortium (Note 1)**	**Other**
Trading securities as at the period end	1 423	4 113	14 007	7 180	6 159	19 760
Loans and advances to customers as at the period end	**63 065**	**7 482**	**3 892**	**52 369**	**48 843**	**3 270**
USD, effective contractual rate of 10.7% - 12.5%	12 586	-	3 892	2 200	45 093	2 964
USD, effective contractual rate of 12.6-14.0%	-	-	-	-	-	-
USD, effective contractual rate of 14.1%-18.0%	-	-	-	-	2 500	-
RUR, effective contractual rate of 2.5% - 6.5%	45 482	-	-	48 328	-	-
RUR, effective contractual rate of 13.0% - 19.0%	4 997	7 391	-	1 229	-	306
RUR, effective contractual rate of 23.0%-25.0%	-	91	-	-	-	-
RUR, effective contractual rate of 30.0%	-	-	-	-	-	-
EUR, effective contractual rate of 10.8%	-	-	-	612	1 250	-
Interest income for the period (based on effective contractual interest rates)	2 104	2 279	77	973	25 376	-
Receivables as at the year end	-	3 611	-	-	10 252	-
Customer accounts						
Current/settlement accounts as at the period end	**162 431**	**36 747**	**17 070**	**117 031**	**87 108**	**31 538**
RUR, effective contractual rate of 0.0-2.0%	152 128	19 429	14 712	97 847	32 819	8 173
USD, effective contractual rate of 0.0-2.0%	4 091	15 019	1 130	5 803	54 213	23 365
EUR, effective contractual rate of 0.0-2.0%	6 212	2 299	268	13 381	76	-
UAH, effective contractual rate of 0.0-2.0%	-	-	960	-	-	-
Term deposits as at the period end	**48 806**	**718 250**	**23 940**	**36 659**	**287 671**	**2 975**
RUR, effective contractual rate of 5.0% - 12.5%	15 402	8 141	3 008	4 295	34	-
USD, effective contractual rate of 1.0% - 2.5%	-	231 057	-	-	-	-
USD, effective contractual rate of 2.5% - 5.0%	33 404	405 214	-	32 364	287 637	2 975
USD, effective contractual rate of 5.0% - 7.0%	-	64 516	20 932	-	-	-
USD, effective contractual rate of 7.0% - 9.0%	-	9 322	-	-	-	-
Interest expense for the period (based on effective contractual interest rates)	802	5 844	90	2 829	660	924

(expressed in thousands of US dollars - Note 3)

26 Related Party Transactions (Continued)

	30 June 2004			31 December 2003		
	TNK - BP	**Alfa Group Consortium (Note 1)**	**Other**	**TNK - BP**	**Alfa Group Consortium (Note 1)**	**Other**
Promissory notes issued as at the period end	**2 851**	**2 173**	**-**	**5 694**	**44 288**	**-**
RUR, effective contractual interest rate of 0.0%	1 657	-	-	3 019	83	-
RUR, effective contractual interest rate of 5.0% - 11.0%	347	488	-	1 732	422	-
RUR, effective contractual interest rate of 12.0% - 19.0%	847	-	-	943	-	-
USD, effective contractual interest rate of 4.1%-7.7%	-	1 685	-	-	43 783	-
Payables as at the period end	-	10 416	5 470	-	7 154	8 341
Guarantees issued by the Group as at the period end	69 250	1 667	800	45 119	-	885
Import letters of credit as at the period end	7 302	-	1 238	13 536	-	-
Export letters of credit as at the period end	-	-	-	-	-	-
Fee and commission income for the period	2 200	1 766	186	594	7 819	-
Fee and commission expense for the period	-	-	-	-	989	-
Other income for the period	1 166	-	1 531	40	855	-
Other expenses for the period	117	984	-	-	2 713	-

In November 2002 Alfa Telecom Limited, a wholly owned subsidiary of Alfa Finance Holdings S.A., granted to the Group for no consideration a call option (the “Option”) representing the right of the Group to acquire an interest of up to 6% in Golden Telecom Inc, an associated company of Alfa Telecom Limited. The Option was exercisable in whole or in part at any time until 11 May 2004. In December 2003 Alfa Telecom Limited and the Group agreed to cancel the Option and Alfa Telecom Limited paid to the Group a cancellation fee of USD 25 000 thousand approximating the fair value of the Option as at the date of the Option cancellation. In December 2003 the gain received under the transaction was recorder directly in shareholders’ equity as a contribution from the shareholder.

For the six-month period ended 30 June 2004 the total remuneration of members of the Executive Board, including pension contributions, and discretionary compensation amounted to USD 9 890 thousand (six-month period ended 30 June 2003: USD 3 634 thousand). As at 30 June 2004 accrued remuneration of members of the Executive Board, including pension contributions, and discretionary compensation amounted to USD 2 175 thousand (31 December 2003: USD 5 996 thousand).

Refer to Note 2 for a description of material transactions with the shareholders of the Group which took place subsequent to 30 June 2004.

27 Principal Consolidated Subsidiaries

Russian Federation and CIS	Rest of the World
Alfa Bank	Alfa Capital Holding (Cyprus) Limited (Cyprus)
Alfa Bank Kazakhstan	Alfa Capital Markets (USA)
Alfa Bank Ukraine	Alfa Debt Market Limited (Cyprus)
Alfa Capital Asset Management	Alfa FI Limited (Cyprus)
Alfa Leasing	Alfa-Russia Finance B.V. (Netherlands)
	Alfa Securities Limited (UK)
	Amsterdam Trade Bank (Netherlands)

As at 30 June 2004 all principal consolidated subsidiaries of the Group, except for Alfa Bank Ukraine (94.7% owned and controlled), were wholly owned and controlled by the Group.

28 Subsequent Events

Refer to Note 2 for the description of negative developments in the Russian banking sector in June-July 2004.