ABH Financial Limited

Consolidated Condensed Interim Financial Information and Review Report

30 June 2007

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PRICEWATERHOUSECOOPERS

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REVIEW REPORT OF INDEPENDENT AUDITOR

To the Board of Directors of ABH Financial Limited:

Introduction

We have reviewed the accompanying consolidated condensed interim balance sheet of ABH Financial Limited and its subsidiaries (the "Group") as at 30 June 2007 and the related consolidated condensed interim statements of income, cash flows and changes in equity for the six-month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

24 October 2007

In thousands of US Dollars	**Note**	**30 June 2007 (unaudited)**	**31 December 2006**
ASSETS			
Cash and cash equivalents	7	1 400 608	1 672 681
Mandatory cash balances with central banks		268 097	256 579
Trading securities	8	988 565	673 199
Repurchase receivables	8	442 655	495 849
Due from other banks	9	1 412 421	1 667 662
Loans and advances to customers	10	11 512 460	9 480 359
Investments in associates	11	98 487	198 806
Other investments	11	28 528	21 918
Other assets	12	740 325	531 747
Premises, equipment and intangible assets	13	213 620	208 403
Deferred tax asset	25	18 882	2 740
TOTAL ASSETS		**17 124 648**	**15 209 943**
LIABILITIES			
Due to other banks	14	1 786 490	1 430 440
Customer accounts	15	8 579 325	7 946 381
Promissory notes issued		594 634	529 593
Other borrowed funds	16	3 192 619	3 126 296
Subordinated debts	17	532 401	224 837
Other liabilities	18	726 281	625 797
Deferred tax liability	25	29 042	16 415
TOTAL LIABILITIES		**15 440 792**	**13 899 759**
EQUITY			
Share capital	19	694 800	344 800
Fair value reserve for investments available for sale		3	70
Revaluation reserve for premises		24 636	25 929
Retained earnings and other reserves		964 417	939 376
Net assets attributable to the equity holders of the Company		**1 683 856**	**1 310 175**
Minority interest		**-**	**9**
TOTAL EQUITY		**1 683 856**	**1 310 184**
TOTAL LIABILITIES AND EQUITY		**17 124 648**	**15 209 943**

This consolidated condensed interim financial information was approved for issue by the Board of Directors of ABH Financial Limited on 24 October 2007 and further changes require approval of the body that gave that authorisation.

In thousands of US Dollars	**Note**	**Six-Month Period Ended 30 June 2007 (unaudited)**	**Six-Month Period Ended 30 June 2006**
Interest income	20	736 700	434 325
Interest expense	20	(347 743)	(204 287)
Net interest income		**388 957**	**230 038**
Provision for loan impairment	10	(61 541)	(65 116)
Net interest income after provision for loan impairment		**327 416**	**164 922**
Fee and commission income	21	143 421	89 679
Fee and commission expense	21	(33 961)	(25 087)
Gains less losses arising from trading securities	22	17 191	50 548
Gains less losses arising from investments	11	5 547	49 891
Gains less losses/(losses less gains) arising from foreign currencies	22	13 520	(23 751)
Other impairment provisions	12, 28	568	4 872
Gain on disposal of interest in associated company	11	-	33 501
Other operating income	23	7 878	14 770
Operating expenses	24	(323 215)	(230 938)
Share of results of associates	11	(8 528)	20 729
Profit before tax		**149 837**	**149 136**
Income tax expense	25	(34 271)	(34 382)
Profit		**115 566**	**114 754**
Attributable to:			
Equity holders of the Company		115 566	114 709
Minority interest		-	45
Profit		**115 566**	**114 754**

The notes set out on pages 5 to 56 form an integral part of this consolidated condensed interim financial information.

ABH Financial Limited
Consolidated Condensed Interim Statement of Cash Flows for the Six-Month Period Ended 30 June 2007 (unaudited)

In thousands of US Dollars	Note	Six-Month Period Ended 30 June 2007 (unaudited)	Six-Month Period Ended 30 June 2006
Cash flows from operating activities			
Interest received		716 136	424 211
Interest paid, other than on other borrowed funds and subordinated debt		(205 715)	(94 593)
Fees and commissions received		136 651	95 039
Fees and commissions paid		(34 774)	(27 314)
Net (losses incurred)/ income received from trading securities		(97)	96 267
Net income received from trading in foreign currencies		17 911	30 248
Other operating income received		8 080	8 525
Staff compensation paid		(214 141)	(169 241)
Other operating expenses paid		(130 031)	(81 777)
Income tax paid		(52 527)	(105 488)
Cash flows from operating activities before changes in operating assets and liabilities		**241 493**	**175 877**
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with central banks		(6 634)	22 427
Net increase in trading securities and repurchase receivables		(323 312)	(31 762)
Net decrease in due from other banks		263 821	381 858
Net increase in loans and advances to customers		(1 973 576)	(2 093 962)
Net decrease in other assets		33 928	117 262
Net increase in due to other banks		335 877	810 324
Net increase in customer accounts		517 784	890 499
Net increase/(decrease) in promissory notes issued		53 412	(8 270)
Net decrease in other liabilities		(23 236)	(161 045)
Net cash (used in)/from operating activities		**(880 443)**	**103 208**
Cash flows from investing activities			
Acquisition of investments available for sale	11	-	(12)
Proceeds from disposal of investments available for sale	11	440	27 855
Acquisition of investments at fair value through profit and loss	11	-	(133)
Proceeds from disposal of interests in associates	11	-	18 250
Proceeds from disposal of investments at fair value through profit and loss		-	182
Acquisition of premises, equipment and intangible assets	13	(31 342)	(50 248)
Proceeds from disposal of premises, equipment and intangible assets	13	14 969	3 052
Proceeds from disposal of a subsidiary, net of cash disposed	23	15 316	12 000
Dividend income received	23	1 767	-
Net cash from investing activities		**1 150**	**10 946**
Cash flows from financing activities			
Share capital contribution	19	350 000	-
Proceeds from other borrowed funds	16	1 064 756	795 235
Repayment of other borrowed funds	16	(1 003 202)	(523 439)
Interest paid on other borrowed funds	16	(115 481)	(72 585)
Proceeds from subordinated debts	17	298 525	-
Interest paid on subordinated debts	17	(9 729)	(9 703)
Net cash from financing activities		**584 869**	**189 508**
Net (decrease)/ increase in cash and cash equivalents		**(294 424)**	**303 662**
Cash and cash equivalents at the beginning of the period	7	1 672 681	878 670
Effect of exchange rate changes on cash and cash equivalents		22 351	46 958
Cash and cash equivalents at the end of the period	**7**	**1 400 608**	**1 229 290**

Financing and investing transactions that did not require the use of cash and cash equivalents were excluded from the consolidated condensed interim statement of cash flows. Refer to Note 11 for details of settlement of certain option agreements and payment of dividends in-kind.

The notes set out on pages 5 to 56 form an integral part of this consolidated condensed interim financial information.

In thousands of US Dollars	Attributable to the equity holders of the Company: Share capital (Note19)	Fair value reserve for investments available for sale	Revaluation reserve for premises	Retained earnings and other reserves (Note19)	Total	Minority interest	Total equity
Balance as at 1 January 2006	**160 800**	**585**	**3 051**	**689 012**	**853 448**	**2 400**	**855 848**
Transfer of net fair value gains arising on investments available for sale to net profit	-	(343)	-	-	(343)	-	(343)
Revaluation of premises, net of taxation (Note 13)	-	-	27 123	-	27 123	-	27 123
Translation movement	-	-	-	44 863	44 863	-	44 863
Net income/(expense) recorded directly in equity	**-**	**(343)**	**27 123**	**44 863**	**71 643**	**-**	**71 643**
Profit for the period	-	-	-	114 709	114 709	45	114 754
Total income/ (expense) recorded for the period	**-**	**(343)**	**27 123**	**159 572**	**186 352**	**45**	**186 397**
Other movements	-	-	(3 528)	3 528	-	(1 306)	(1 306)
Balance as at 30 June 2006	**160 800**	**242**	**26 646**	**852 112**	**1 039 800**	**1 139**	**1 040 939**

In thousands of US Dollars	Attributable to the equity holders of the Company: Share capital (Note19)	Fair value reserve for investments available for sale	Revaluation reserve for premises	Retained earnings and other reserves (Note19)	Total	Minority interest	Total equity
Balance as at 1 January 2007	**344 800**	**70**	**25 929**	**939 376**	**1 310 175**	**9**	**1 310 184**
Transfer of net fair value gains arising on investments available for sale to net profit	-	(67)	-	-	(67)	-	(67)
Translation movement	-	-	-	21 049	21 049	-	21 049
Net change in hedge of net investment in foreign operations	-	-	-	(20 459)	(20 459)	-	(20 459)
Net income/(expense) recorded directly in equity	**-**	**(67)**	**-**	**590**	**523**	**-**	**523**
Profit for the period	-	-	-	115 566	115 566	-	115 566
Total income/ (expense) recorded for the period	**-**	**(67)**	**-**	**116 156**	**116 089**	**-**	**116 089**
Share capital contribution (Note 19)	350 000	-	-	-	350 000	-	350 000
Dividends paid (Note 11)	-	-	-	(92 393)	(92 393)	-	(92 393)
Other movements	-	-	(1 293)	1 278	(15)	(9)	(24)
Balance as at 30 June 2007	**694 800**	**3**	**24 636**	**964 417**	**1 683 856**	**-**	**1 683 856**

The notes set out on pages 5 to 56 form an integral part of this consolidated condensed interim financial information.

1 Introduction

ABH Financial Limited (the "Company"), a limited liability company registered in the British Virgin Islands, and its subsidiaries (the "Group") comprise three main business segments: corporate banking, retail banking and investment banking (refer to Note 26). The corporate and retail banking activities of the Group are carried out principally by Open Joint Stock Company Alfa-Bank ("Alfa-Bank") and its subsidiaries. The investment banking activities of the Group are carried out principally by Alfa Capital Holdings (Cyprus) Limited together with certain other subsidiaries. A substantial part of the Group's activities are carried out in the Russian Federation. Refer to Note 32 for a listing of the principal subsidiaries.

The Company is wholly owned by ABH Holdings Corp. ("ABHH"), a British Virgin Islands registered company, owned by six individuals. Mr. Fridman, Mr. Khan and Mr. Kuzmichev (the "Controlling Shareholders") collectively control and own a 77.86% interest in ABHH. None of the Controlling Shareholders individually controls or owns a 50% or more interest in ABHH. The Controlling Shareholders have entered into an agreement to vote as if they were a single shareholder and to vote consistently in relation to all matters relating to ABHH.

The Company is registered at P.O. Box 146, Trident Chambers, 1 Wickhams Cay, Road Town, Tortola, British Virgin Islands.

Corporate and retail banking. Alfa-Bank is a wholly owned subsidiary of the Company. It is registered in the Russian Federation to carry out banking and foreign exchange activities and has operated under a full banking license issued by the Central Bank of the Russian Federation (the "CBRF") since 1991. Alfa-Bank operates in all banking sectors of the Russian financial markets, including interbank, corporate and retail loans and deposits, foreign exchange operations and debt and equity trading. In addition, a complete range of banking services is provided in Russian Roubles ("RR") and foreign currencies to its clients. On 16 December 2004 Alfa-Bank was accepted to the State Deposit Insurance Scheme. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 100 thousand and repayment of 90% of individual deposits in excess of RR 100 thousand up to a limit of RR 400 thousand per individual in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments. Alfa-Bank is licensed by the Federal Commission on Securities Market for trading in securities.

As at 30 June 2007 the Group had 261 offices (including branches, regional branches and outlets), most of which are operated by Alfa-Bank (31 December 2006: 229 offices). Alfa-Bank's major wholly owned subsidiaries comprise Amsterdam Trade Bank and Alfa-Bank Kazakhstan.

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

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

Alfa Capital Holdings (Cyprus) Limited is registered at Elenion Building, 5 Themistocles Dervis Street, 2nd floor, CY-1066 Nicosia, PO Box 25549, CY-1310 Nicosia, Cyprus.

2 Operating Environment of the Group

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

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and strong economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity. Management is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they could have on the financial position of the Group.

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

The last few months have seen a sharp rise in foreclosures in the US subprime mortgage market. The effects have spread beyond the US housing market as global investors were forced to re-evaluate the risks they were taking which resulted in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. The tighter credit markets may affect the ability of the Group to refinance its borrowings and affect the value of its loan portfolio. Under IFRS, a decline in the fair value of a financial asset below its amortised cost that results from an increase in base interest rate is generally not evidence of impairment. Management is unable to estimate effects on the Group's financial position of any further possible deterioration in the financial markets liquidity and increased volatility.

3 Changes in Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting”. This consolidated condensed interim financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2006.

Changes in accounting policies and presentation. The accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2006. The following policies has been disclosed for the first time, as the underlying transactions became material for the first time in 2007.

As at 30 June 2007 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 25.8162 (31 December 2006: USD 1 = RR 26.3311) and the average exchange rate for the six-month period ended 30 June 2007 was USD 1 = RR 26.0827 (six-month period ended 30 June 2006: USD 1 = RR 27.6799).

Derivative financial instruments and hedge accounting. Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are carried at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative financial instruments are included in the income statement in gains less losses arising from foreign currencies, 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, unless the derivatives qualify as hedging instruments. The respective gains and losses are analysed in the notes with separate disclosure of gains less losses from financial derivatives.

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

3 Changes in Accounting Policies (Continued)

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

Net investment hedge

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

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss when the foreign operation is disposed of.

***Interim period measurement*.** Income tax expense is recognised in this consolidated condensed interim financial information based on Management's best estimates of the effective income tax rate expected for the full financial year. Costs that occur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Functional currencies of different entities of the Group. Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination of what the specific underlying economic conditions are requires judgement. In making this judgement, the Group evaluates among other factors, the location of activities, the sources of revenue, risks associated with activities and denomination of currencies of operations of different entities. Specifically, in determination of the functional currencies of ABH Financial Limited and Alfa Capital Holdings (Cyprus) Limited, the Group based its judgement on the fact that the companies operate internationally on markets mainly influenced by the US Dollar and their major activities include provision of brokerage services to foreign investors. Moreover, the majority of their operations are denominated in US Dollars and also, the US Dollar is the currency in which their business risks and exposures are managed and the performance of their business is measured.

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

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated condensed interim statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The provision amount depends mainly on the estimation of a possible delay in the repayment of the loan. To the extent that the assessed delay in repayment of principal on 5% of the loans differs by +/- one month, the provision would be approximately USD 4 146 thousand (31 December 2006: USD 3 787 thousand) higher or USD 3 521 thousand (31 December 2006: USD 3 332 thousand) lower.

Carrying amount of investments in associates. The Group regularly tests the carrying amount of investments in associates for impairment by comparing its recoverable amount with the carrying amount. The carrying amount of the Group's investment in Amtel-Vredestein N.V. ("Amtel") as at 31 December 2006 has been determined using valuation techniques such as discounted cash flows models and peer companies comparison. As a result, in 2006 the Group recognised an impairment loss in the amount of USD 30 142 thousand. Furthermore, during the six-month period ended 30 June 2007 the Group has reduced the carrying amount of investment in Amtel recognising its share in the net loss of Amtel in the amount of USD 8 528 thousand. During July – August 2007 one of the major shareholders of Amtel sold its stake at a price in the range of USD 5.21 – USD 5.68 per share. Had the carrying amount of the investment in Amtel as at 30 June 2007 been determined by reference to the last traded price as at that date, its carrying amount would have been USD 12 788 thousand higher. Based on the facts outlined above Management believes that the carrying amount of investment in Amtel as at 30 June 2007 approximates its recoverable amount.

Fair value of the investment property. Investment property is represented by land held under a long term operating lease agreement. The market value of the land was assessed using the sales comparison method and amounted to USD 34 800 thousand as at 31 December 2006. The Group has obtained a report from an independent international valuation company setting out the estimated market value for the land plot in its current state. In addition to this value, Management has considered it appropriate to apply a discount to the market value proposed by the professional valuer in order to reflect the absence of full permits and permissions relating to the development of the site as at 31 December 2006 and therefore representing a restriction on the Group's ability to achieve the appraised value for the sites were they to be sold to third parties on an arm's length basis. The discount applied represents Management's estimate of the risk premium that would be commanded by an acquirer. The discount that has been applied equals to 40%, and has been applied by reference to the status of obtaining the relevant licences and permits as at 31 December 2006. As there were no major developments related to the investment property during the six-month period ended 30 June 2007, Management of the Group believes that the fair value of the investment property as at 30 June 2007 does not differ significantly from its carrying value.

Income taxes. There are many transactions and calculations in the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, Management uses judgement to assess the realisability of deferred tax assets, which is subject to availability of taxable profits and other circumstances, including the ability to claim in full a deduction of the expenses incurred in relation to the underlying assets and liabilities. In each reporting period Management reassesses the realisability of the deferred tax assets and adjusts the deferred tax asset balances accordingly. Refer also to Notes 25 and 28.

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Group from 1 January 2007. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies.

IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). This IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and some of the requirements in IAS 32, *Financial Instruments: Disclosure and Presentation*. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. As this interim financial information contains only condensed financial information in accordance with IAS 34, the new disclosures will be made to the full extent in the annual consolidated financial statements of the Group for the year ending 31 December 2007.

Other new standards or interpretations. The Group has adopted the following other new standards or interpretations which became effective from 1 January 2007:

- IFRIC 7, *Applying the Restatement Approach under IAS 29* (effective for periods beginning on or after 1 March 2006);
- IFRIC 8, *Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006);
- IFRIC 9, *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006).

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted:

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management is currently assessing what impact the Standard will have on segment disclosures in the Group's financial statements.

6 New Accounting Pronouncements (Continued)

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group is currently assessing the impact of the amended Standard on its financial statements.

Other new standards or interpretations. The Group has not early adopted the following other new standards or interpretations:

- IFRIC 11, *IFRS 2 - Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 14, *IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

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

7 Cash and Cash Equivalents

In thousands of US Dollars	**30 June 2007 (unaudited)**	**31 December 2006**
Cash on hand	394 930	430 011
Cash balances with local central banks (other than mandatory cash balances)	209 485	306 901
Correspondent accounts with other financial institutions		
- Russian Federation	132 077	119 761
- Other countries	66 180	127 993
Overnight placements with other financial institutions		
- Russian Federation	85 357	38 934
- Other countries	512 579	649 081
Total cash and cash equivalents	**1 400 608**	**1 672 681**

As at 30 June 2007 the ten largest aggregate balances within correspondent accounts and overnight placements with other financial institutions amounted to USD 662 896 thousand (31 December 2006: USD 861 458 thousand) or 83.3% (31 December 2006: 92.1%) of the gross correspondent accounts and overnight placements with other financial institutions.

Currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

8 Trading Securities and Repurchase Receivables

In thousands of US Dollars	**30 June 2007 (unaudited)**	**31 December 2006**
Trading securities		
Corporate bonds	550 127	336 325
Corporate Eurobonds	165 377	104 077
Corporate shares	136 627	32 082
ADRs and GDRs	56 430	33 885
Eurobonds of other states	41 558	56 071
Municipal bonds	13 756	28 798
Russian Federation Eurobonds	8 573	20 862
Domestic bonds of Russia	6 179	32 061
Promissory notes	-	22 440
Other	9 938	6 598
Total trading securities	**988 565**	**673 199**
Repurchase receivables		
Corporate shares	324 119	337 238
Corporate Eurobonds	33 239	90 841
Domestic bonds of Russia	31 191	28 675
Russian Federation Eurobonds	22 261	22 861
Municipal bonds	16 300	12 487
Eurobonds of other states	14 339	65
Corporate bonds	1 206	3 682
Total repurchase receivables	**442 655**	**495 849**
Total trading securities and repurchase receivables	**1 431 220**	**1 169 048**

Corporate bonds are interest-bearing securities issued by Russian companies, denominated in Russian Roubles, and Ukrainian companies, denominated in Ukrainian Hryvnyas, and are freely tradable in the Russian Federation and the Ukraine, respectively. As at 30 June 2007 these bonds have maturity dates ranging from September 2007 to April 2012 (31 December 2006: February 2007 to February 2016), coupon rates from 7.0% to 14.5% (31 December 2006: from 7.0% to 14.1%) and yields to maturity from 4.0% to 18.0% (31 December 2006: from 6.6% to 16.5%), depending on the type of bond issue.

Corporate Eurobonds are interest-bearing securities denominated in US Dollars and Euros, issued by large Russian companies, and are freely tradable internationally. As at 30 June 2007 these bonds have maturity dates ranging from July 2007 to July 2035 (31 December 2006: from March 2007 to April 2034), coupon rates from 6.3% to 11.1% (31 December 2006: from 6.2% to 10.8%) and yields to maturity from 6.4% to 12.3% (31 December 2006: from 6.0% to 17.0%), depending on the type of bond issue.

Corporate shares are mainly shares of major Russian and Ukrainian companies.

As at 30 June 2007 and as at 31 December 2006 the long balance sheet position of the Group in trading securities and repurchase receivables was partially offset by short forward, futures and swaps position of the Group in those securities. Refer to Note 29.

Currency, maturity and interest rates analyses of trading securities are disclosed in Note 27. The information on securities issued by related parties and owned by the Group as at 30 June 2007 is disclosed in Note 31.

9 Due from Other Banks

In thousands of US Dollars	30 June 2007 (unaudited)	31 December 2006
Term placements with other banks	1 322 383	1 644 050
Reverse sale and repurchase agreements with other banks	90 038	23 612
Total due from other banks	**1 412 421**	**1 667 662**

As at 30 June 2007 the ten largest aggregate balances of due from other banks amounted to USD 1 136 493 thousand (31 December 2006: USD 1 178 919 thousand) or 80.5% (31 December 2006: 70.7%) of total due from other banks.

As at 30 June 2007 included within term placements with other banks are placements with Alfa-Bank Ukraine in the amount of USD 332 084 thousand (31 December 2006: 324 147 thousand), including loans to a corporate subsidiary of Alfa-Bank Ukraine in the amount of USD 96 968 thousand (31 December 2006: 101 497 thousand). Refer to Note 31.

As at 30 June 2007 included within term placements with other banks are deposits placed under Diversified Payment Rights Secured Debt Issuance Programme in the amount of USD 77 314 thousand (31 December 2006: USD 60 750 thousand). Refer to Note 16.

As at 30 June 2007 the estimated fair value of securities purchased under reverse sale and repurchase agreements with other banks, which the Group has the right to sell or repledge in the absence of default of the counterparty was USD 90 489 thousand (31 December 2006: USD 25 587 thousand). Refer to Note 28.

As at 30 June 2007 the estimated fair value of due from other banks was USD 1 412 421 thousand (31 December 2006: USD 1 667 662 thousand). Refer to Note 30.

Currency, maturity and interest rate analyses of due from other banks are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

10 Loans and Advances to Customers

In thousands of US Dollars	30 June 2007 (unaudited)	31 December 2006
Current loans	11 257 813	9 371 242
Finance lease receivables	388 439	297 566
Overdue balances	170 989	114 844
Total gross loans and advances to customers	**11 817 241**	**9 783 652**
Less: Provision for loan impairment	(304 781)	(303 293)
Total loans and advances to customers	**11 512 460**	**9 480 359**

Overdue balances include the total principal and accrued interest on all loans and finance lease receivables, contractual payments on which are overdue for more than one day.

10 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment were as follows:

In thousands of US Dollars	**Six-Month Period Ended 30 June 2007 (unaudited)**	**Six-Month Period Ended 30 June 2006**
Provision for loan impairment as at 1 January	**303 293**	**239 891**
Provision for loan impairment during the period	63 166	65 116
Recovery of loans and advances to customers previously written off as uncollectible	(1 625)	-
Balances written off during the period as uncollectible	(67 569)	(16 254)
Effect of translation to presentation currency	7 600	-
Disposal of subsidiary	(84)	-
Provision for loan impairment as at 30 June	**304 781**	**288 753**

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

	30 June 2007 (unaudited)		**31 December 2006**	
In thousands of US Dollars	**Amount**	**%**	**Amount**	**%**
Trade and commerce	1 952 302	17	1 533 474	16
Construction	1 778 938	15	1 315 625	13
Individuals	1 234 941	10	809 257	8
Power generation	930 115	8	913 350	9
Finance and investment companies	905 897	8	676 017	7
Ferrous metallurgy	801 638	7	738 869	8
Machinery and metal working	667 275	6	591 926	6
Non-ferrous metallurgy	527 070	4	253 867	3
Armaments production	485 360	4	524 402	5
Natural gas industry	370 802	3	337 189	3
Railway transport	239 845	2	340 415	4
Nuclear industry	220 683	2	142 741	2
Chemistry and petrochemicals	220 171	2	190 261	2
Aviation transport	187 811	2	192 343	2
Food industry	161 345	1	155 357	2
Agribusiness	142 205	1	28 735	-
Coal Industry	138 256	1	135 034	1
Mass media and telecommunications	104 520	1	93 043	1
Oil industry	97 660	1	275 169	3
Water transport	60 006	1	78 612	1
Timber industry	29 688	-	40 903	-
Other	560 713	4	417 063	4
Total gross loans and advances to customers	**11 817 241**	**100**	**9 783 652**	**100**

As at 30 June 2007 aggregate loans and advances to the ten largest borrowers and group of related borrowers of the Group amounted to USD 2 427 265 thousand (31 December 2006: USD 2 181 589 thousand) or 20.5% (31 December 2006: 22.3%) of the gross loans and advances to customers, while aggregate loans and advances to the 20 largest borrowers of the Group amounted to USD 3 733 959 thousand (31 December 2006: USD 3 261 138 thousand) or 31.6% (31 December 2006: 33.3%) of the gross loans and advances to customers.

10 Loans and Advances to Customers (Continued)

As at 30 June 2007 loans to customers in the amount of USD 281 955 thousand (31 December 2006: USD 75 012 thousand) were effectively collateralised by securities purchased under reverse sale and repurchase agreements at a fair value of USD 363 827 thousand (31 December 2006: USD 128 467 thousand), which the Group has the right to sell or repledge in the absence of default of the counterparty.

As at 30 June 2007 the estimated fair value of loans and advances to customers was USD 11 515 050 thousand (31 December 2006: USD 9 485 896 thousand). Refer to Note 30.

Currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

11 Investments in Associates and Other Investments

In thousands of US Dollars	**30 June 2007 (unaudited)**	**31 December 2006**
Investments in associates:	**98 487**	**198 806**
Amtel-Vredestein N.V.	90 735	98 813
CTC Media Inc.	-	92 393
PatriotCapital LLC	7 752	7 600
Equity investments available for sale	**19**	**374**
Investments at fair value through profit and loss:	**28 509**	**21 544**
Participating shares in investment funds managed by the Alfa Group Consortium	22 161	21 544
Other	6 348	-
Total investments	**127 015**	**220 724**

Investments in associates

Amtel-Vredestein N.V.

As at 30 June 2007 an investment in an associated company in the amount of USD 90 735 thousand (31 December 2006: USD 98 813 thousand) represented a 27.61% interest in Amtel-Vredestein N.V, an European tyre manufacturing company. Initially Amtel was accounted as an investment at fair value through profit and loss and in July 2006 it became an associate and has been equity accounted since then.

In June 2005 the Group entered into an option agreement with the majority shareholder of Amtel, which entitled the Group to purchase additional shares in Amtel at their nominal value in case Amtel did not achieve specified financial targets, which was exercised by the Group in June 2006. In July 2006 the Group and the majority shareholder of Amtel signed an agreement in relation to the settlement of the option. As a result the Group acquired additional shares in Amtel at their nominal value and received a right to acquire further shares in Amtel. That right was exercised in December 2006 and the Group purchased an additional interest in Amtel at its nominal value. Realised results from both of these options are equal to the fair value of the respective interests in Amtel at the time of their settlement.

The Group’s share of Amtel’s results for the six-month period ended 30 June 2007 amounted to a loss of USD 8 528 thousand (six-month period ended 30 June 2006: Nil).

As at 30 June 2007 Amtel reported total assets of USD 1 554 million, total liabilities of USD 1 168 million and total revenue of USD 439 million and net loss of USD 34 million for the six-month period ended 30 June 2007.

11 Investments in Associates and Other Investments (Continued)

CTC Media Inc.

As at 31 December 2006 an investment in an associated company in the amount of USD 92 393 thousand represented a 20.05% interest in CTC Media Inc. ("CTC"), a Delaware corporation primarily investing in television and radio ventures, operating in Russia.

In April 2006 the Group sold a 3.1% interest in CTC to a company within the Alfa Group Consortium (refer to Note 31) for USD 18 250 thousand, recording a gain of USD 10 697 thousand. In June 2006, during the Initial Public Offering of CTC, the Group's interest further decreased by 2.3% and the gain on deemed disposal amounted to USD 22 804 thousand.

In October 2006, the Group declared an interim dividend in the amount of USD 23 915 thousand paid in-kind by means of distribution of 6.05% of its interest in CTC, having a book value of USD 23 915 thousand.

In January 2007, the Group declared dividends in the amount of USD 92 393 thousand paid in-kind by means of distribution of 20.05% of its interest in CTC, having a book value of USD 92 393 thousand and reducing the Group's interest in CTC to zero.

The Group's share of CTC's results after tax for the six-month period ended 30 June 2006 amounted to USD 20 729 thousand.

The fair value of the investment in CTC amounted to USD 729 458 thousand as at 31 December 2006.

Investments at fair value through profit and loss. The Group designates as investments at fair value through profit and loss only those investments which are managed on a fair value basis in accordance with a documented investment strategy, and if the performance of the investments is regularly evaluated based on their fair values by Management. Included in other investments through profit and loss are shares of Russian Trading System (USD 3 945 thousand) and MasterCard Worldwide (USD 2 403 thousand).

Gains less losses arising from investments. The table below represents an analysis of gains less losses arising from investments for the six-month period ended 30 June 2007.

In thousands of US dollars	**Six-Month Period Ended 30 June 2007 (unaudited)**	**Six-Month Period Ended 30 June 2006**
Fair value gains	4 638	-
Fair value gains on the Amtel related options	-	71 875
Losses less gains arising from investment in Amtel as an investment at fair value through profit and loss	-	(26 696)
Gains less losses from participating shares in investment funds managed by the Alfa Group Consortium	617	-
Gains less losses from disposal of investments available for sale	292	4 712
Total gains less losses arising from investments	**5 547**	**49 891**

Currency, maturity and interest rate analyses of investments are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

12 Other Assets

In thousands of US Dollars	Note	30 June 2007 (unaudited)	31 December 2006
Receivables on operations with securities		283 870	169 546
Trade debtors and prepayments		185 757	162 741
Derivative financial instruments		78 273	56 928
Prepayment of taxes, other than on income		56 054	44 418
Advance payments related to finance leases		39 374	26 080
Investment property	18	35 494	34 800
Prepayment of current income tax		21 800	9 213
Conversion operations		18 810	9 665
Receivables from related parties	31	14 293	6 554
Plastic card debtors and other settlements with clients		591	736
Other		12 152	16 810
Less: Provision for impairment of receivables		(6 143)	(5 744)
Total other assets		**740 325**	**531 747**

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

In thousands of US Dollars	Six-Month Period Ended 30 June 2007 (unaudited)	Six-Month Period Ended 30 June 2006
Provision for impairment of other assets as at 1 January	**5 744**	**7 517**
Provision for impairment of other assets during the period	393	368
Effect on translation to presentation currency	6	-
Provision for impairment of other assets as at 30 June	**6 143**	**7 885**

As at 30 June 2007 land held by the Group under a long-term lease is accounted for as an investment property under a fair value model at a fair value of USD 35 494 thousand (31 December 2006: USD 34 800 thousand) with a related finance lease liability of USD 4 713 thousand (31 December 2006: USD 4 625 thousand) (refer to Note 18).

Currency and maturity analyses of other assets are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

13 Premises, Equipment and Intangible Assets

In thousands of US dollars	**Premises**	**Lease-hold improve-ments**	**Office and computer equip-ment**	**Const-ruction in progress**	**Total premises and equip-ment**	**Compu-ter software**	**Total**
Net book amount as at 31 December 2006	**77 162**	**25 207**	**79 756**	**6 012**	**188 137**	**20 266**	**208 403**
Cost or valuation							
Opening balance	96 541	29 313	165 140	6 012	297 006	53 805	350 811
Additions and transfers	57	8 637	18 229	3 007	29 930	1 412	31 342
Disposals	(346)	(6 798)	(8 676)	-	(15 820)	(2 649)	(18 469)
Translation movement	2 053	555	4 074	121	6 803	648	7 451
Closing balance	**98 305**	**31 707**	**178 767**	**9 140**	**317 919**	**53 216**	**371 135**
Accumulated depreciation and amortisation							
Opening balance	19 379	4 106	85 384	-	108 869	33 539	142 408
Depreciation and amortisation charge (Note 24)	1 010	257	11 790	-	13 057	4 947	18 004
Disposals	(2)	(220)	(5 740)	-	(5 962)	(123)	(6 085)
Translation movement	235	74	2 551	-	2 860	328	3 188
Closing balance	**20 622**	**4 217**	**93 985**	**-**	**118 824**	**38 691**	**157 515**
Net book amount as at 30 June 2007	**77 683**	**27 490**	**84 782**	**9 140**	**199 095**	**14 525**	**213 620**

As at 1 January 2006 the Group performed a revaluation of its premises on the basis of a valuation by an independent firm of appraisers. The market value of premises was assessed using the sales comparison method. The positive difference between the carrying amount and the revalued amount has been recorded as a credit to a revaluation reserve in equity in the amount of USD 35 688 thousand less a deferred tax liability of USD 8 565 thousand. An identified impairment in the amount of USD 1 738 thousand was recorded in the consolidated statement of income for the six-month period ended 30 June 2006. The impairment was caused by a decrease in comparative market prices for one of the premises and the exclusion of VAT from its revalued carrying value.

As at 30 June 2007 the carrying amount of premises would have been USD 45 267 thousand (31 December 2006: USD 43 047 thousand) had the premises been carried at cost less depreciation.

13 Premises, Equipment and Intangible Assets (Continued)

In thousands of US dollars	Premises	Leasehold improve-ments	Office and computer equipment	Construc-tion in progress	Total premises and equipment	Computer software	Total
Net book amount as at 31 December 2005	**49 370**	**17 828**	**50 574**	**4 406**	**122 178**	**22 896**	**145 074**
Cost or valuation							
Opening balance	59 929	20 962	126 134	4 406	211 431	46 667	258 098
Revaluation	41 093	-	-	-	41 093	-	41 093
Additions and transfers	3 046	4 914	30 577	4 011	42 548	7 700	50 248
Disposals	(5 100)	(323)	(11 394)	-	(16 817)	(4 950)	(21 767)
Translation movement	4 936	1 383	7 728	506	14 553	832	15 385
Closing balance	**103 904**	**26 936**	**153 045**	**8 923**	**292 808**	**50 249**	**343 057**
Accumulated depreciation and amortisation							
Opening balance	10 559	3 134	75 560	-	89 253	23 771	113 024
Revaluation	5 405	-	-	-	5 405	-	5 405
Depreciation and amortisation charge (Note 24)	950	286	10 969	-	12 205	3 656	15 861
Impairment charge	1 738	-	-	-	1 738	-	1 738
Disposals	(227)	(10)	(822)	-	(1 059)	(1 101)	(2 160)
Translation movement	761	207	4 804	-	5 772	454	6 226
Closing balance	**19 186**	**3 617**	**90 511**	**-**	**113 314**	**26 780**	**140 094**
Net book amount as at 30 June 2006	**84 718**	**23 319**	**62 534**	**8 923**	**179 494**	**23 469**	**202 963**

14 Due to Other Banks

In thousands of US Dollars	30 June 2007(unaudited)	31 December 2006
Correspondent accounts and overnight placements of other banks		
- Russian Federation	76 702	53 984
- Other countries	64 253	50 246
Term placements of other banks	1 106 689	983 869
Sale and repurchase agreements with other banks	538 846	342 341
Total due to other banks	**1 786 490**	**1 430 440**

As at 30 June 2007 the ten largest aggregate balances of due to other banks amounted to USD 936 968 thousand (31 December 2006: USD 730 218 thousand) or 52.4% (31 December 2006: 51.0%) of total amount of due to other banks.

14 Due to Other Banks (Continued)

As at 30 June 2007 trading securities (Note 8) with a fair value of USD 442 655 thousand (31 December 2006: USD 495 849 thousand) have been sold to third parties under sale and repurchase agreements with other banks.

As at 30 June 2007 trading securities purchased under reverse sale and repurchase agreements with a fair value of USD 269 533 thousand (31 December 2006: USD 61 839 thousand) were pledged under sale and purchase agreements with other banks.

As at 30 June 2007 the estimated fair value of due to other banks was USD 1 786 490 thousand (31 December 2006: USD 1 430 440 thousand). Refer to Note 30.

Currency, maturity and interest rate analyses of due to other banks are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

15 Customer Accounts

In thousands of US Dollars	30 June 2007 (unaudited)	31 December 2006
Commercial organisations		
- Current/settlement accounts	2 207 968	2 008 768
- Term deposits	2 153 762	2 245 248
Individuals		
- Current/demand accounts	2 110 146	1 567 551
- Term deposits	1 242 592	1 174 849
State and public organisations		
- Current/settlement accounts	128 885	517
- Term deposits	735 972	949 448
Total customer accounts	**8 579 325**	**7 946 381**

Economic sector concentrations within customer accounts were as follows:

	30 June 2007 (unaudited)		31 December 2006	
In thousands of US Dollars	Amount	%	Amount	%
Individuals	3 352 738	39	2 742 400	35
Energy and oil and gas	1 961 099	23	1 542 037	19
State and public organisations	864 857	10	949 965	12
Finance and investment companies	828 386	10	667 899	8
Trade and commerce	595 921	7	489 462	6
Manufacturing and construction	362 641	4	406 046	5
Mass media and telecommunications	109 918	1	598 953	8
Science	87 331	1	62 278	1
Other	416 434	5	487 341	6
Total customer accounts	**8 579 325**	**100**	**7 946 381**	**100**

As at 30 June 2007 the ten largest aggregate balances of customers accounts amounted to USD 3 358 638 thousand (31 December 2006: USD 4 352 399 thousand) or 39.1% (31 December 2006: 54.8%) of the total customer accounts, of which USD 1 057 430 thousand (31 December 2006: USD 1 730 801 thousand) represented balances outstanding to Alfa Group Consortium (Note 31) and its shareholders.

15 Customer Accounts (Continued)

Included in customer accounts are balances in the amount of USD 56 817 thousand (31 December 2006: USD 152 844 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 28.

As at 30 June 2007 the estimated fair value of customer accounts was USD 8 579 325 thousand (31 December 2006: USD 7 946 381 thousand). Refer to Note 30.

Currency, maturity and interest rate analyses of customer accounts are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

16 Other Borrowed Funds

In thousands of US Dollars	30 June 2007 (unaudited)	31 December 2006
Notes issued under a DPR Programme	1 142 987	854 899
Syndicated loans	562 934	1 001 262
Euro Medium Term Notes maturing in 2012	498 473	-
Euro Medium Term Notes maturing in 2009	405 614	406 273
Euro-Commercial Papers	254 758	348 017
Euro Medium Term Notes maturing in 2008	249 123	248 889
Russian Rouble denominated bonds maturing in 2007	78 730	112 532
Euro Medium Term Notes maturing in 2007	-	154 424
Total other borrowed funds	**3 192 619**	**3 126 296**

In 2006 the Group established a Diversified Payment Rights Secured Debt Issuance Programme, whereby notes issued under the program are collateralised by the Group's rights to funds being transferred through the Group's correspondent accounts ("DPR Programme"). In conjunction with the DPR Programme the Company guaranteed to Alfa Diversified Payment Rights Finance Company S.A. fulfilment of payment obligations by Alfa-Bank. For the purposes of this consolidated condensed interim financial information the guarantee was eliminated as an intercompany transaction. Refer to Note 32.

On 30 March 2007 the Group issued Euro and US Dollar denominated notes with a nominal value of EUR 145 000 thousand and USD 200 000 thousand respectively under the DPR Programme. These notes bear coupon at a rate of EURIBOR plus 1.9% per annum and LIBOR plus 2.0% per annum respectively payable quarterly. The notes are repayable by quarterly instalments starting from 15 June 2008 until maturity on 15 March 2012. As at 30 June 2007 the effective interest rate was 6.6% per annum for EUR-denominated bonds and 8.0% per annum for USD-denominated bonds. The issue proceeds net of transaction costs amounted to EUR 144 087 thousand and USD 198 464 thousand.

On 7 December 2006 the Group issued Euro and US Dollar denominated notes with a nominal value of EUR 230 000 thousand and USD 260 000 thousand respectively under the DPR Programme. These notes bear coupon at a rate of EURIBOR plus 1.9% per annum and LIBOR plus 1.9% per annum respectively payable quarterly. The notes are repayable by quarterly instalments until maturity on 15 December 2011. As at 30 June 2007 the effective interest rate was 6.6% per annum for EUR-denominated bonds and 7.9% per annum for USD-denominated bonds. The issue proceeds net of transaction costs amounted to EUR 228 468 thousand and USD 258 259 thousand.

On 30 March 2006 the Group issued US Dollar denominated notes with a nominal value of USD 350 000 thousand under the DPR Programme. These notes bear a coupon at a rate of LIBOR plus 1.6% per annum payable quarterly and are repayable by quarterly instalments until maturity on 15 March 2011. As at 30 June 2007 the effective interest rate was 8.2% per annum. The issue proceeds net of transaction costs amounted to USD 344 175 thousand.

16 Other Borrowed Funds (Continued)

The Group is also required to deposit funds covering the repayment of the next quarterly instalment for the notes issued under the DPR Programme with designated banks carrying a floating interest linked to LIBOR or EURIBOR. As at 30 June 2007, these deposits amounted to EUR 24 519 thousand (31 December 2006: EUR 15 009 thousand) and USD 44 343 thousand (31 December 2006: USD 40 972 thousand) having interest rates of EURIBOR minus 0.6% (31 December 2006: EURIBOR minus 0.5%) and LIBOR minus 0.5% (31 December 2006: LIBOR minus 0.5%) respectively. Refer to Note 9.

On 21 December 2006 the Group received a syndicated loan in the amount of USD 340 000 thousand from a consortium of large international banks. The loan matures on 20 December 2007 and bears a floating interest rate of LIBOR plus 0.45% per annum payable semi-annually. As at 30 June 2007 the effective interest rate was 6.5% per annum. The issue proceeds net of transaction costs amounted to USD 338 610 thousand.

On 25 September 2006 the Group received a syndicated loan in the amount of USD 220 000 thousand from a consortium of large international banks. The loan matured on 24 September 2007 and bore a floating interest rate of LIBOR plus 0.45% per annum payable semi-annually. As at 30 June 2007 the effective interest rate was 6.5% per annum. The issue proceeds net of transaction costs amounted to USD 219 100 thousand. Refer to Note 33.

On 22 June 2004 the Group established a Euro Medium Term Note Programme ("MTN Programme") with a limit of the aggregate principal amount of outstanding notes issued under the MTN Programme of USD 1 000 000 thousand which was increased in November 2006 up to USD 2 000 000 thousand. On 28 June 2005 the Group issued notes under the MTN Programme with an aggregate nominal amount of USD 250 000 thousand. The notes carry a fixed coupon at a rate of 7.8% per annum payable semi-annually and mature on 2 July 2008. The issue proceeds net of transaction costs and discount amounted to USD 248 394 thousand and the effective interest rate at origination was 8.1%. On 3 October 2006 the Group issued notes under the MTN Programme with an aggregate nominal amount of USD 400 000 thousand. The notes carry a fixed coupon at a rate of 7.875% per annum payable semi-annually and mature on 10 October 2009. The issue proceeds net of transaction costs and discount amounted to USD 398 586 thousand and the effective interest rate at origination was 8.2%. On 25 June 2007 the Group issued notes under the MTN Programme with an aggregate nominal amount of USD 500 000 thousand. The notes carry a fixed coupon at a rate of 8.2% per annum payable semi-annually and mature on 25 June 2012. The issue proceeds net of transaction costs and discount amounted to USD 497 918 thousand and the effective interest rate at origination was 8.5%.

On 11 December 2003 the Group established a Euro Commercial Paper Programme ("ECP Programme"). Initially the aggregate principal amount of outstanding notes issued under the ECP Programme at any time was not to exceed USD 200 000 thousand and the term of the notes was not to be more than 365 days. In November 2006, the maximum allowed principal amount of outstanding notes was increased to USD 1 000 000 thousand. On 20 December 2005, the Group issued its first EUR-denominated notes. As at 30 June 2007 the nominal value of outstanding notes was USD 102 950 thousand and EUR 118 000 thousand (31 December 2006: USD 110 650 thousand and EUR 187 000 thousand) and they were issued at a discount to the nominal value ranging from 5.9% to 7.1% depending on the type of issue. As at 30 June 2007 the average effective interest rate at origination on notes outstanding was 7.2% for USD-denominated notes and 6.0% for EUR-denominated notes. Refer to Note 33.

As at 30 June 2007 the estimated fair value of other borrowed funds was USD 3 211 935 thousand (31 December 2006: USD 3 130 565 thousand). Refer to Note 30.

Currency, maturity and interest rate analyses of other borrowed funds are disclosed in Note 27.

17 Subordinated Debts

In thousands of US Dollars	**30 June 2007 (unaudited)**	**31 December 2006**
Subordinated Loan maturing in 2017	307 517	-
Subordinated Loan maturing in 2015	224 884	224 837
Total subordinated debts	**532 401**	**224 837**

On 22 February 2007 the Group issued subordinated notes in the amount of USD 300 000 thousand. The notes bear a fixed interest rate of 8.635% per annum payable semi-annually from the issuance until 22 February 2012 and a floating interest rate thereafter set at a rate per annum representing the aggregate of the US Treasury Rate plus 5.46% per annum payable semi-annually until maturity on 22 February 2017. The Group has an option to repay this subordinated loan on 22 February 2012. As at 30 June 2007 the effective interest rate was equal to 9.0% per annum. The issue proceeds net of transaction costs were equal to USD 298 525 thousand.

On 9 December 2005 the Group issued subordinated notes in the amount of USD 225 000 thousand. The notes bear a fixed interest rate of 8.625% per annum payable semi-annually from the issuance until 9 December 2010 and a floating interest rate thereafter set at US Treasury Rate plus 6.3% per annum payable semi-annually until maturity on 9 December 2015. The Group has an option to repay this subordinated loan on 9 December 2010. As at 30 June 2007 the effective interest rate was equal to 9.0% per annum. The issue proceeds net of transaction costs were equal to USD 223 610 thousand.

As at 30 June 2007 the estimated fair value of subordinated debt was USD 536 176 thousand (31 December 2006: USD 229 752 thousand). Refer to Note 30.

18 Other Liabilities

In thousands of US Dollars	**Note**	**30 June 2007 (unaudited)**	**31 December 2006**
Payables on operations with securities		282 846	207 649
Derivative financial instruments		115 450	95 273
Accrued staff costs		73 186	110 411
Trade creditors		59 658	43 314
Payable to related parties	31	62 420	2 733
Plastic card and other settlements with clients		50 903	66 050
Conversion operations		30 754	37 937
Current income tax payable		17 131	13 869
Provision for losses on credit related commitments	28	11 254	11 986
Finance lease liability related to the investment property	12	4 713	4 625
Taxation payable, other than on income		4 516	3 706
Other		13 450	28 244
Total other liabilities		**726 281**	**625 797**

As at 30 June 2007 a finance lease liability in the amount of USD 4 713 thousand (31 December 2006: 4 625) relates to a lease contract for land with a 45.5 years term remaining. Gross payments under that contract for the remaining term after 30 June 2007 amount to USD 21 723 thousand (31 December 2006: 19 574 thousand) and are payable in equal quarterly instalments.

As at 30 June 2007 the estimated fair value of payables on operations with securities, conversion operations and derivative financial instruments was USD 429 050 thousand (31 December 2006: USD 340 859 thousand). Refer to Note 30.

Currency and maturity analyses of other liabilities are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

19 Share Capital, Retained Earnings and Other Reserves

	30 June 2007 (unaudited)		31 December 2006	
	Number of shares, in units	Total share capital, in thousands of US Dollars	Number of shares, in units	Total share capital, in thousands of US Dollars
Total share capital as at 1 January	344 800 000	344 800	160 800 000	160 800
Share capital contribution	350 000 000	350 000	184 000 000	184 000
Total share capital	**694 800 000**	**694 800**	**344 800 000**	**344 800**

On 28 June 2007, the Group received USD 350 000 thousand as a capital contribution from ABHH representing an issuance of 350 000 000 new ordinary shares. As at 30 June 2007 authorised, issued and fully paid share capital of ABH Financial Limited comprised 694 800 000 ordinary shares (31 December 2006: 344 800 000 ordinary shares). There were no movements in the outstanding number of shares for the six-month period ended 30 June 2006. All shares have a nominal value of USD 1 per share and rank equally. Each share carries one vote.

Retained earnings and other reserves include the cumulative translation reserve arising from the translation of net investments in foreign subsidiaries. The total cumulative translation reserve as at 30 June 2007 represented a cumulative loss of USD 215 871 thousand (31 December 2006: cumulative loss of USD 216 461 thousand).

On 20 January 2007, the Company declared and paid dividends in the amount of USD 92 393 thousand paid in-kind with shares of CTC at their carrying value as at that date. Refer to Note 11.

20 Interest Income and Expense

In thousands of US Dollars	Six-Month Period Ended 30 June 2007 (unaudited)	Six-Month Period Ended 30 June 2006
Interest income		
Loans and advances to corporate customers	532 977	339 000
Loans and advances to individuals	111 107	32 581
Due from other banks, correspondent accounts and overnight placements	63 828	37 788
Trading securities	28 788	24 956
Total interest income	**736 700**	**434 325**
Interest expense		
Other borrowed funds	105 548	57 933
Term deposits of legal entities	93 538	52 504
Due to other banks	50 148	28 654
Term deposits of individuals	34 237	31 668
Current/settlement accounts	27 335	12 855
Subordinated debt	18 867	10 609
Promissory notes issued	18 070	10 064
Total interest expense	**347 743**	**204 287**
Net interest income	**388 957**	**230 038**

Refer to Note 31 for details of related party transactions.

21 Fee and Commission Income and Expense

In thousands of US Dollars	Six-Month Period Ended 30 June 2007 (unaudited)	Six-Month Period Ended 30 June 2006
Fee and commission income		
Commission on settlement transactions	74 740	48 734
Commission on cash and foreign currency exchange transactions	26 817	21 282
Commission for consulting services	18 590	1 682
Commission on transactions with securities	13 131	12 158
Commission on guarantees issued	6 954	4 064
Other	3 189	1 759
Total fee and commission income	**143 421**	**89 679**
Fee and commission expense		
Commission on settlement transactions	17 819	13 889
Commission for consulting services	5 932	4 467
Commission on transactions with securities	2 928	3 464
Commission on cash and foreign currency exchange transactions	2 513	2 611
Other	4 769	656
Total fee and commission expense	**33 961**	**25 087**
Net fee and commission income	**109 460**	**64 592**

Refer to Note 31 for details of related party transactions.

22 Net Income from Trading Securities and from Foreign Currencies

In thousands of US Dollars	Six-Month Period Ended 30 June 2007 (unaudited)	Six-Month Period Ended 30 June 2006
(Losses net of gains) / gains less losses arising from trading securities (spot deals)	(14 972)	31 566
Gains less losses arising from trading securities (term deals)	32 163	18 982
Total gains less losses arising from trading securities	**17 191**	**50 548**

In thousands of US Dollars	Six-Month Period Ended 30 June 2007 (unaudited)	Six-Month Period Ended 30 June 2006
Gains less losses arising from trading in foreign currencies (spot deals)	25 460	36 829
Losses net of gains arising from trading in foreign currencies (term deals)	(4 147)	(10 212)
Foreign exchange translation losses net of gains	(7 793)	(50 368)
Total gains less losses/ (losses net of gains) arising from foreign currencies	**13 520**	**(23 751)**

23 Other Operating Income

In thousands of US Dollars	**Six-Month Period Ended 30 June 2007 (unaudited)**	**Six-Month Period Ended 30 June 2006**
Dividend income	1 767	708
Revenue from sale of rights to film licenses	1 208	2 149
Gain on disposal of subsidiaries	967	6 231
Penalties received	65	3 385
Other	3 871	2 297
Total other operating income	**7 878**	**14 770**

During the six-month period ended 30 June 2007 the Group sold for USD 16 880 thousand a 100% interest in Alfa-Bank Bashkortostan. At the date of sale total assets of the disposed subsidiary amounted to USD 18 690 thousand and total liabilities amounted to USD 2 777 thousand. The Group has recorded a gain from disposal of Alfa-Bank Bashkortostan in the amount of USD 967 thousand.

During the six-month period ended 30 June 2006 the Group sold for USD 12 000 thousand a subsidiary involved in the real estate business. Total assets of the disposed subsidiary amounted to USD 6 585 thousand.

Refer to Note 31 for details of related party transactions.

24 Operating Expenses

In thousands of US Dollars	**Note**	**Six-Month Period Ended 30 June 2007 (unaudited)**	**Six-Month Period Ended 30 June 2006**
Staff costs		175 270	133 501
Computer and telecommunications services		27 006	11 760
Rent		23 266	14 091
Taxes other than income tax		19 126	10 138
Depreciation and amortisation	13	18 004	15 861
Maintenance		7 945	6 370
Consulting and professional services		7 886	7 345
Other expenses related to premises, equipment and intangible assets		6 610	2 432
Advertising and marketing		6 393	6 170
Contributions to the State deposit insurance scheme		5 570	3 823
Administrative expenses		3 783	3 926
Travel expenses		3 656	2 768
Heat and utilities		3 394	2 228
Other		15 306	10 525
Total operating expenses		**323 215**	**230 938**

Staff costs include contributions to the state pension plan made by the Group for its employees in the amount of USD 21 621 thousand for the six-month period ended 30 June 2007 (six-month period ended 30 June 2006: USD 15 405 thousand). The state pension plan is classified as a defined contribution plan because the Group does not have any legal or constructive obligation to make further contributions if the state pension plan would not hold sufficient assets to pay all employee benefits relating to employees' past service. Included within staff cost are short-term bonuses accrued for the six-month period ended 30 June 2007 in the amount of USD 25 211 thousand (six-month period ended 30 July 2006: USD 30 604 thousand), which are payable after the financial year end and long-term bonuses amounted to USD 6 066 thousand (six-month period ended 30 July 2006: USD 5 154 thousand), which are payable at least one year after balance sheet date.

Refer to Note 31 for details of related party transactions.

25 Income Taxes

Income tax expense comprises the following:

In thousands of US Dollars	Six-Month Period Ended 30 June 2007 (unaudited)	Six-Month Period Ended 30 June 2006
Current tax	38 018	101 521
Deferred tax	(3 747)	(67 139)
Income tax expense for the period	**34 271**	**34 382**

The statutory income tax rate applicable to the majority of Alfa-Bank's income is 24% (six-month period ended 30 June 2006: 24%). The income tax rate applicable to the majority of income from investment banking operations ranges from 0% to 15% (six-month period ended 30 June 2006: from 0% to 15%).

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 their tax bases. 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% and dividend income that is taxed at 9%.

In thousands of US Dollars	31 December 2006	Effect on translation to presentation currency	Credited to income statement	30 June 2007 (unaudited)
Tax effect of deductible temporary differences				
Tax loss carried forward	2 740	36	(1 800)	976
Accruals	22 565	332	(11 411)	11 486
Other	6 056	124	240	6 420
Gross deferred tax asset	**31 361**	**492**	**(12 971)**	**18 882**
Deferred tax asset netted off within individual entities of the Group	(28 621)	-	28 621	-
Deferred tax asset	**2 740**	**492**	**15 650**	**18 882**
Tax effect of taxable temporary differences				
Premises, equipment and intangible assets	(8 676)	(241)	(6 561)	(15 478)
Provision for loan impairment	(25 056)	(279)	21 272	(4 063)
Investment property	(7 242)	(144)	(28)	(7 414)
Trading securities	(4 062)	(60)	2 035	(2 087)
Gross deferred tax liability	**(45 036)**	**(724)**	**16 718**	**(29 042)**
Deferred tax liability netted off within individual entities of the Group	28 621	-	(28 621)	-
Deferred tax liability	**(16 415)**	**(724)**	**(11 903)**	**(29 042)**
Total net deferred tax liability	**(13 675)**	**(232)**	**3 747**	**(10 160)**

25 Income Taxes (Continued)

In thousands of US Dollars	31 December 2005	(Charged)/ credited to income statement	Charged to equity	30 June 2006
Tax effect of deductible temporary differences				
Provision for loan impairment	11 137	4 619	-	15 756
Tax loss carried forward	-	3 171	-	3 171
Accruals	3 629	5 524	-	9 153
Other	6 019	6 735	-	12 754
Gross deferred tax asset	**20 785**	**20 049**	**-**	**40 834**
Deferred tax asset netted off within individual entities of the Group	(15 751)	(21 912)	-	(37 663)
Deferred tax asset	**5 034**	**(1 863)**	**-**	**3 171**
Tax effect of taxable temporary differences				
Premises, equipment and intangible assets	(9 105)	9 489	(8 565)	(8 181)
Trading securities	(64 044)	44 446	-	(19 598)
Accruals	(2 101)	(2 561)	-	(4 662)
Other	(17 993)	(4 284)	-	(22 277)
Gross deferred tax liability	**(93 243)**	**47 090**	**(8 565)**	**(54 718)**
Deferred tax liability netted off within individual entities of the Group	15 751	21 912	-	37 663
Deferred tax liability	**(77 492)**	**69 002**	**(8 565)**	**(17 055)**
Total net deferred tax liability	**(72 458)**	**67 139**	**(8 565)**	**(13 884)**

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.

26 Segment Analysis

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 three main business segments:

- Corporate banking – comprises corporate lending, corporate deposit services, trade finance operations, structured corporate lending, corporate finance advisory services, leasing services and merger and acquisition advice.

- Retail banking – comprises retail demand and term deposit services, credit and debit card services, retail lending, including consumer loans and personal installment loans, auto loans and mortgages, money transfers and private banking services.

- Investment banking – comprises securities trading, debt and equity capital markets services, derivative products and structured financing.

Under the current transfer pricing system used by the Group funds are ordinarily reallocated between segments at internal interest rates set by the Treasury of the Group, which are determined by reference to existing interest rate benchmarks.

In 2006 the Group changed its accounting policy for segment revenues to exclude gains (net of losses) arising from investments, from trading in trading securities and foreign currencies and foreign exchange translation. The change was applied retrospectively. Management believes that the revised definition of segment revenue better reflects objectives of reporting segment information. The effect of the change was to reduce segment revenues for the period ended 30 June 2006 by USD 106 670 thousand in the investment banking segment and by USD 26 617 thousand in corporate banking segment.

26 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Group for the six-month period ended 30 June 2007 is set out below:

In thousands of US Dollars	Corporate banking	Investment banking	Retail banking	Elimina-tions	Total
Six-Month Period Ended 30 June 2007					
Segment revenue					
External revenues	623 652	89 808	173 540	-	887 000
Revenues from other segments	127 745	113 981	165 320	(407 046)	-
Total revenues	**751 397**	**203 789**	**338 860**	**(407 046)**	**887 000**
Total revenues comprise:					
Interest income					736 700
Fee and commission income					143 421
Other operating income					6 879
Total revenues					**887 000**
Segment result	**232 207**	**92 817**	**(132 318)**	**-**	**192 706**
Unallocated costs					(34 341)
Share of results of associates					(8 528)
Profit before tax					**149 837**
Income tax expense					(34 271)
Profit					**115 566**
Other segment items					
Capital expenditure	12 850	3 134	15 358	-	31 342
Depreciation and amortisation charge	(12 603)	(900)	(4 501)	-	(18 004)
Other non-cash expenses	(23 669)	-	(37 304)	-	(60 973)
30 June 2007					
Segment assets	**13 462 260**	**5 517 841**	**3 067 871**	**(5 040 693)**	**17 007 279**
Investments in associates					98 487
Deferred tax asset					18 882
Total assets					**17 124 648**
Segment liabilities	**12 314 217**	**4 718 610**	**3 404 876**	**(5 040 693)**	**15 397 010**
Unallocated liabilities					14 740
Deferred tax liability					29 042
Total liabilities					**15 440 792**

26 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Group for the six-month period ended 30 June 2006 is set out below:

In thousands of US dollars	Corporate banking	Investment banking	Retail banking	Elimina-tions	Total
Six-Month Period Ended 30 June 2006					
Segment revenue					
External revenues	460 476	16 133	55 934	-	532 543
Revenues from other segments	79 111	70 955	132 394	(282 460)	-
Total revenues	**539 587**	**87 088**	**188 328**	**(282 460)**	**532 543**
Total revenues comprise:					
Interest income					434 325
Fee and commission income					89 679
Other operating income					8 539
Total revenues					**532 543**
Segment results	**79 740**	**118 081**	**(63 509)**	**-**	**134 312**
Gain on disposal of interest in associated company					33 501
Unallocated costs					(39 406)
Share of results of associated company					20 729
Profit before tax					**149 136**
Income tax expense					(34 382)
Profit					**114 754**
Other segment items					
Capital expenditure	(26 129)	(5 025)	(19 094)	-	(50 248)
Depreciation and amortisation charge	(10 382)	(822)	(4 657)	-	(15 861)
Other non-cash expense	(39 088)	-	(21 156)	-	(60 244)
31 December 2006					
Segment assets	**12 568 146**	**4 661 776**	**2 595 531**	**(4 817 056)**	**15 008 397**
Investment in an associates					198 806
Deferred tax asset					2 740
Total assets					**15 209 943**
Segment liabilities	**11 770 267**	**4 038 806**	**2 788 285**	**(4 817 056)**	**13 780 302**
Unallocated liabilities					103 042
Deferred tax liability					16 415
Total liabilities					**13 899 759**

26 Segment Analysis (Continued)

Geographical segments. Segment information for the main geographical segments of the Group is set out below for the six-month period ended 30 June 2007.

In thousands of US Dollars	**Russia**	**Europe**	**CIS**	**USA**	**Other**	**Total**
Assets						
Cash and cash equivalents	759 595	436 616	32 571	170 828	998	1 400 608
Mandatory cash balances with central banks	231 010	27 862	9 225	-	-	268 097
Trading securities and repurchase receivables	1 274 115	64 901	71 400	6 860	13 944	1 431 220
Due from other banks	580 823	482 399	266 200	82 999	-	1 412 421
Loans and advances to customers	10 256 814	586 243	643 586	25 817	-	11 512 460
Investments in associates and other investments	127 015	-	-	-	-	127 015
Other assets	385 139	324 033	9 314	19 119	2 720	740 325
Premises, equipment and intangible assets	193 285	18 545	1 790	-	-	213 620
Deferred tax asset	18 882	-	-	-	-	18 882
Total assets	**13 826 678**	**1 940 599**	**1 034 086**	**305 623**	**17 662**	**17 124 648**
Liabilities						
Due to other banks	432 042	1 190 733	96 979	3 385	63 351	1 786 490
Customer accounts	6 847 884	1 248 607	194 394	139 982	148 458	8 579 325
Promissory notes issued	594 634	-	-	-	-	594 634
Other borrowed funds	78 730	3 072 172	-	41 717	-	3 192 619
Subordinated debt	-	532 401	-	-	-	532 401
Other liabilities	257 401	383 848	46 050	25 801	13 181	726 281
Deferred tax liability	29 042	-	-	-	-	29 042
Total liabilities	**8 239 733**	**6 427 761**	**337 423**	**210 885**	**224 990**	**15 440 792**
Net balance sheet position as at 30 June 2007	**5 586 945**	**(4 487 162)**	**696 663**	**94 738**	**(207 328)**	**1 683 856**

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

26 Segment Analysis (Continued)

As at 31 December 2006 the Group had the following segment information for the main geographical segments:

In thousands of US Dollars	Russia	Europe	CIS	USA	Other	Total
Assets						
Cash and cash equivalents	826 782	643 544	43 049	159 067	239	1 672 681
Mandatory cash balances with central banks	218 307	29 791	8 481	-	-	256 579
Trading securities and repurchase receivables	1 066 949	58 703	42 926	470	-	1 169 048
Due from other banks	385 391	880 687	335 613	65 971	-	1 667 662
Loans and advances to customers	8 446 993	129 192	877 209	26 965	-	9 480 359
Investments in associates and other investments	220 724	-	-	-	-	220 724
Other assets	409 054	117 464	2 465	1 880	884	531 747
Premises, equipment and intangible assets	191 894	14 655	1 854	-	-	208 403
Deferred tax asset	2 740	-	-	-	-	2 740
Total assets	**11 768 834**	**1 874 036**	**1 311 597**	**254 353**	**1 123**	**15 209 943**
Liabilities						
Due to other banks	435 521	859 993	55 458	7 392	72 076	1 430 440
Customer accounts	6 596 580	1 109 413	141 508	62 137	36 743	7 946 381
Promissory notes issued	529 593	-	-	-	-	529 593
Other borrowed funds	112 532	2 951 274	-	62 490	-	3 126 296
Subordinated debt	-	224 837	-	-	-	224 837
Other liabilities	183 689	335 224	26 961	73 519	6 404	625 797
Deferred tax liability	16 415	-	-	-	-	16 415
Total liabilities	**7 874 330**	**5 480 741**	**223 927**	**205 538**	**115 223**	**13 899 759**
Net balance sheet position as at 31 December 2006	**3 894 504**	**(3 606 705)**	**1 087 670**	**48 815**	**(114 100)**	**1 310 184**

The majority of credit related commitments were issued in favour of Russian counterparties and their offshore companies both as at 30 June 2007 and 31 December 2006.

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 offshore companies of these Russian counterparties are allocated to the caption “Russia”. Cash on hand, precious metals and premises, equipment and intangible assets have been allocated based on the country in which they are physically held.

Substantially all of the Group’s revenues are generated from counterparties domiciled in the Russian Federation.

Substantially all of capital expenditure of the Group relates to operations of the Group in the Russian Federation.

27 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. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

For the purpose of quantifying the market risks the Group uses a "value at risk" model. The daily market value at risk measure (“VAR”) is an estimate, with a confidence level set at 99%, of the potential loss that might arise if the current positions were to be held unchanged for one business day. During 2005, the Group started calculating and monitoring its overall position through the VAR model in addition to monitoring VAR for separate departments/financial instruments.

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

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

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 primarily reflected in the carrying amounts of financial assets on the consolidated condensed interim balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 28.

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.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by Management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The Group established a number of credit committees which are responsible for approving corporate and retail credit exposures. Each credit committee conducts its activity based on the special instructions approved by the Management of the Group.

Geographical risk. Refer to Note 26 for the geographical analysis of the Groups’ assets and liabilities.

27 Financial Risk Management (Continued)

Currency risk. The Group takes on exposure to the 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 2007. 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 long and short positions in foreign currency derivative financial instruments (excluding options). As at 30 June 2007 the Group had the following positions in currencies:

In thousands of US Dollars	USD	RR	EUR	Other currencies	Non-monetary	Total
Assets						
Cash and cash equivalents	474 863	640 419	252 418	32 908	-	1 400 608
Mandatory cash balances with central banks	-	231 010	27 862	9 225	-	268 097
Trading securities and repurchase receivables	227 874	618 830	57 473	9 867	517 176	1 431 220
Due from other banks	601 126	567 735	226 519	17 041	-	1 412 421
Loans and advances to customers	4 906 943	5 344 931	1 174 455	86 131	-	11 512 460
Investments in associates and other investments	-	-	-	-	127 015	127 015
Other assets	350 219	291 353	20 886	2 999	74 868	740 325
Premises, equipment and intangible assets	-	-	-	-	213 620	213 620
Deferred tax asset	-	-	-	-	18 882	18 882
Total assets	**6 561 025**	**7 694 278**	**1 759 613**	**158 171**	**951 561**	**17 124 648**
Liabilities						
Due to other banks	963 850	429 299	377 510	15 831	-	1 786 490
Customer accounts	1 585 351	5 298 921	1 596 105	98 948	-	8 579 325
Promissory notes issued	41 943	552 691	-	-	-	594 634
Other borrowed funds	2 493 947	78 730	619 942	-	-	3 192 619
Subordinated debt	532 401	-	-	-	-	532 401
Other liabilities	498 911	186 180	33 926	7 264	-	726 281
Deferred tax liability	-	-	-	-	29 042	29 042
Total liabilities	**6 116 403**	**6 545 821**	**2 627 483**	**122 043**	**29 042**	**15 440 792**
Net balance sheet position	**444 622**	**1 148 457**	**(867 870)**	**36 128**	**922 519**	**1 683 856**
Off-balance sheet net notional position (Note 29)	**442 974**	**(1 240 617)**	**807 575**	**(21 107)**	**-**	**(11 175)**
Net balance sheet and off-balance sheet position	**887 596**	**(92 160)**	**(60 295)**	**15 021**	**922 519**	**1 672 681**

27 Financial Risk Management (Continued)

As at 31 December 2006 the Group had the following positions in currencies:

In thousands of US Dollars	USD	RR	EUR	Other currencies	Non-monetary	Total
Assets						
Cash and cash equivalents	669 788	708 350	246 094	48 449	-	1 672 681
Mandatory cash balances with central banks	-	218 307	29 791	8 481	-	256 579
Trading securities and repurchase receivables	236 828	465 565	57 663	5 597	403 395	1 169 048
Due from other banks	1 127 826	349 865	185 211	4 760	-	1 667 662
Loans and advances to customers	4 237 019	4 087 298	1 106 582	49 460	-	9 480 359
Investments in associates and other investments	-	-	-	-	220 724	220 724
Other assets	269 219	207 939	17 858	1 931	34 800	531 747
Premises, equipment and intangible assets	-	-	-	-	208 403	208 403
Deferred tax asset	-	-	-	-	2 740	2 740
Total assets	**6 540 680**	**6 037 324**	**1 643 199**	**118 678**	**870 062**	**15 209 943**
Liabilities						
Due to other banks	675 527	390 554	358 868	5 491	-	1 430 440
Customer accounts	2 468 401	4 192 917	1 209 106	75 957	-	7 946 381
Promissory notes issued	50 707	478 886	-	-	-	529 593
Other borrowed funds	2 473 453	111 748	541 095	-	-	3 126 296
Subordinated debt	224 837	-	-	-	-	224 837
Other liabilities	526 071	76 924	20 551	2 251	-	625 797
Deferred tax liability	-	-	-	-	16 415	16 415
Total liabilities	**6 418 996**	**5 251 029**	**2 129 620**	**83 699**	**16 415**	**13 899 759**
Net balance sheet position	**121 684**	**786 295**	**(486 421)**	**34 979**	**853 647**	**1 310 184**
Off-balance sheet net notional position (Note 29)	**(453 172)**	**(28 168)**	**496 987**	**(10 942)**	**-**	**4 705**
Net balance sheet and off-balance sheet position	**(331 488)**	**758 127**	**10 566**	**24 037**	**853 647**	**1 314 889**

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.

27 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, 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. Liquidity risk is managed by Asset and Liability Committee and Treasury of the Group.

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

The Treasury of the Group prepares the liquidity profile of the financial assets and liabilities based on their contractual maturities, except for part of the funds placed by customers within accounts on demand. The Treasury determines the core amount of the deposits which the Group believe will not be withdrawn in the foreseeable future and are considered to be funds with no stated maturity. The Treasury then builds up an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

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

27 Financial Risk Management (Continued)

The liquidity position of the Group as at 30 June 2007 is set out below.

In thousands of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	1 400 608	-	-	-	-	1 400 608
Mandatory cash balances with central banks	268 097	-	-	-	-	268 097
Trading securities	988 565	-	-	-	-	988 565
Repurchase receivables	57 910	384 745	-	-	-	442 655
Due from other banks	1 051 951	129 203	64 562	166 705	-	1 412 421
Loans and advances to customers	646 456	2 428 298	2 794 390	5 643 316	-	11 512 460
Investments in associates and other investments	-	-	-	-	127 015	127 015
Other assets	443 809	197 749	15 210	48 063	35 494	740 325
Premises and equipment and intangible assets	-	-	-	-	213 620	213 620
Deferred tax asset	-	-	-	-	18 882	18 882
Total assets	**4 857 396**	**3 139 995**	**2 874 162**	**5 858 084**	**395 011**	**17 124 648**
Liabilities						
Due to other banks	721 781	530 181	168 128	366 400	-	1 786 490
Customer accounts	4 724 335	1 484 374	385 710	34 906	1 950 000	8 579 325
Promissory notes issued	69 665	247 449	269 568	7 952	-	594 634
Other borrowed funds	87 768	809 130	335 448	1 960 273	-	3 192 619
Subordinated debt	-	16 723	16 723	498 955	-	532 401
Other liabilities	490 971	149 254	22 854	63 202	-	726 281
Deferred tax liability	-	-	-	-	29 042	29 042
Total liabilities	**6 094 520**	**3 237 111**	**1 198 431**	**2 931 688**	**1 979 042**	**15 440 792**
Net liquidity gap	**(1 237 124)**	**(97 116)**	**1 675 731**	**2 926 396**	**(1 584 031)**	**1 683 856**
Cumulative liquidity gap	**(1 237 124)**	**(1 334 240)**	**341 491**	**3 267 887**	**1 683 856**	

As at 30 June 2007 included in category “More than 1 year” are loans and advances to customers maturing in more than five years in the amount of USD 94 975 thousand (31 December 2006: USD 107 233 thousand).

27 Financial Risk Management (Continued)

The liquidity position of the Group as at 31 December 2006 is set out below.

In thousands of US Dollars	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	1 672 681	-	-	-	-	1 672 681
Mandatory cash balances with central banks	256 579	-	-	-	-	256 579
Trading securities	673 199	-	-	-	-	673 199
Repurchase receivables	103 318	380 315	12 216	-	-	495 849
Due from other banks	1 279 913	231 015	31 071	125 663	-	1 667 662
Loans and advances to customers	419 115	2 379 025	1 810 731	4 871 488	-	9 480 359
Investments in associates and other investments	-	-	-	-	220 724	220 724
Other assets	268 525	170 336	30 301	27 785	34 800	531 747
Premises and equipment and intangible assets	-	-	-	-	208 403	208 403
Deferred tax asset	-	-	-	-	2 740	2 740
Total assets	**4 673 330**	**3 160 691**	**1 884 319**	**5 024 936**	**466 667**	**15 209 943**
Liabilities						
Due to other banks	609 263	443 832	55 363	321 982	-	1 430 440
Customer accounts	4 139 461	1 383 147	1 151 964	31 809	1 240 000	7 946 381
Promissory notes issued	51 439	273 879	154 651	49 624	-	529 593
Other borrowed funds	-	903 962	712 273	1 510 061	-	3 126 296
Subordinated debt	-	-	-	224 837	-	224 837
Other liabilities	374 819	190 648	240	60 090	-	625 797
Deferred tax liability	-	-	-	-	16 415	16 415
Total liabilities	**5 174 982**	**3 195 468**	**2 074 491**	**2 198 403**	**1 256 415**	**13 899 759**
Net liquidity gap	**(501 652)**	**(34 777)**	**(190 172)**	**2 826 533**	**(789 748)**	**1 310 184**
Cumulative liquidity gap	**(501 652)**	**(536 429)**	**(726 601)**	**2 099 932**	**1 310 184**	

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 fair portrayal of its liquidity position. Mandatory cash balances with 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. In accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

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.

27 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.

The Alfa Group Consortium and its shareholders have shown their ability and willingness to support the Group during the August 2004 short-term liquidity crisis of the Russian banking system and Management believes that the Group could be supported, if necessary, by the Alfa Group Consortium and its shareholders in the future.

Cash flow and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such fluctuations but may reduce or create losses in the event that unexpected movements arise. The Executive Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates (other than debt trading securities, which are always classified as "demand and less than 1 month").

27 Financial Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risks as at 30 June 2007:

In thousands of US Dollars	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	1 400 608	-	-	-	-	1 400 608
Mandatory cash balances with central banks	268 097	-	-	-	-	268 097
Trading securities	795 508	-	-	-	193 057	988 565
Repurchase receivables	56 255	62 281	-	-	324 119	442 655
Due from other banks	1 051 951	129 203	64 562	166 705	-	1 412 421
Loans and advances to customers	909 319	2 506 544	2 767 808	5 328 789	-	11 512 460
Investments in associates and other investments	-	-	-	-	127 015	127 015
Other assets	377 690	185 133	151	44 774	132 577	740 325
Premises, equipment and intangible assets	-	-	-	-	213 620	213 620
Deferred tax asset	-	-	-	-	18 882	18 882
Total assets	**4 859 428**	**2 883 161**	**2 832 521**	**5 540 268**	**1 009 270**	**17 124 648**
Liabilities						
Due to other banks	721 781	530 181	168 128	366 400	-	1 786 490
Customer accounts	6 674 335	1 484 374	385 710	34 906	-	8 579 325
Promissory notes issued	69 665	247 449	269 568	7 952	-	594 634
Other borrowed funds	87 768	1 784 768	175 521	1 144 562	-	3 192 619
Subordinated debt	-	-	-	532 401	-	532 401
Other liabilities	396 454	110 717	1 705	59 947	157 458	726 281
Deferred tax liability					29 042	29 042
Total liabilities	**7 950 003**	**4 157 489**	**1 000 632**	**2 146 168**	**186 500**	**15 440 792**
Net sensitivity gap	**(3 090 575)**	**(1 274 328)**	**1 831 889**	**3 394 100**	**822 770**	**1 683 856**

27 Financial Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risks as at 31 December 2006:

In thousands of US Dollars	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	1 672 681	-	-	-	-	1 672 681
Mandatory cash balances with central banks	256 579	-	-	-	-	256 579
Trading securities	607 232	-	-	-	65 967	673 199
Repurchase receivables	103 318	380 315	12 216	-	-	495 849
Due from other banks	1 340 327	231 210	31 044	65 081	-	1 667 662
Loans and advances to customers	631 404	2 612 013	1 799 908	4 437 034	-	9 480 359
Investments in associates and other investments	-	-	-	-	220 724	220 724
Other assets	201 932	170 336	30 301	27 785	101 393	531 747
Premises, equipment and intangible assets	-	-	-	-	208 403	208 403
Deferred tax asset	-	-	-	-	2 740	2 740
Total assets	**4 813 473**	**3 393 874**	**1 873 469**	**4 529 900**	**599 227**	**15 209 943**
Liabilities						
Due to other banks	609 263	467 887	55 363	297 927	-	1 430 440
Customer accounts	5 379 461	1 383 147	1 151 964	31 809	-	7 946 381
Promissory notes issued	51 439	273 879	154 651	49 624	-	529 593
Other borrowed funds	-	2 320 769	556 638	248 889	-	3 126 296
Subordinated debt	-	-	-	224 837	-	224 837
Other liabilities	229 623	190 648	240	60 090	145 196	625 797
Deferred tax liability	-	-	-	-	16 415	16 415
Total liabilities	**6 269 786**	**4 636 330**	**1 918 856**	**913 176**	**161 611**	**13 899 759**
Net sensitivity gap	**(1 456 313)**	**(1 242 456)**	**(45 387)**	**3 616 724**	**437 616**	**1 310 184**

The Group is exposed to cash flow interest rate risk, principally through assets and liabilities for which interest rates are reset as market rates change. Such assets and liabilities are primarily presented in the above table as being repriced in the short-term.

27 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 rates.

	30 June 2007 (unaudited)				31 December 2006			
	USD	RR	Euro	Other currencies	USD	RR	Euro	Other currencies
Assets								
Cash balances with local central banks (other than mandatory cash balances)	-	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%
Mandatory cash balances with central banks	-	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%
Correspondent accounts and overnight placements with other banks	3.5%	2.8%	4.0%	0.0%	1.4%	2.8%	0.3%	0.6%
Debt trading securities	9.6%	10.3%	5.2%	5.6%	9.7%	7.9%	3.8%	4.7%
Repurchase receivables	7.7%	8.5%	-	-	6.0%	6.0%	-	-
Due from other banks	6.3%	3.0%	5.0%	5,8%	5.5%	5.4%	2.7%	4.5%
Loans and advances to customers	10.3%	13.0%	7.8%	10.4%	10.3%	13.8%	7.4%	10.4%
Liabilities								
Due to other banks	6.2%	4.8%	4.4%	0.0%	6.0%	6.0%	2.5%	0.0%
Customer accounts								
- current settlement/demand accounts	0.1%	0.2%	0.4%	0.0%	0.1%	0.7%	0.0%	0.1%
- term deposits	4.8%	4.9%	4.1%	8.0%	4.7%	5.7%	3.4%	6.5%
Promissory notes issued	3.2%	7.5%	-	-	5.6%	7.8%	-	-
Other borrowed funds	7.8%	7.0%	6.4%	-	7.5%	7.3%	6.0%	-
Subordinated debt	9.0%	-	-	-	9.0%	-	-	-

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

28 Contingencies and Commitments

***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 ("TNK-BP"), a company related to the Group. The total amount of the claim, made under the RICO Act of the United States of America, is USD 1 500 000 thousand. The plaintiff filed a letter with the Chief Judge of the United States Court of Appeals for the Second Circuit requesting that a new judge be assigned. All defendants opposed that request and on 7 August 2007 the Chief Judge of the Second Circuit Court of Appeals denied that request.

On 26 September 2007 the United States District Court for the Southern District of New York refused to hear the claim of Norex against Alfa Finance Holdings S.A.

The Group has been sued by Alfa Corporation of Montgomery, Alabama for alleged US federal trademark infringement and unfair competition arising from the use of "Alfa" in commerce in association of financial services. The suit was filed in the United States District Court for the Eastern District of Virginia on 18 August 2004. It has been transferred to and is currently pending in the United States District Court for the Southern District of New York. As relief, Alfa Corporation has requested an injunction preventing subsidiaries of the Group, Alfa-Bank and Alfa Capital Markets (USA) Incorporated (Alfa Capital), from using the word "Alfa" in connection with their services, unspecified profits which could be attributed to Alfa-Bank's or Alfa Capital's use of the mark "Alfa", and attorney's fees associated with the action. The discovery phase of the case has been completed. Both the plaintiff and the defendants filed motions for summary judgement at the close of the discovery. It was decided that the hearing of the case should be extended and each party will present their witnesses. Management believes that the allegations are without merit and intends to vigorously defend this action and it is unable to estimate the range of possible financial outcomes.

28 Contingencies and Commitments (Continued)

In the city court of Milan, Sogo Italiana s.r.l. ("Sogo") filed a claim against Alfa-Bank in which Sogo claims a debt in the amount of EUR 3 661 thousand. This claim is based on an assignment made by Sogo to the Bank in 1997 and 1998 of debts owed to Sogo by Soyuzkhimexport, which assignment Sogo claims the Bank never paid for. The Bank has retained the law firm of Masotti Berger of Milan and is actively contesting the entirety of the claim, which the Bank considers without merit.

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

Tax legislation. Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2006, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

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

In 2006 the Group disposed of its majority stake in Alfa-Bank Ukraine to ABH Ukraine Limited, a subsidiary of ABHH. The sale price for the stake disposed was determined with a reference to a valuation performed by an independent appraisal company. An unquantifiable risk remains that the tax authorities could seek to challenge this position by taking a different view on the valuation of Alfa-Bank Ukraine and levy additional tax on the Group. In respect of this matter, as at 31 December 2006 and 30 June 2007, no provision for potential additional tax liabilities has been recognised.

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

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

28 Contingencies and Commitments (Continued)

Certain entities of the Group are involved in the provision of services primarily related to the capital markets of the Russian Federation. A number of the Group's entities, which contribute a significant proportion of the Group's operating results, are registered and operate in jurisdictions outside of the Russian Federation which are not subject to Russian taxes. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge can not be reliably estimated; however it may be significant to the financial condition and/or the overall operations of the Group. The management of the Group is of the opinion that the operations of the Group are conducted in a manner that does not give rise to any material tax liabilities other than those provided for in this consolidated condensed interim financial information. As stated in Note 2 the tax legislation in the Russian Federation is subject to varying interpretations which can change frequently and, as such, an unquantifiable risk remains that the tax authorities could seek to challenge this position in the future and levy additional tax on the Group. Accordingly, in respect of this matter, at 30 June 2007 no provision for potential additional tax liabilities has been recognised (31 December 2006: no provision).

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

The Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. In addition to the aforementioned risks, the Group estimates that it has other possible obligations from exposure to other than remote tax risks of up to approximately USD 9 404 thousand (31 December 2006: USD 9 220 thousand).

***Capital commitments*.** As at 30 June 2007 the Group had capital commitments of USD 70 279 thousand, of which USD 25 727 thousand relates to construction expenditure and modernisation of premises, USD 37 663 thousand relates to purchase and installation of new computer systems, USD 6 889 thousand relates to other capital expenditure commitments. As at 31 December 2006 the Group had capital commitments of USD 82 307 thousand, of which USD 43 202 thousand related to construction expenditure, modernisation and repair of premises, USD 34 523 thousand related to purchase and installation of new computer systems, USD 4 582 thousand related to other capital expenditure commitments. The Group's management has already allocated the necessary resources in respect of these commitments. The Group's management believes that future income and funding will be sufficient to cover these and any similar commitments.

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

In thousands of US Dollars	**30 June 2007 (unaudited)**	**31 December 2006**
Not later than 1 year	36 124	27 251
Later than 1 year and not later than 5 years	78 595	53 008
Later than 5 years	8 617	9 272
Total operating lease commitments	**123 336**	**89 531**

28 Contingencies and Commitments (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 were as follows:

In thousands of US Dollars	**Note**	**30 June 2007 (unaudited)**	**31 December 2006**
Guarantees issued		788 985	770 049
Export letters of credit		245 871	234 130
Import letters of credit	15	195 296	301 517
Total credit related commitments		**1 230 152**	**1 305 696**

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 were as follows:

In thousands of US Dollars	**Six-Month Period Ended 30 June 2007 (unaudited)**	**Six-Month Period Ended 30 June 2006**
Provision for losses on credit related commitments as at 1 January	**11 986**	**18 925**
Release of provision for losses on credit related commitments during the period	(961)	(5 240)
Effect of translation to presentation currency	229	-
Provision for losses on credit related commitments as at 30 June	**11 254**	**13 685**

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

- to comply with the ratios and requirements of the CBR for Alfa-Bank;
- to maintain a ratio of capital to risk-weighted assets as defined by the Basle Committee;
- to maintain a minimum level of net assets (Consolidated Tangible Net Worth);
- to ensure that all Related Party transactions are on an arm’s length basis; and
- to maintain a maximum level of long-term other borrowed funds (Aggregate Financial Indebtedness).

The Group’s Management believes that the Group is in compliance with these covenants as at 30 June 2007.

28 Contingencies and Commitments (Continued)

Assets pledged and restricted. As at 30 June the Group had the following assets pledged as collateral:

In thousands of US Dollars	**Notes**	**30 June 2007 (unaudited)**	**31 December 2006**
Trading securities	8, 14	442 655	495 849
Total		**442 655**	**495 849**

As at 30 June 2007 the Group held securities pledged by other banks under reverse sale and repurchase agreements with a fair value of USD 90 489 thousand (31 December 2006: USD 25 587 thousand). Refer to Note 9.

Mandatory cash balances with central banks in the amount of USD 268 097 thousand (31 December 2006: USD 256 579 thousand) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

29 Derivative Financial Instruments

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

The principal or agreed amounts of certain types of financial instruments provide a basis for comparison with instruments recorded on the 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, foreign exchange rates or other variables relative to their terms. The aggregate contractual or principal amount of derivative financial instruments held and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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

29 Derivative Financial Instruments (Continued)

	30 June 2007 (unaudited)			31 December 2006		
In thousands of US Dollars	Principal or agreed amount	Liabilities Negative fair value	Assets Positive fair value	Principal or agreed amount	Liabilities Negative fair value	Assets Positive fair value
Deliverable forwards						
Securities						
- sale of securities	555 212	(2 594)	2 681	352 375	(1 514)	1 230
- purchase of securities	7 662	-	177	4 680	(4)	150
Non-deliverable forwards						
Securities						
- sale of securities	17 274	(13 001)	-	32 558	(5 787)	197
Precious metals						
-sale of precious metals	-	-	-	1 595	(5)	-
Indices						
- purchase of Indices	5 770	-	98	-	-	-
Futures						
Securities						
- sale of securities	17 083	(71)	24	26 893	-	-
- purchase of securities	27 890	(21)	130	21 103	(195)	-
Other base assets						
-sale of other base assets	-	-	-	181 198	(157)	78
-purchase of other base assets	-	-	-	144 687	(228)	6
Interest rate						
-sale of Interest rate	114 647	(10)	348	-	-	-
-purchase of Interest rate	107 250	(822)	-	-	-	-
Indices						
-sale of Indices	123	(10)	-	-	-	-
-purchase of Indices	35	(1)	5	-	-	-
Call options						
Securities						
- written call options	61 843	(4 560)	-	71 040	(4 853)	2 190
- purchased call options	73 486	-	4 836	68 845	(2 061)	4 647
Interest rate						
-written call options	47 750	(13)	-	-	-	-
-purchased call options	23 750	-	30	-	-	-
Put options						
Securities						
- written put options	3 208	(112)	-	2 000	-	22
- purchased put options	104 341	-	3 452	63 665	(1 023)	-
Swaps						
Interest rate swaps – pay fixed interest, receive floating interest	206 386	(631)	921	428 577	(1 341)	994
Total return swaps on securities – pay total return on securities, receive floating interest	489 884	(35 095)	6 464	437 104	(61 959)	732
Total return swaps on securities – pay floating interest, receive total return on securities	176 524	(3 510)	14 830	266 592	(258)	26 089
Total		**(60 451)**	**33 996**		**(79 385)**	**36 335**

29 Derivative Financial Instruments (Continued)

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

	30 June 2007 (unaudited)		31 December 2006	
In thousands of US Dollars	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Deliverable forwards				
- USD receivable on settlement	8 430 592	5 601 479	476 868	2 279 793
- USD payable on settlement	(4 934 306)	(8 910 404)	(2 544 648)	(369 211)
- EUR receivable on settlement	1 885 770	5 345 709	1 665 986	132 244
- EUR payable on settlement	(5 196 050)	(1 299 088)	(322 467)	(1 071 554)
- RR receivable on settlement	362 967	261 596	225 024	39 156
- RR payable on settlement	(278 636)	(1 255 070)	(7 081)	(493 053)
- Other currencies receivable on settlement	4 469 670	4 700 287	1 059 892	544 987
- Other currencies payable on settlement	(4 704 367)	(4 486 772)	(538 938)	(1 073 793)
Non-deliverable forwards				
- USD receivable on settlement	9 943	697 021	66 300	185 000
- USD payable on settlement	(299 664)	(9 942)	(324 815)	(66 300)
- EUR receivable on settlement	1 350	-	7 925	-
- EUR payable on settlement	(73 528)	-	(71 306)	-
- RR receivable on settlement	287 638	-	318 944	66 187
- RR payable on settlement	-	(618 515)	(72 635)	(104 710)
- Other currencies receivable on settlement	94 565	9 921	81 544	-
- Other currencies payable on settlement	(9 915)	(94 496)	-	(84 634)
Foreign exchange Futures				
- USD receivable on settlement	1 096	-	-	-
- USD payable on settlement	-	(498)	-	-
- RR receivable on settlement	-	497	-	-
- RR payable on settlement	(1 094)	-	-	-
Non-deliverable swaps				
- USD payable on settlement	(142 343)	-	-	(156 159)
- EUR receivable on settlement	143 412	-	-	156 159
Net fair value of foreign exchange derivatives	**47 100**	**(58 275)**	**20 593**	**(15 888)**

As at 30 June 2007 included within derivative financial instruments fair value is negative fair value of derivatives that are designated and qualify as hedges of net investment in foreign operations in the amount of USD 14 713 thousand (31 December 2006: Nil) with contractual amount of USD 900 000 thousand (31 December 2006: Nil).

As at 30 June 2007 included within derivative financial instruments fair value is positive fair value with related parties in the amount of USD 2 823 thousand (2006: Nil) and negative fair value with related parties in the amount of USD 3 276 thousand (31 December 2006: Nil). Refer to Note 31.

Forward and futures and swaps positions in securities as at 30 June 2007 are summarised below. As at 30 June 2007 and 31 December 2006 the majority of respective securities' long balance sheet positions of the Group exceeded the respective securities' short forward, future and swaps positions. Refer to Note 8.

29 Derivative Financial Instruments (Continued)

In thousands of US Dollars	**30 June 2007 (unaudited) Principal or agreed amount Sale**	**Purchase**	**31 December 2006 Principal or agreed amount Sale**	**Purchase**
Corporate shares of Russian entities	532 542	204 042	495 360	274 322
Corporate bonds	432 503	286	221 147	-
Corporate Eurobonds	79 411	-	78 537	1 286
Russian Federation Eurobonds	19 701	7 662	28 286	3 394
Eurobonds of other states	13 560	-	16 367	13 373
Municipal bonds	888	-	8 846	-
ADRs and GDRs	848	-	387	-
Russian Federation Bonds	-	86	-	-
Total	**1 079 453**	**212 076**	**848 930**	**292 375**

30 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 fair values of financial instruments have been determined by the Group by reference to published price quotations, where they existed, and using appropriate valuation methodologies. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities. 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. 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.

Cash and cash equivalents. The estimated fair value of cash and cash equivalents is equal to their carrying amount as this represents the amount at which they can be exchanged for other assets or in settlement of liabilities of the Group.

Trading securities. The fair value of trading securities, including those presented as repurchase receivables in the balance sheet, has been determined by reference to published price quotations.

Due from and due to other banks. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers. The carrying value of loans and advances is net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. In practice contractual interest rates on loans and advances to customers are usually renegotiated to reflect current market conditions.

Investment at fair value through profit and loss. The fair value of the investment at fair value through profit and loss has been determined by reference to published price quotations.

Customer accounts. The estimated fair value of balances with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing balances without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

30 Fair Value of Financial Instruments (Continued)

Promissory notes issued. The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity. As at 30 June 2007 the fair value of promissory notes issued was USD 591 524 thousand (31 December 2006: USD 528 483 thousand).

Other borrowed funds. The fair value of traded debt has been determined by reference to published price quotations. The estimated fair value of syndicated loans is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

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

Credit related commitments. As at 30 June 2007 the fair value of credit related commitments was USD 11 254 thousand (31 December 2006: USD 12 056 thousand).

Financial derivatives. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are internally certified before they are used and are calibrated to ensure that outputs reflect actual data and comparative market prices. The fair value of derivative financial instruments is disclosed in Note 29.

Change in fair value of derivatives estimated using a valuation technique that was recognised in consolidated condensed interim statement of income for the six-month period ended 30 June 2007 resulted in a net gain of USD 5 972 thousand (six-month period ended 30 June 2006: net loss of USD 18 338 thousand).

31 Related Party Transactions

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

ABHH (Note 1) and CTF Holdings Limited and their subsidiaries, including direct interests of the Controlling Shareholders in those subsidiaries, constitute the Alfa Group Consortium. 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 the 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. Related party transactions are reflected in the table below.

The most significant related parties of the Group are the Alfa Group Consortium and TNK-BP Limited (“TNK-BP”), an oil and gas extraction and refining company, 25% owned by the Alfa Group Consortium and ABH Ukraine Group.

Refer to Note 11 for information on the disposal of the interest in CTC to a company within the Alfa Group Consortium as CTC was a non-core investment of the Group.

Refer to Note 32 for information on the sale by the Group of one of its subsidiaries, Alfa-Bank Ukraine to ABH Ukraine Limited, a member of the Alfa Group Consortium.

31 Related Party Transactions (Continued)

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

	30 June 2007 (unaudited)/Six-Month period ended 30 June 2007 (unaudited)				
In thousands of US Dollars	**TNK-BP**	**Alfa Group Consortim and its sharehol-ders except for ABH Ukraine Group**	**Key manage-ment**	**Associa-tes**	**ABH Ukraine Group**
Trading securities as at the period end	**587**	**3 147**	**-**	**13 552**	**20 452**
Correspondent accounts with other banks as at the period end	**-**	**-**	**-**	**-**	**4 865**
Term placements with other banks as at the period end	**-**	**-**	**-**	**-**	**332 084**
RUR, effective contractual rate of 5.5%	-	-	-	-	6 589
USD, effective contractual rate of 5.4% - 17.2 %	-	-	-	-	149 975
EUR, effective contractual rate of 4.5% - 5.2%	-	-	-	-	162 568
CHF, effective contractual rate of 5.7% - 6.0%	-	-	-	-	12 952
Loans and advances to customers as at the period end (gross of provision for impairment)	**-**	**472 853**	**2 293**	**51 032**	**-**
RUR, effective contractual rate of 10.3% - 23.0%	-	23 532	440	-	-
USD, effective contractual rate of 5.2% - 10.5%	-	419 738	1 844	-	-
EUR, effective contractual rate of 5.8% - 9.8%	-	29 583	9	51 032	-
Provision for loan impairment as at 1 January	**-**	**(2 556)**	**(70)**	**(11 366)**	**-**
Provision for loan impairment during the period	-	996	11	6 727	-
Provision for loan impairment as at 30 June	**-**	**(1 560)**	**(59)**	**(4 639)**	**-**
Receivables as at the period end	**20**	**6 188**	**112**	**-**	**7 973**
Correspondent accounts of other banks	**-**	**-**	**-**	**-**	**37 258**
RUR, effective contractual rate of 0.0%	-	-	-	-	25 239
USD, effective contractual rate of 0.0%	-	-	-	-	9 400
EUR, effective contractual rate of 0.0%	-	-	-	-	65
UAH, effective contractual rate of 0.0%	-	-	-	-	2 549
CHF, effective contractual rate of 0.0%	-	-	-	-	5
Customer accounts					
Current/settlement accounts as at the period end	**115 739**	**337 322**	**777**	**-**	**233**
RUR, effective contractual rate of 0.0%	115 508	119 608	22	-	-
USD, effective contractual rate of 0.0% - 4.9%	230	130 251	755	-	90
EUR, effective contractual rate of 0.0% - 3.5%	1	87 463	-	-	143

31 Related Party Transactions (Continued)

	30 June 2007 (unaudited)/Six-Month period ended 30 June 2007 (unaudited)				
In thousands of US Dollars	**TNK-BP**	**Alfa Group Consortim and its sharehol-ders except for ABH Ukraine Group**	**Key manage-ment**	**Associates**	**ABH Ukraine Group**
Term deposits as at the period end	**69 374**	**720 108**	**1 997**	**-**	**29 814**
RUR, effective contractual rate of 1.9% - 9.0%	62 547	164 146	485	-	-
USD, effective contractual rate of 4.0% - 6.8%	6 827	394 598	1 512	-	29 814
EUR, effective contractual rate of 3.5% - 4.3%	-	161 364	-	-	-
Promissory notes issued as at the period end	**-**	**83**	**-**	**-**	**-**
RUR, effective contractual rate of 5.0% - 11.5%	-	83	-	-	-
Payables as at the period end	**-**	**36 723**	**6 952**	**-**	**18 745**
Interest income for the period (based on effective contractual interest rates)	**421**	**18 671**	**3**	**1 065**	**5 899**
Interest expense for the period (based on effective contractual interest rates)	**3 192**	**32 748**	**114**	**-**	**755**
Fee and commission income	**1 129**	**4 959**	**-**	**-**	**47**
Other income for the period	**526**	**307**	**4**	**-**	**-**
Other expenses for the period	**-**	**7 056**	**8 664**	**-**	**-**
Guarantees issued by the Group	**77 392**	**2 488**	**-**	**-**	**-**
Provision for losses on guarantees issued as at 1 January	**(493)**	**(259)**	**-**	**-**	**-**
Provision for losses on guarantees issued during the period	185	207	-	-	-
Provision for losses on guarantees issued as at 30 June	**(308)**	**(52)**	**-**	**-**	**-**
Import letters of credit as at the period end	**-**	**8 534**	**-**	**-**	**42 866**
Gains less losses arising from trading securities (term deals)	**-**	**(2)**	**-**	**-**	**1 033**
Gains less losses arising from trading in foreign currencies (term deals)	**-**	**(3 255)**	**(5 615)**	**-**	**2 593**
Gains less losses arising from trading in foreign currencies (spot deals)	**-**	**-**	**795**	**-**	**259**

There were no material income and expenses from transactions with ABHH during the six-month period ended 30 June 2007 as well as no material balances outstanding as at 30 June 2007.

31 Related Party Transactions (Continued)

The outstanding balances as at 31 December 2006 and income and expense items as well as other transactions for the year ended 31 December 2006 with related parties are as follows:

	31 December 2006/Six-Month period ended 30 June 2006				
In thousands of US Dollars	**TNK-BP**	**Alfa Group Consortim and its sharehol-ders except for ABH Ukraine Group**	**Key manage-ment**	**Associates**	**ABH Ukraine Group**
Trading securities as at the period end	**2 868**	**2 843**	**-**	**22 618**	**18 246**
Correspondent accounts with other banks	**-**	**-**	**-**	**-**	**8 499**
Term placements with other banks	**-**	**-**	**-**	**-**	**324 147**
USD, effective contractual rate of 7.0% - 10.0%	-	-	-	-	283 848
EUR, effective contractual rate of 7.9% - 8.3%	-	-	-	-	40 299
Loans and advances to customers as at the period end	**-**	**398 986**	**4 611**	**87 574**	**-**
RUR, effective contractual rate of 8.5% - 10.5%	-		-	21 585	-
RUR, effective contractual rate of 10.7% - 19.0%	-	17 053	235	-	-
USD, effective contractual rate of 4.5% - 7%	-	78 460	3 785	-	-
USD, effective contractual rate of 7.1% - 10.5%	-	274 456	591	-	-
EUR, effective contractual rate of 6.0-9.5%	-	29 017	-	65 989	-
Provision for loan impairment as at 1 January	**(619)**	**(2 102)**	**(71)**	**-**	**-**
Provision for loan impairment during the period	619	(4 944)	55	(11 366)	-
Provision for loan impairment as at 30 June	**-**	**(7 046)**	**(16)**	**(11 366)**	**-**
Receivables as at period end	**270**	**6 260**	**24**	**-**	**-**
Correspondent accounts of other banks					**30 619**
RUR, effective contractual rate of 0.0%	-	-	-	-	3 407
USD, effective contractual rate of 0.0%	-	-	-	-	27 209
EUR, effective contractual rate of 0.0%	-	-	-	-	3
Term placements of other banks	**-**	**-**	**-**	**-**	**6 771**
RUR, effective contractual rate of 5.2% - 6.0%	-	-	-	-	6 771
Customer accounts					
Current/settlement accounts as at the period end	**299 095**	**287 023**	**1 843**	**7 456**	**-**
RUR, effective contractual rate of 0.0 - 2.0%	98 252	125 942	-	7 023	-
USD, effective contractual rate of 0.0 - 5.2%	200 842	159 920	1 823	433	-
EUR, effective contractual rate of 0.0 - 3.1%	1	1 106	20	-	-
GBP, effective contractual rate of 0.0 - 2.0%	-	55	-	-	-

31 Related Party Transactions (Continued)

In thousands of US Dollars	31 December 2006/Six-Month period ended 30 June 2006				
	TNK-BP	**Alfa Group Consortim and its sharehol-ders except for ABH Ukraine Group**	**Key manage-ment**	**Associates**	**ABH Ukraine Group**
Term deposits as at the period end	**78 967**	**1 443 778**	**1 966**	**-**	**-**
RUR, effective contractual rate of 2.0% - 12.5%	72 528	81 377	1 966	-	-
USD, effective contractual rate of 1.8% - 8.6%	6 439	1 140 197	-	-	-
EUR, effective contractual rate of 2.7% - 7.0%	-	222 204	-	-	-
Promissory notes issued as at the period end	**19**	**666**	**-**	**-**	**-**
RUR, effective contractual interest rate of 5.0% - 11.5%	19	666	-	-	-
Payables as at the year end	**1**	**2 631**	**24 297**	**-**	**7 500**
Interest income for the year (based on effective contractual interest rates)	**429**	**5 595**	**106**	**1 846**	
Interest expense for the year (based on effective contractual interest rates)	**1 563**	**15 512**	**3 927**	**38**	**-**
Fee and commission income for the period	**1 381**	**1 255**	-	**319**	-
Gains less losses from trading securities transactions with related parties	**-**	**2 803**	**1 487**	**-**	**-**
Other income for the period	**-**	**238**	**-**	**-**	**-**
Other expenses for the period	**-**	**5 138**	**13 217**	**-**	**-**
Guarantees issued by the Group	**35 522**	**6 320**	-	-	-
Provision for losses on Guarantees issued as at 1 January	**(2 502)**	**(9)**	-	-	-
Provision for losses on Guarantees issued during the period	753	(207)	-	-	-
Provision for losses on Guarantees issued as at 30 June	**(1 749)**	**(216)**	-	-	-
Import letters of credit as at period end	**-**	**9 218**	-	-	**40 550**

31 Related Party Transactions (Continued)

Key management of the Group are defined as top managerial personnel serving as members of the Board of Directors and Management Board of the Group and Alfa-Bank.

Key management compensation is presented below:

In thousands of US Dollars	30 June 2007 (unaudited)	31 December 2006
Accrued liability for key management compensation at the balance sheet date	**5 348**	**24 196**
Salaries	340	-
Bonuses	**5 008**	**24 196**
- short-term bonuses	3 662	14 380
- long-term bonuses	1 346	9 816

In thousands of US Dollars	Six-Month Period Ended 30 June 2007 (unaudited)	Six-Month Period Ended 30 June 2006
Key management compensation expense	**8 664**	**13 217**
Salaries	3 447	3 519
Bonuses	**5 217**	**9 698**
- short-term bonuses	2 248	7 381
- long-term bonuses	2 969	2 317

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

32 Principal Subsidiaries

Russian Federation and CIS	Rest of the World
Alfa-Bank	Alfa Capital Holdings (Cyprus) Limited (Cyprus)
Alfa-Bank Kazakhstan	Alfa Capital Markets (USA)
Alfa Leasing	Alfa Debt Market Limited (Cyprus)
	Alfa FI Limited (Cyprus)
	Alfa MTN Invest Limited (Cyprus)
	Alfa MTN Issuance Limited (Cyprus)
	Alfa MTN Markets Limited (Cyprus)
	Alfa Bond Issuance PLC
	Amsterdam Trade Bank (Netherlands)
	Alfa MTN Projects Limited
	Alfa ECP Issuance Limited
	Alfa Diversified Payment Rights Finance Company S.A.

As at 30 June 2007 all principal consolidated subsidiaries of the Group were wholly owned and controlled by the Group, except for Alfa Diversified Payment Rights Finance Company S.A., which operates exclusively for the benefit of the Group as promulgated by its articles of association, and is therefore controlled by the Group, despite not being owned by it.

In August 2006 the Group disposed of a 51.0% interest in Alfa-Bank Ukraine to ABH Ukraine Limited, a subsidiary of ABHH. The remaining holding of the Group was further diluted to 16.2% after Alfa-Bank Ukraine closed an offering of shares on 3 November 2006. On the 28 November 2006 the Group disposed of a 15.08% interest in Alfa-Bank Ukraine to ABH Ukraine Limited, with the remaining holding of the Group at 1.12% as at 31 December 2006. This remaining holding of 1.12% was disposed to ABH Ukraine Limited in January 2007.

33 Subsequent Events

On 17 July 2007 the Group repaid EUR 59 000 thousand of its notes issued under the ECP Programme in accordance with their contractual terms.

On 25 July 2007 the Group received two tranches of a syndicated loan in the total amount of USD 900 000 thousand from a consortium of large international banks. Tranche A was received in the amount of USD 447 875 thousand with the contractual maturity on 23 July 2008 and a floating interest rate of LIBOR plus 0.4% per annum payable semi-annually. Tranche B was received in the amount of USD 452 125 thousand with the contractual maturity on 23 January 2009 and a floating interest rate of LIBOR plus 0.6% per annum payable semi-annually.

On 1 August 2007 the Group repaid EUR 33 000 thousand of its notes issued under the ECP Programme in accordance with their contractual terms.

On 16 August 2007 the Group repaid EUR 26 000 thousand of its notes issued under the ECP Programme in accordance with their contractual terms.

On 24 September 2007 the Group repaid USD 220 000 thousand of a syndicated loan to a consortium of large international banks.

On 26 September 2007 the United States District Court for the Southern District of New York refused to hear the claim of Norex relating to Alfa Finance Holdings S.A.