ABH Financial Limited

International Financial Reporting Standards Condensed Consolidated Interim Financial Information and Review Report

30 June 2008

CONTENTS

ZAO PricewaterhouseCoopers Audit
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REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of ABH Financial Limited and its subsidiaries (the "Group") as at 30 June 2008 and the related condensed consolidated interim statements of income, cash flows and changes in equity for the six-month period then ended (altogether "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

ZAO PricewaterhouseCoopers Audit
19 September 2008
Moscow, Russian Federation

In thousands of US Dollars	**Note**	**30 June 2008 (unaudited)**	**31 December 2007**
ASSETS			
Cash and cash equivalents	6	2 729 556	2 634 359
Mandatory cash balances with central banks		544 641	308 092
Trading securities	7	910 530	841 457
Repurchase receivables	7	711 808	534 426
Due from other banks	8	2 282 061	1 916 685
Loans and advances to customers	9	19 727 685	15 037 535
Investments in associates	10	35 586	58 973
Other investments	10	350 477	55 228
Other financial assets		891 922	778 447
Other assets		321 217	176 236
Premises, equipment and intangible assets		303 528	290 818
Deferred tax asset		64 094	62 304
TOTAL ASSETS		**28 873 105**	**22 694 560**
LIABILITIES			
Due to other banks	11	3 466 657	2 849 461
Customer accounts	12	16 594 571	12 180 392
Promissory notes issued		756 066	789 192
Other borrowed funds	13	4 009 695	3 743 834
Subordinated debt	14	528 035	526 006
Other financial liabilities		901 683	565 594
Other liabilities		168 349	128 545
Deferred tax liability		58 376	56 839
TOTAL LIABILITIES		**26 483 432**	**20 839 863**
EQUITY			
Share capital	15	944 800	694 800
Fair value reserve for investments available for sale		456	39
Revaluation reserve for premises		55 340	56 785
Retained earnings and cumulative translation reserve	15	1 389 077	1 103 073
TOTAL EQUITY		**2 389 673**	**1 854 697**
TOTAL LIABILITIES AND EQUITY		**28 873 105**	**22 694 560**

This condensed consolidated interim financial information was approved for issue by the Board of Directors of ABH Financial Limited on 19 September 2008 and further changes require approval of this body.

The notes set out on pages 6 to 37 form an integral part of this condensed consolidated interim financial information.

In thousands of US Dollars	**Note**	**Six-Month Period Ended 30 June 2008 (unaudited)**	**Six-Month Period Ended 30 June 2007 (unaudited)**
Interest income	16	1 250 791	736 700
Interest expense	16	(591 346)	(347 743)
Net interest income		**659 445**	**388 957**
Provision for loan impairment	9	(139 421)	(61 541)
Net interest income after provision for loan impairment		**520 024**	**327 416**
Fee and commission income	17	219 908	143 421
Fee and commission expense	17	(33 683)	(33 961)
Gains less losses arising from trading securities and derivatives		15 981	17 191
(Losses)/ gains arising from foreign currencies		(11 326)	13 520
Gains arising from investments	10	26 663	5 547
Other operating income	18	54 769	7 878
Operating expenses	19	(450 336)	(322 647)
Share of results and impairment of associate	10	(15 234)	(8 528)
Profit before tax		**326 766**	**149 837**
Income tax expense		(61 462)	(34 271)
Profit for the period		**265 304**	**115 566**

The notes set out on pages 6 to 37 form an integral part of this condensed consolidated interim financial information.

In thousands of US Dollars	**Share capital (Note 15)**	**Fair value reserve for invest-ments available for sale**	**Revalua-tion reserve for premises**	**Retained earnings and cumulative translation reserve (Note 15)**	**Total equity**
Balance as at 1 January 2008	**694 800**	**39**	**56 785**	**1 103 073**	**1 854 697**
Fair value gains arising on investments available for sale	-	417	-	-	417
Translation movement (Note 15)	-	-	-	80 826	80 826
Net change in hedge of net investment in foreign operations (Note 15)	-	-	-	(61 402)	(61 402)
Net income recorded directly in equity	**-**	**417**	**-**	**19 424**	**19 841**
Profit for the period	-	-	-	265 304	265 304
Total income recorded for the period	**-**	**417**	**-**	**284 728**	**285 145**
Share capital contribution (Note 15)	250 000	-	-	-	250 000
Other movements	-	-	(1 445)	1 276	(169)
Balance as at 30 June 2008	**944 800**	**456**	**55 340**	**1 389 077**	**2 389 673**

In thousands of US Dollars	Attributable to the equity holders of the Company					Minority interest	Total equity
	Share capital (Note 15)	Fair value reserve for investments available for sale	Revaluation reserve for premises	Retained earnings and cumulative translation reserve (Note 15)	Total		
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 profit	-	(67)	-	-	(67)	-	(67)
Translation movement (Note 15)	-	-	-	21 049	21 049	-	21 049
Net change in hedge of net investment in foreign operations (Note 15)	-	-	-	(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 15)	350 000	-	-	-	350 000	-	350 000
Dividends	-	-	-	(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 6 to 37 form an integral part of this condensed consolidated interim financial information.

In thousands of US Dollars	Note	Six-Month Period Ended 30 June 2008 (unaudited)	Six-Month Period Ended 30 June 2007 (unaudited)
Net cash used in operating activities		**(58 647)**	**(880 443)**
Net cash (used in)/ from investing activities		**(286 072)**	**1 150**
Net cash from financing activities		**320 376**	**584 869**
Net decrease in cash and cash equivalents		**(24 343)**	**(294 424)**
Cash and cash equivalents at the beginning of the period	6	2 634 359	1 672 681
Effect of exchange rate changes on cash and cash equivalents		119 540	22 351
Cash and cash equivalents at the end of the period	**6**	**2 729 556**	**1 400 608**

The notes set out on pages 6 to 37 form an integral part of this condensed consolidated 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 four main business segments: corporate banking, retail banking, treasury and investment banking (refer to Note 20). The corporate banking, retail banking and treasury 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 is carried out in the Russian Federation. Refer to Note 24 for a list 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 and/or owns a 50% or more interest in ABHH. The Controlling Shareholders have entered into an agreement to vote as if they were a single shareholder in relation to all matters relating to ABHH.

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

Corporate banking, retail banking and treasury. Alfa-Bank is a wholly owned subsidiary of the Company. It is registered in the Russian Federation to carry out banking and foreign exchange activities and has operated under a full banking license issued by the Central Bank of the Russian Federation (the "CBRF") since 1991. Alfa-Bank operates in all banking sectors of the Russian financial markets, including interbank, corporate and retail loans and deposits, foreign exchange operations and debt and equity trading. In addition, a complete range of banking services is provided in Russian Roubles ("RR") and foreign currencies to its customers. Alfa-Bank participates in the State deposit insurance scheme, which was introduced by the Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. 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. Alfa-Bank's major wholly owned subsidiaries comprise Amsterdam Trade Bank N.V. and JSC SB Alfa-Bank Kazakhstan.

Alfa-Bank's registered office is located at 27 Kalanchyovskaya Street, Moscow 107078, Russian Federation.

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. 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 a significant exposure to the economy and financial markets of the Russian Federation.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and 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. As a result of, among other factors, global volatility in financial and commodity markets, there has been a significant decline in the Russian stock market which forced the Central Bank of the Russian Federation to intervene in total market. 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.

2 Operating Environment of the Group (Continued)

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.

Recent volatility in global financial markets. While the Group does not have any exposure to the US sub-prime market, the ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market financing opportunities, a significant decline in the Russian stock market and higher interbank lending rates, making financing more difficult and more expensive to obtain. Such circumstances may affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions that applied to earlier transactions. The borrowers of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay the outstanding loans. Deteriorating operating conditions for borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has reflected revised estimates of expected future cash flows in their impairment assessments. Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and their increased volatility. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

3 Accounting Policies

Basis of preparation. This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

As at 30 June 2008 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 23.4573 (31 December 2007: USD 1 = RR 24.5462) and the average exchange rate for the six-month period ended 30 June 2008 was USD 1 = RR 23.9439 (six-month period ended 30 June 2007: USD 1 = RR 26.0827).

Changes in accounting policies and presentation. The accounting policies and methods of computation applied in the preparation of this condensed consolidated interim financial information are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2007 except as described below.

***Interim period measurement*.** Income tax expense is recognised in this condensed consolidated interim financial information based on Management's best estimates of the weighted average 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 condensed consolidated 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:

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

Impairment losses on loans and advances to customers. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the condensed consolidated 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 5% of principal amount of the loans differs by +/- one month, the provision would be approximately USD 8 557 thousand (31 December 2007: USD 5 969 thousand, 30 June 2007: USD 4 146 thousand) higher or USD 7 606 thousand (31 December 2007: USD 5 068 thousand, 30 June 2007: USD 3 521 thousand) lower.

Impairment of investment in Amtel-Vredestein N.V. Due to the expected private placement of new ordinary shares of Amtel-Vredestein N.V. ("Amtel"), the trading of Amtel's GDRs was suspended on 27 June 2008. Accordingly, Management estimated the fair value of the investment in Amtel as at 30 June 2008 using the information on the future subscription price agreed between Amtel and a potential investor. The applied price was not significantly different from the last available market price. Management believes that this is the best available information on the fair value of the investment in Amtel.

Fair value of investments at fair value through profit or loss. As at 30 June 2008 the fair value of a certain equity investment classified at fair value through profit or loss and carried on the condensed consolidated interim balance sheet at USD 33 634 thousand (31 December 2007: USD 32 142 thousand) was determined using peer companies comparison since the investment was not quoted in an active market due to existing but irregular and low volume transactions. Had the fair value of the investment as at 30 June 2008 been determined by reference to the last quoted price before the balance sheet date, such fair value would have been USD 12 565 thousand (31 December 2007: USD 14 143 thousand) higher and the related pre-tax gain in the condensed consolidated interim statement of income would have been USD 1 578 thousand lower (31 December 2007: USD 14 143 thousand higher).

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Revenue recognition. As disclosed in Note 18, the Group recognised revenue from sale of its exclusive rights to exibit certain films and TV series. The revenue of USD 45 000 thousand was recognised in the six month period ended 30 June 2008 because the Group had no further obligations towards the buyer, it transferred control over the film and TV series legal rights and over the recordings to the buyer and had no further managerial involvement, including that the sales price was fixed and included no additional revenue from the box office receipts. The Group may unilaterally rescind the sale agreement and thus retains the legal title if the buyer delays any of the scheduled payments for 5 working days or more. Management have considered impact of this possibility on recognition of revenue and concluded that it exists solely to protect the collectibility of the amounts due to the Group and therefore should not have an impact on the point of recognising the revenues. Management have also considered whether the sale is similar to a lease of the film rights and whether the revenue should be recognised over the period that the licensee is entitled to exhibit the films and TV series. Management have decided to recognise revenue in full in the six month period ended 30 June 2008 because, in their opinion, (i) the transaction is similar to sale of goods and (ii) licensing agreements for motion picture films or video recordings are specifically excluded from the scope of IAS 17, Leases, and IFRIC 4, Determining whether an Arrangement contains a Lease.

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

Functional currencies of different entities of the Group. Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination of what the specific underlying economic conditions are requires judgement. In making this judgement, the Group evaluates, among other factors, the location of activities, the sources of revenue, risks associated with activities and denomination of currencies of operations of different entities. Specifically, in determination of the functional currencies of ABH Financial Limited and Alfa Capital Holdings (Cyprus) Limited, the Group based its judgement on the fact that the companies operate internationally on markets mainly influenced by the US Dollar 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.

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 penalties 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.

5 Adoption of New or Revised Standards and Interpretations

Certain new interpretations became effective for the Group from 1 January 2008. 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:

- 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 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after 1 January 2008).

The new IFRIC interpretations 11, 12 and 14 did not significantly affect the Group's condensed consolidated interim financial information.

6 Cash and Cash Equivalents

In thousands of US Dollars	**30 June 2008 (unaudited)**	**31 December 2007**
Cash on hand	489 101	626 094
Cash balances with central banks (other than mandatory cash balances)	1 431 726	1 359 638
Correspondent and settlement accounts with banks and financial institutions		
- Russian Federation	103 280	126 543
- Other countries	119 009	128 037
Overnight placements with other banks		
- Russian Federation	361 144	6 112
- Other countries	225 296	387 935
Total cash and cash equivalents	**2 729 556**	**2 634 359**

6 Cash and Cash Equivalents (Continued)

As at 30 June 2008 the ten largest aggregate balances on correspondent, settlement accounts and overnight placements with other financial institutions amounted to USD 572 222 thousand (31 December 2007: USD 508 131 thousand) or 70.8% (31 December 2007: 78.3%) of the correspondent, settlement accounts and overnight placements with banks and other financial institutions.

For the purposes of measurement the Group classified all balances included in cash and cash equivalents as loans and receivables. Currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 21. The information on related party balances is disclosed in Note 23.

7 Trading Securities and Repurchase Receivables

In thousands of US Dollars	30 June 2008 (unaudited)	31 December 2007
Trading securities		
Corporate bonds	421 294	419 342
Corporate Eurobonds	210 112	191 125
Eurobonds of other states	93 004	43 930
Municipal bonds	24 184	3 661
Bonds of other states	14 971	4 738
Total debt securities	**763 565**	**662 796**
Corporate shares	123 486	152 569
ADRs and GDRs	23 479	26 092
Total trading securities	**910 530**	**841 457**
Repurchase receivables		
Corporate bonds	367 786	228 536
Corporate Eurobonds	250 444	172 812
Eurobonds of other states	23 056	15 960
Russian Federation Eurobonds	16 842	83 567
Municipal bonds	9 439	1 444
Total debt securities classified as repurchase receivables	**667 567**	**502 319**
Corporate shares	44 241	30 776
ADRs and GDRs	-	1 331
Total repurchase receivables	**711 808**	**534 426**
Total trading securities and repurchase receivables	**1 622 338**	**1 375 883**

Corporate bonds are interest-bearing securities issued by large Russian companies, denominated in Russian Roubles and are freely tradable in the Russian Federation. As at 30 June 2008 these bonds have maturity dates ranging from September 2008 to June 2014 (31 December 2007: February 2008 to June 2014), coupon rates from 7.4% to 15.0% (31 December 2007: from 7.6% to 16.0%) and yields to maturity from 7.0 % to 35.3 % (31 December 2007: from 7.5% to 26.0%), depending on the type of bond issue.

7 Trading Securities and Repurchase Receivables (Continued)

Corporate Eurobonds are interest-bearing securities denominated in US Dollars, Russian Roubles and Euros, issued mainly by large Russian and CIS companies, and are freely tradable internationally. As at 30 June 2008 these bonds have maturity dates ranging from January 2009 to March 2018 (31 December 2007: from January 2008 to July 2035), coupon rates from 6.0% to 16.9% (31 December 2007: from 6.3% to 12.0%) and yields to maturity from 5.6 % to 14.3 % (31 December 2007: from 4.7% to 12.7%), depending on the type of bond issue.

Corporate shares are mainly shares of Russian and Ukrainian companies.

Repurchase receivables represent securities sold under sale and repurchase agreements with other banks (Note 11). The counterparties have a right to resell or pledge these securities.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As at 30 June 2008 and 31 December 2007 no amounts of the debt securities were past due. All trading securities are carried at their fair values based on observable market data. The Group does not analyse or monitor impairment indicators other than market quotations.

As at 30 June 2008 and as at 31 December 2007 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.

For the purposes of measurement the Group classified all balances included in trading securities and repurchase receivables as financial assets at fair value through profit or loss held for trading. Currency, maturity and interest rates analyses of trading securities and repurchase receivables are disclosed in Note 21. The information on securities issued by related parties and owned by the Group is disclosed in Note 23.

8 Due from Other Banks

In thousands of US Dollars	**30 June 2008 (unaudited)**	**31 December 2007**
Term placements with other banks	1 929 622	1 774 200
Reverse sale and repurchase agreements with other banks	352 439	142 485
Total due from other banks	**2 282 061**	**1 916 685**

As at 30 June 2008 reverse sale and repurchase agreements (“reverse repo”) with other banks were effectively collaterised by securities purchased with estimated fair value of USD 371 368 thousand (31 December 2007: USD 159 048 thousand), all of which the Group had right to sell or repledge.

As at 30 June 2008 the Group sold certain securities acquired under reverse repo agreements and the obligation to return these securities for the amount of USD 93 836 thousand is recorded at fair value within other financial liabilities (31 December 2007: nil). The Group also repledged the securities acquired under reverse repo transactions with banks and customers (refer to Note 9) as collateral under sale and purchase agreements with other banks. The fair value of such repledged securities at 30 June 2008 was USD 163 744 thousand (31 December 2007: USD 324 999 thousand). Refer to Note 11.

As at 30 June 2008 the ten largest aggregate balances due from other banks amounted to USD 1 388 644 thousand (31 December 2007: USD 1 538 989 thousand) or 60.9 % (31 December 2007: 80.3%) of total due from other banks of which USD 205 074 (31 December 2007: USD 248 789 thousand) thousand were placed with related party banks. Refer to Note 23.

As at 30 June 2008 included within term placements with other banks are deposits placed under Diversified Payment Rights Secured Debt Issuance Programme in the amount of USD 91 164 thousand (31 December 2007: USD 80 480 thousand). Refer to Note 13 and 22.

As at 30 June 2008 balances due from other banks include margin call deposits in the amount of USD 174 211 thousand placed as collateral under transactions with derivatives (31 December 2007: USD 92 952 thousand). Refer to Note 22.

8 Due from Other Banks (Continued)

As at 30 June 2008 the estimated fair value of due from other banks was USD 2 282 061 thousand (31 December 2007: USD 1 916 685 thousand).

For the purposes of measurement the Group classified all balances included in due from other banks as loans and receivables. Currency, maturity and interest rate analyses of due from other banks are disclosed in Note 21. The information on related party balances is disclosed in Note 23.

9 Loans and Advances to Customers

In thousands of US Dollars	**30 June 2008 (unaudited)**	**31 December 2007**
Corporate loans	16 282 890	12 495 826
Finance lease receivables	995 968	617 129
Loans to individuals - credit cards and personal instalment loans (PILs)	973 224	676 554
Loans to individuals - car loans	697 017	531 088
Loans to individuals - mortgage loans	433 977	225 970
Loans to individuals - consumer loans	301 889	318 965
Loans to small and medium-size enterprises (SMEs)	275 847	199 534
Reverse repo - corporate customers and individuals	248 995	353 159
Less: Provision for loan impairment	(482 122)	(380 690)
Total loans and advances to customers	**19 727 685**	**15 037 535**

As at 30 June 2008 reverse repo balances were effectively collaterised by securities purchased with estimated fair value of USD 318 426 thousand (31 December 2007: USD 512 695 thousand) all of which the Group had right to sell or repledge. As at 30 June 2008 and 31 December 2007 the securities were partially repledged as collateral under sale and purchase agreements with other banks. Refer to Note 8 and 11.

As at 30 June 2008 and 31 December 2007 no provision for impairment of reverse repo was required.

Movements in the provision for the six-month period ended 30 June 2008 were as follows:

	Corporate loans	**Loans to SMEs**	**Finance lease receivables**	**Loans to individuals**				**Total**
In thousands of US Dollars				**Credit cards and PILs**	**Consumer loans**	**Car loans**	**Mortgage loans**	
Provision for loan impairment as at 1 January	**268 743**	**8 466**	**12 824**	**36 639**	**31 981**	**21 406**	**631**	**380 690**
Provisions for loan impairment during the period	88 003	1 012	6 423	30 332	22 160	9 254	1 223	158 407
Amounts written off during the period as uncollectible	(1 214)	-	-	(37 148)	(31 517)	(15 160)	(140)	(85 179)
Translation movement	12 690	453	763	6 478	5 141	2 635	44	28 204
Provision for loan impairment as at 30 June	**368 222**	**9 931**	**20 010**	**36 301**	**27 765**	**18 135**	**1 758**	**482 122**

9 Loans and Advances to Customers (Continued)

The amount recorded in the provisions for loan impairment during the six-month period ended 30 June 2008 differs from the amount presented in the condensed consolidated interim statement of income due to USD 18 986 thousand recovery during six-month period ended 30 June 2008 of amounts previously written off as uncollectible (six-month period ended 30 June 2007: USD 1 625 thousand). This amount was credited directly to the provision for loan impairment line in the condensed consolidated interim statement of income.

Movements in the provision for the six-month period ended 30 June 2007 were as follows:

In thousands of US Dollars	Corporate loans	Finance lease receivables	Loans to individuals: Credit cards and PILs	Consumer loans	Car loans	Mortgage loans	Total
Provision for loan impairment as at 1 January	**215 646**	**10 692**	**40 727**	**18 547**	**17 638**	**43**	**303 293**
Provisions/(release of provisions) for loan impairment during the period	(19 525)	4 414	40 475	12 791	24 900	111	63 166
Amounts written off during the period as uncollectible	(6 483)	-	(35 768)	(14 531)	(12 412)	-	(69 194)
Disposal of a subsidiary	(84)	-	-	-	-	-	(84)
Translation movement	4 705	245	1 172	1 020	449	9	7 600
Provision for loan impairment as at 30 June	**194 259**	**15 351**	**46 606**	**17 827**	**30 575**	**163**	**304 781**

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

In thousands of US Dollars	30 June 2008 (unaudited) Amount	%	31 December 2007 Amount	%
Construction	2 962 828	15	2 194 725	14
Trade and commerce	2 744 858	14	2 695 676	17
Individuals	2 490 200	12	1 870 452	12
Finance and investment companies	1 435 052	7	994 421	6
Ferrous metallurgy	1 217 272	6	825 823	5
Power generation	1 142 564	6	718 306	5
Railway transport	1 084 078	5	672 527	4
Machinery and metal working	959 284	5	661 997	4
Non-ferrous metallurgy	831 370	4	637 059	4
Military	818 939	4	715 207	5
Food industry	515 266	3	254 938	2
Nuclear industry	509 140	3	572 777	4
Oil industry	425 455	2	196 880	1
Agribusiness	396 038	2	154 720	1
Aviation transport	381 899	2	230 491	1
Chemistry and petrochemistry	353 821	2	190 326	1
Diamond extraction and processing	333 621	2	302 497	2
Mass media and telecommunications	299 340	1	196 420	1
Coal industry	238 668	1	147 489	1
Natural gas industry	234 563	1	425 516	3
Timber industry	90 333	0	34 062	0
Water transport	69 110	0	77 262	1
Other	676 108	3	648 654	4
Total loans and advances to customers before provision for loan impairment	**20 209 807**	**100**	**15 418 225**	**100**

9 Loans and Advances to Customers (Continued)

As at 30 June 2008 aggregate loans and advances to the ten largest borrowers (or groups of related borrowers) amounted to USD 2 924 557 thousand (31 December 2007: USD 2 849 552 thousand) or 14.5% (31 December 2007: 18.5%) of the gross loans and advances to customers, while aggregate loans and advances to the twenty largest borrowers (or groups of related borrowers) amounted to USD 4 694 454 thousand (31 December 2007: USD 4 428 934 thousand) or 23.2% (31 December 2007: 28.7%) of the gross loans and advances to customers.

Analysis by credit quality of loans outstanding as at 30 June 2008 was as follows:

In thousands of US Dollars	Corporate loans	Loans to SMEs	Finance lease receivab-les	Reverse repo - corporate and individuals	Credit cards and PILs	Consu-mer loans	Car loans	Mortgage loans	Total
Gross current and not impaired loans	16 058 167	270 436	946 900	248 995	908 999	260 591	654 894	428 610	19 777 592
Gross past due but not impaired	-	-	49 068	-	-	-	-	-	49 068
Gross individually impaired loans	224 723	5 411	-	-	64 225	41 298	42 123	5 367	383 147
Total gross loans and advances to customers	**16 282 890**	**275 847**	**995 968**	**248 995**	**973 224**	**301 889**	**697 017**	**433 977**	**20 209 807**
Provision for loan impairment	(368 222)	(9 931)	(20 010)	-	(36 301)	(27 765)	(18 135)	(1 758)	(482 122)
Total loans and advances to customers	**15 914 668**	**265 916**	**975 958**	**248 995**	**936 923**	**274 124**	**678 882**	**432 219**	**19 727 685**

As at 30 June 2008 gross individually impaired loans include credit cards and PILs, consumer loans and car loans of USD 37 268 thousand, USD 17 792 thousand and USD 26 554 thousand, respectively, with delinquencies of up to 30 days (31 December 2007: USD 16 673 thousand, USD 10 748 thousand and USD 9 975 thousand, respectively).

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding as at 31 December 2007 was as follows:

In thousands of US Dollars	**Corporate loans**	**Loans to SMEs**	**Finance lease receivab-les**	**Reverse repo - corporate and individuals**	**Credit cards and PILs**	**Consu-mer loans**	**Car loans**	**Mortgage loans**	**Total**
Gross current and not impaired loans	12 389 725	195 807	600 068	353 159	630 089	283 932	506 171	224 654	15 183 605
Gross past due but not impaired	-	-	17 061	-	-	-	-	-	17 061
Gross individually impaired loans	106 101	3 727	-	-	46 465	35 033	24 917	1 316	217 559
Total gross loans and advances to customers	**12 495 826**	**199 534**	**617 129**	**353 159**	**676 554**	**318 965**	**531 088**	**225 970**	**15 418 225**
Provision for loan impairment	(268 743)	(8 466)	(12 824)	-	(36 639)	(31 981)	(21 406)	(631)	(380 690)
Total loans and advances to customers	**12 227 083**	**191 068**	**604 305**	**353 159**	**639 915**	**286 984**	**509 682**	**225 339**	**15 037 535**

The Group created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the balance sheet date. The Group’s policy is to classify each loan as “current and not impaired” until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

Carrying value of each class of loans and advances to customers approximated fair value as at 30 June 2008 and 31 December 2007. As at 30 June 2008 the estimated fair value of loans and advances to customers was USD 19 477 150 thousand (31 December 2007: USD 14 988 825 thousand).

For the purposes of measurement the Group classified all balances included in loans and advances to customers as loans and receivables. Currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 21. The information on related party balances is disclosed in Note 23.

10 Investments

In thousands of US Dollars	**30 June 2008 (unaudited)**	**31 December 2007**
Amtel-Vredestein N.V.	35 586	50 820
Patriot Capital LLC	-	8 153
Total investments in associates	**35 586**	**58 973**
Debt investments available for sale	287 272	8 969
Equity investments at fair value through profit and loss	63 205	46 259
Total investments	**386 063**	**114 201**

As at 30 June 2008 the Group owned a 27.57% interest (31 December 2007: 27.57%) in Amtel, a tyre manufacturing company operating in the Russian Federation and Europe.

The Group's investment in Amtel is impaired and is carried at its recoverable amount determined as the investment's fair value. As discussed in Note 4, the fair value of the investment as at 30 June 2008 was determined using the information on the future subscription price agreed between Amtel and a potential investor. As a result, the Group recorded an impairment loss. As at 31 December 2007 the market value of the Group's investment in Amtel was USD 50 820 thousand which was determined using the market price of Amtel GDRs as at that date.

As at 30 June 2008 debt investments available for sale include Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation ("OFZ bonds"). These OFZ bonds have maturity dates from January 2010 to May 2011, coupon rates from 5.8% to 7.4% p.a. and yield to maturity from 6.1 to 8.0% p.a. depending on the type of issue.

As a result of restructuring of VISA Inc ("VISA"), the Group was entitled to an equity interest in VISA. The equity interest is disclosed within equity investments at fair value through profit and loss. During the six-month period ended 30 June 2008 the Group recorded the fair value gain on the investment in the total amount of USD 25 874 thousand of which the Group received in cash USD 11 217 thousand during the partial mandatory buy-out by VISA.

11 Due to Other Banks

In thousands of US Dollars	**30 June 2008 (unaudited)**	**31 December 2007**
Correspondent accounts and overnight placements of other banks		
- Russian Federation	90 972	59 503
- Other countries	65 359	37 242
Term placements of other banks	2 627 506	2 159 197
Sale and repurchase agreements with other banks	682 820	593 519
Total due to other banks	**3 466 657**	**2 849 461**

As at 30 June 2008 the ten largest aggregate balances due to other banks amounted to USD 2 034 781 thousand (31 December 2007: USD 1 594 018 thousand) or 58.7% (31 December 2007: 55.9%) of total due to other banks.

11 Due to Other Banks (Continued)

As at 30 June 2008 trading securities (Note 7) with a fair value of USD 711 808 thousand (31 December 2007: USD 534 426 thousand) have been sold to third parties under sale and repurchase agreements with other banks.

As discussed in Notes 8 and 9, as at 30 June 2008 securities with a fair value of USD 163 744 thousand (31 December 2007: USD 324 999 thousand) acquired as collateral under reverse repo agreements with banks and customers were repledged under sale and purchase agreements with other banks.

As at 30 June 2008 the estimated fair value of due to other banks was USD 3 466 657 thousand (31 December 2007: USD 2 849 461 thousand).

Currency, maturity and interest rate analyses of due to other banks are disclosed in Note 21. The information on related party balances is disclosed in Note 23.

12 Customer Accounts

In thousands of US Dollars	**30 June 2008 (unaudited)**	**31 December 2007**
Commercial organisations		
- Current/settlement accounts	3 453 032	2 524 597
- Term deposits	2 537 626	3 968 881
Individuals		
- Current/demand accounts	4 276 627	3 333 292
- Term deposits	2 046 802	1 585 263
State and public organisations		
- Current/settlement accounts	386 744	32 179
- Term deposits	3 893 740	736 180
Total customer accounts	**16 594 571**	**12 180 392**

Economic sector concentrations within customer accounts were as follows:

	30 June 2008 (unaudited)		**31 December 2007**	
In thousands of US Dollars	**Amount**	**%**	**Amount**	**%**
Individuals	6 323 428	38	4 918 555	39
State and public organisations	4 280 485	26	768 359	6
Finance and investment companies	1 284 885	8	726 913	6
Energy and oil and gas	1 186 710	7	2 283 247	19
Manufacturing	1 058 930	6	1 058 087	9
Trade and commerce	961 098	6	847 555	7
Science	336 249	2	197 717	2
Mass media and telecommunication	85 730	1	446 561	4
Other	1 077 056	6	933 398	8
Total customer accounts	**16 594 571**	**100**	**12 180 392**	**100**

As at 30 June 2008 the ten largest aggregate balances amounted to USD 6 148 857 thousand (31 December 2007: USD 4 562 847 thousand) or 37.1% (31 December 2007: 37.5%) of the total customer accounts, of which USD 1 091 283 thousand (31 December 2007: USD 1 774 914 thousand) represented balances outstanding to Alfa Group and its shareholders. Refer to Note 23.

12 Customer Accounts (Continued)

Included in customer accounts are balances in the amount of USD 80 705 thousand (31 December 2007: USD 51 554 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 22.

As at 30 June 2008 the estimated fair value of customer accounts was USD 16 594 571 thousand (31 December 2007: USD 12 180 392 thousand).

Currency, maturity and interest rate analyses of customer accounts are disclosed in Note 21. The information on related party balances is disclosed in Note 23.

13 Other Borrowed Funds

In thousands of US Dollars	**30 June 2008 (unaudited)**	**31 December 2007**
Syndicated loans	1 347 868	1 354 090
Notes issued under a DPR Programme	907 166	1 047 105
Euro Medium Term Notes maturing in 2012	474 175	447 414
Euro Medium Term Notes maturing in 2009	405 990	405 467
Euro Medium Term Notes maturing in 2013	398 529	-
Euro Medium Term Notes maturing in 2008	259 448	249 539
Euro-Commercial Papers	216 519	157 385
Russian Rouble denominated bonds maturing in 2008	-	82 834
Total other borrowed funds	**4 009 695**	**3 743 834**

On 9 November 2007 the Group received a syndicated loan in the amount of USD 307 000 thousand from a consortium of large international banks. The loan matures on 7 November 2008 and bears a floating interest rate of LIBOR plus 0.6% per annum payable semi-annually. As at 30 June 2008 the effective interest rate was 3.8% per annum. The issue proceeds net of transaction costs amounted to USD 305 420 thousand.

On 25 July 2007 the Group received a syndicated loan in the amount of USD 900 000 thousand by two tranches in the amount of USD 452 125 thousand and USD 447 875 thousand. The first tranche matures on 23 July 2008 and bears floating interest rate of LIBOR plus 0.4% per annum payable semi-annually. The second tranche matures on 23 January 2009 and bears floating interest rate of LIBOR plus 0.6% per annum payable semi-annually. As at 30 June 2008 the effective interest rate was 4.0% per annum for the first tranche and 3.8% per annum for the second tranche. The issue proceeds net of transaction costs amounted to USD 450 277 thousand for the first tranche and USD 445 148 thousand for the second tranche. As discussed in Note 25, the Group repaid the first tranche on the loan when it fell due.

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. Initially the loan had a maturity date of 20 December 2007 and bore a floating interest rate equal to LIBOR plus 0.45% per annum payable semi-annually. On 20 December 2007 the Group repaid USD 214 000 thousand of this loan and rolled over the balance in the amount of USD 126 000 thousand. The rolled over balance matures on 17 December 2008. As at 30 June 2008 the effective interest rate was 4.2% per annum. The initial issue proceeds net of transaction costs were equal to USD 338 610 thousand.

Subsequent to 30 June 2008 the Group received additional syndicated loans. Refer to Note 25.

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").

13 Other Borrowed Funds (Continued)

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 2007 for EUR denominated notes and 15 June 2008 for US Dollar denominated notes until maturity on 15 March 2012. As at 30 June 2008 the effective interest rate was 7.4% per annum for EUR denominated bonds and 5.2% 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 starting from 15 March 2007 until maturity on 15 December 2011. As at 30 June 2008 the effective interest rate was 7.4% per annum for EUR denominated bonds and 5.1% 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 USD 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 starting from 15 June 2006 until maturity on 15 March 2011. As at 30 June 2008 the effective interest rate was 5.0% per annum. The issue proceeds net of transaction costs amounted to USD 344 175 thousand.

The Group is also required to deposit with designated banks funds covering the repayment of the next quarterly instalment for the notes issued under the DPR Programme. Refer to Note 8 and 22.

As at 30 June 2008 the Group repurchased on the market notes issued under DPR Programme with a nominal value of USD 31 904 thousand and EUR 28 315 thousand (31 December 2007: USD 32 900 thousand and EUR 5 100 thousand).

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 24 June 2008 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 9.25% per annum payable semi-annually and mature on 24 June 2013. The issue proceeds net of transaction costs and discount amounted to USD 398 126 thousand and the effective interest rate at origination was 9.6%.

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 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 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%. Subsequently, the Group repaid the notes when they fell due. Refer to Note 25.

As at 30 June 2008 the Group repurchased on the market notes issued under MTN Programme with a nominal value of USD 24 500 thousand (31 December 2007: USD 52 000 thousand).

13 Other Borrowed Funds (Continued)

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. As at 30 June 2008 the nominal value of outstanding notes was USD 162 210 thousand and EUR 43 000 thousand (31 December 2007: USD 102 950 thousand and EUR 40 000 thousand) and they were issued at a discount to the nominal value ranging from 7.5% to 8.3% depending on the type of issue. As at 30 June 2008 the average effective interest rate at origination on notes outstanding was 8.8% for USD denominated notes and 8.8% for EUR denominated notes.

As at 30 June 2008 the estimated fair value of other borrowed funds was USD 3 976 924 thousand (31 December 2007: USD 3 691 031 thousand).

Currency, maturity and interest rate analyses of other borrowed funds are disclosed in Note 21.

14 Subordinated Debt

In thousands of US Dollars	**30 June 2008 (unaudited)**	**31 December 2007**
Subordinated Loan maturing in 2017	302 885	300 909
Subordinated Loan maturing in 2015	225 150	225 097
Total subordinated debt	**528 035**	**526 006**

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 2008 the effective interest rate was equal to 9.0% per annum (2007: 9.0% per annum). The issue proceeds net of transaction costs were equal to USD 298 525 thousand. As at 30 June 2008 the Group repurchased on the market the subordinated notes maturing in 2017 with a nominal value of USD 4 500 thousand (31 December 2007: USD 6 500 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 2008 the effective interest rate was equal to 9.0% per annum (31 December 2007: 9.0% per annum). The issue proceeds net of transaction costs were equal to USD 223 610 thousand.

As at 30 June 2008 the fair value of subordinated debt was USD 503 304 thousand (31 December 2007: USD 500 050 thousand).

15 Share Capital, Retained Earnings and Translation Reserve

	30 June 2008 (unaudited)		31 December 2007	
	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	694 800 000	694 800	344 800 000	344 800
Share capital contribution	250 000 000	250 000	350 000 000	350 000
Total share capital	**944 800 000**	**944 800**	**694 800 000**	**694 800**

On 30 June 2008 the Group issued to ABHH 250 000 000 additional new ordinary shares in exchange for cash consideration of USD 250 000 thousand. As at 30 June 2008 authorised, issued and fully paid share capital of ABH Financial Limited comprised 944 800 000 ordinary shares (31 December 2007: 694 800 000 ordinary shares). All shares have a nominal value of USD 1 per share and rank equally. Each share carries one vote.

As at 30 June 2008 retained earnings and cumulative translation reserve comprise the retained earnings in the amount of USD 1 587 543 thousand and cumulative translation loss of USD 198 466 thousand (31 December 2007: USD 1 320 963 thousand and USD 217 890 thousand respectively). The translation loss arises from the translation into USD of the net investments in subsidiaries with functional currencies other than USD. The financial results from hedging the net investment in foreign operations are recognised in the same component of equity as the cumulative translation loss.

In January 2007 the Group declared dividends in the amount of USD 92 393 thousand or USD 0.27 per share paid in-kind by means of distribution of the total interest in one of its associates.

16 Interest Income and Expense

In thousands of US Dollars	**Six-Month Period Ended 30 June 2008 (unaudited)**	**Six-Month Period Ended 30 June 2007 (unaudited)**
Interest income		
Loans and advances to corporate customers	916 481	532 977
Loans and advances to individuals	201 047	111 107
Trading securities	68 926	28 788
Due from other banks	64 337	63 828
Total interest income	**1 250 791**	**736 700**
Interest expense		
Term deposits of legal entities	239 354	93 538
Other borrowed funds	116 716	105 548
Due to other banks	80 430	50 148
Current/settlement accounts	54 593	27 335
Term deposits of individuals	45 255	34 237
Promissory notes issued	32 310	18 070
Subordinated debt	22 688	18 867
Total interest expense	**591 346**	**347 743**
Net interest income	**659 445**	**388 957**

Refer to Note 23 for details of related party transactions.

17 Fee and Commission Income and Expense

In thousands of US Dollars	**Six-Month Period Ended 30 June 2008 (unaudited)**	**Six-Month Period Ended 30 June 2007 (unaudited)**
Fee and commission income		
Commission on settlement transactions	114 520	74 740
Commission for consulting services	47 029	18 590
Commission on cash and foreign currency exchange transactions	32 241	26 817
Agency commission on insurance operations	8 927	1 615
Commission on transactions with securities	6 175	12 272
Commission on guarantees issued	6 117	6 954
Commission from fiduciary activities	1 530	859
Other	3 369	1 574
Total fee and commission income	**219 908**	**143 421**
Fee and commission expense		
Commission on settlement transactions	24 751	17 819
Commission for consulting services	3 066	5 932
Commission on cash and foreign currency exchange transactions	2 277	2 928
Commission on transactions with securities	1 445	1 751
Commission from fiduciary activities	912	762
Other	1 232	4 769
Total fee and commission expense	**33 683**	**33 961**
Net fee and commission income	**186 225**	**109 460**

Refer to Note 23 for details of related party transactions.

18 Other Operating Income

In thousands of US Dollars	**Six-Month Period Ended 30 June 2008 (unaudited)**	**Six-Month Period Ended 30 June 2007 (unaudited)**
Revenue from sale of rights to film licenses	45 000	1 208
Dividend income	1 487	1 767
Penalties received	545	65
Gain on disposal of subsidiaries	304	967
Other	7 433	3 871
Total other operating income	**54 769**	**7 878**

In June 2008 the Group sold its exclusive rights to its library of films and TV series for an amount of USD 45 000 thousand of which the Group received USD 5 000 thousand before 30 June 2008 and the remaining balance is recorded within other financial assets. In July 2008 the Group received a further payment of USD 17 500 thousand of the amount due under the agreement.

Refer to Note 23 for details of related party transactions.

19 Operating Expenses

In thousands of US Dollars	Six-Month Period Ended 30 June 2008 (unaudited)	Six-Month Period Ended 30 June 2007 (unaudited)
Staff costs	256 386	175 270
Rent	42 830	23 266
Depreciation and amortisation	26 564	18 004
Computer and telecommunications expenses	25 079	27 006
Consulting and professional services	16 452	7 886
Taxes other than income tax	13 237	19 126
Maintenance	10 425	7 945
Advertising and marketing	10 062	6 393
Expenses related to premises, equipment and intangible assets	9 894	6 610
Contributions to the State deposit insurance scheme	7 270	5 570
Stationery and repairs inventory	6 112	1 542
Heat and utilities	5 587	3 394
Travel expenses	4 140	3 656
Representative expenses	2 283	1 720
Other	14 015	15 259
Total operating expenses	**450 336**	**322 647**

Staff costs include contributions to the Russian state pension plan made and accrued by the Group for its personnel employed in Russia in the amount of USD 23 854 thousand (30 June 2007: USD 21 621 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 long-term bonuses in the amount of USD 10 992 thousand (six-month period ended 30 June 2007: USD 8 613 thousand), which are payable at least one year after the balance sheet date.

Refer to Note 23 for details of related party transactions.

20 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 four main business segments:

- Corporate banking - comprises corporate lending, leasing, corporate deposit services, trade finance operations and structured corporate lending.
- Retail banking - comprises retail demand and term deposit services, credit and debit card services, retail lending, including consumer loans and personal instalment loans, car loans and mortgages, money transfers and private banking services.
- Investment banking - comprises securities trading, debt and equity capital markets services, derivative products, structured financing, corporate finance advisory services and merger and acquisition advice.
- Treasury - comprises the Group's funding activities and investing in liquid assets.

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

20 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Group as of and for the six-month period ended 30 June 2008 is set out below:

In thousands of US Dollars	Corporate banking	Investment banking	Retail banking	Treasury	Eliminations	Total
Six-Month Period Ended 30 June 2008 (unaudited)						
Segment revenues						
External revenues	918 871	214 363	304 664	87 266	-	1 525 164
Revenues from other segments	576 466	23 929	111 995	848 191	(1 560 581)	-
Total revenues	**1 495 337**	**238 292**	**416 659**	**935 457**	**(1 560 581)**	**1 525 164**
Total revenues comprise:						
Interest income						1 250 791
Fee and commission income						219 908
Other operating income						54 465
Total revenues						**1 525 164**
Segment result	**243 464**	**140 600**	**(37 969)**	**52 713**	**-**	**398 808**
Unallocated costs						(56 808)
Share of results and impairment of associate						(15 234)
Profit before tax						**326 766**
Income tax expense						(61 462)
Profit for the period						**265 304**
Other segment items						
Capital expenditure	(6 692)	(5 698)	(11 358)	(525)	-	(24 273)
Depreciation and amortisation	(7 299)	(6 216)	(12 476)	(573)	-	(26 564)
Other non-cash expenses	(97 017)	-	(43 983)	-	-	(141 000)
30 June 2008 (unaudited)						
Segment assets	**19 710 499**	**2 540 930**	**5 954 089**	**8 110 950**	**(7 598 106)**	**28 718 362**
Investments in associates						35 586
Current and deferred tax asset						119 157
Total assets						**28 873 105**
Segment liabilities	**18 470 892**	**1 788 702**	**6 358 125**	**7 296 473**	**(7 598 106)**	**26 316 086**
Unallocated liabilities						80 870
Current and deferred tax liability						86 476
Total liabilities						**26 483 432**

20 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Group for the six-month period ended 30 June 2007 and as at 31 December 2007 is set out below:

In thousands of US Dollars	Corporate banking	Investment banking	Retail banking	Treasury	Eliminations	Total
Six-Month Period Ended 30 June 2007						
Segment revenues						
External revenues	572 395	96 030	176 989	41 586	-	887 000
Revenues from other segments	340 611	6 686	62 516	450 873	(860 686)	-
Total revenues	**913 006**	**102 716**	**239 505**	**492 459**	**(860 686)**	**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	**235 458**	**38 858**	**(123 184)**	**41 574**	**-**	**192 706**
Unallocated costs						(34 341)
Share of results and impairment of associate						(8 528)
Profit before tax						**149 837**
Income tax expense						(34 271)
Profit for the period						**115 566**
Other segment items						
Capital expenditure	(11 792)	(6 218)	(12 510)	(822)	-	(31 342)
Depreciation and amortisation	(6 774)	(3 572)	(7 186)	(472)	-	(18 004)
Other non-cash expenses	(23 669)	-	(37 304)	-	-	(60 973)
31 December 2007						
Segment assets	**15 181 225**	**3 002 711**	**4 717 898**	**6 247 765**	**(6 630 704)**	**22 518 895**
Investments in associates						58 973
Current and deferred tax asset						116 692
Total assets						**22 694 560**
Segment liabilities	**13 889 288**	**2 529 548**	**5 172 612**	**5 728 314**	**(6 630 704)**	**20 689 058**
Unallocated liabilities						76 061
Current and deferred tax liability						74 744
Total liabilities						**20 839 863**

21 Financial Risk Management

There were no significant changes to the system of risk management during the six-month period ended 30 June 2008 compared to 2007.

Currency risk. In respect of currency risk, Management 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 summarizes the Group's exposure to foreign currency exchange rate risk as at 30 June 2008 and 31 December 2007:

In thousands of US Dollars	USD	RR	EUR	Other currencies	Non-monetary	Total
Assets						
Cash and cash equivalents	331 347	1 332 817	1 007 140	58 252	-	2 729 556
Mandatory cash balances with central banks	-	452 435	80 117	12 089	-	544 641
Trading securities	192 302	447 266	109 026	14 971	146 965	910 530
Repurchase receivables	225 925	435 988	5 654	-	44 241	711 808
Due from other banks	894 076	1 208 490	178 554	941	-	2 282 061
Loans and advances to customers	9 422 198	8 809 249	1 385 557	110 681	-	19 727 685
Investments in associates and other investments	-	287 272	-	-	98 791	386 063
Other financial assets	393 616	370 237	106 527	21 542	-	891 922
Other assets	47 167	231 645	3 342	-	39 063	321 217
Premises, equipment and intangible assets	-	-	-	-	303 528	303 528
Deferred tax asset	-	-	-	-	64 094	64 094
Total assets	**11 506 631**	**13 575 399**	**2 875 917**	**218 476**	**696 682**	**28 873 105**
Liabilities						
Due to other banks	950 353	1 903 979	493 412	118 913	-	3 466 657
Customer accounts	1 660 204	10 893 228	3 889 027	152 112	-	16 594 571
Promissory notes issued	32 267	721 089	-	2 710	-	756 066
Other borrowed funds	3 524 092	-	485 603	-	-	4 009 695
Subordinated debt	528 035	-	-	-	-	528 035
Other financial liabilities	456 085	316 034	106 738	22 826	-	901 683
Other liabilities	86 271	60 122	21 691	265	-	168 349
Deferred tax liability	-	-	-	-	58 376	58 376
Total liabilities	**7 237 307**	**13 894 452**	**4 996 471**	**296 826**	**58 376**	**26 483 432**
Net balance sheet position	**4 269 324**	**(319 053)**	**(2 120 554)**	**(78 350)**	**638 306**	**2 389 673**
Net balance sheet position less fair value of currency derivatives	**4 261 862**	**(312 983)**	**(2 138 780)**	**(78 880)**	**638 306**	**2 369 525**
Derivatives	**(3 148 238)**	**862 768**	**2 304 445**	**1 173**	**-**	**20 148**
Net balance sheet and derivatives 30 June 2008	**1 113 624**	**549 785**	**165 665**	**(77 707)**	**638 306**	**2 389 673**
Net balance sheet and derivatives as at 31 December 2007	**1 510 837**	**(270 810)**	**(44 353)**	**17 736**	**649 614**	**1 863 024**

21 Financial Risk Management (Continued)

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

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

	30 June 2008 (unaudited)				**31 December 2007**			
In % per annum	**USD**	**RR**	**Euro**	**Other**	**USD**	**RR**	**Euro**	**Other**
Assets								
Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Correspondent, settlement accounts and overnight placements with banks and other financial institutions	2.2	3.1	1.3	2.3	2.4	3.1	2.6	0.7
Mandatory cash balances with central banks	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Debt trading securities	9.6	12.0	4.6	6.2	9.9	11.1	4.4	6.2
Repurchase receivables relating to debt securities	8.9	9.2	7.0	-	8.2	9.0	9.3	-
Due from other banks	3.3	4.5	4.7	9.5	5.4	5.5	4.5	5.9
Loans and advances to customers	11.1	15.4	9.3	11.8	10.7	14.6	8.8	10.7
Debt investments available for sale	-	5.9	-	-	2.9	-	-	-
Liabilities								
Due to other banks	4.3	6.5	5.0	0.8	5.5	6.8	4.9	2.6
Customer accounts								
- current and settlement accounts	1.2	1.2	3.9	0.0	4.1	0.1	4.9	0.8
- term deposits	4.6	8.8	5.0	7.4	5.0	6.7	4.8	6.4
Promissory notes issued	5.6	8.8	-	12.0	4.0	8.0	-	-
Other borrowed funds	6.2	-	7.5	-	7.3	7.0	7.2	-
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.

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

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

21 Financial Risk Management (Continued)

The following table represents analysis of assets and liabilities as at 30 June 2008 by their expected maturities as determined by the Group. This analysis was prepared on the basis of contractual maturities except for classification of (i) trading securities, debt investments available for sale and (ii) part of customer accounts. The entire portfolio of these securities was classified within "demand and less than 1 month" based on Management's assessment of the portfolio's realisability. Part of current/settlement/demand accounts was reallocated from "demand and less than 1 month" category to categories with the later maturities. On the basis of the past experience, Management believes that (i) diversification of these accounts by number and type of customers and (ii) constant inflow of new deposits indicate that at least these current/demand/settlement accounts would provide a longer-term and stable source of funding for the Group.

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	2 729 556	-	-	-	-	2 729 556
Mandatory cash balances with central banks	544 641	-	-	-	-	544 641
Trading securities	910 530	-	-	-	-	910 530
Repurchase receivables	439 824	271 984		-	-	711 808
Due from other banks	2 058 262	203 099	20 566	134	-	2 282 061
Loans and advances to customers	4 729 645	5 550 852	3 272 753	6 174 435	-	19 727 685
Investments in associates and other investments	287 272	-	-	-	98 791	386 063
Other financial assets	97 943	240 730	287 947	265 302	-	891 922
Other assets	45 383	114 736	31 433	90 602	39 063	321 217
Premises, equipment and intangible assets	-	-	-	-	303 528	303 528
Deferred tax asset	-	-	-	-	64 094	64 094
Total assets	**11 843 056**	**6 381 401**	**3 612 699**	**6 530 473**	**505 476**	**28 873 105**
Liabilities						
Due to other banks	1 245 502	1 399 047	459 646	362 462	-	3 466 657
Customer accounts	5 986 803	4 913 398	1 448 638	4 245 732	-	16 594 571
Promissory notes issued	147 368	262 975	269 085	76 638	-	756 066
Other borrowed funds	458 923	901 314	869 386	1 780 072	-	4 009 695
Subordinated debt	-	22 079	21 138	484 818	-	528 035
Other financial liabilities	490 260	163 572	62 063	185 788	-	901 683
Other liabilities	49 685	28 663	50 204	39 797	-	168 349
Deferred tax liability	-	-	-	-	58 376	58 376
Total liabilities	**8 378 541**	**7 691 048**	**3 180 160**	**7 175 307**	**58 376**	**26 483 432**
Net expected liquidity gap as at 30 June 2008	**3 464 515**	**(1 309 647)**	**432 539**	**(644 834)**	**447 100**	**2 389 673**
Cumulative expected liquidity gap as at 30 June 2008	**3 464 515**	**2 154 868**	**2 587 407**	**1 942 573**	**2 389 673**	
Cumulative expected liquidity gap at 31 December 2007	**425 694**	**117 017**	**(654 572)**	**1 406 855**	**1 854 697**	

22 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, legal or 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 condensed consolidated 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 of the stake disposed was determined by 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 30 June 2008 and 31 December 2007, no provision for potential additional tax liabilities has been recognised.

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

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 and are not subjected 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. 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. 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. Accordingly, in respect of this matter, at 30 June 2008 and 31 December 2007 no provision for potential additional tax liabilities has been recognised.

22 Contingencies and Commitments (Continued)

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

The Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. In addition to the aforementioned risks, the Group estimates that as at 30 June 2008 and 31 December 2007 it had other possible obligations from exposure to other than remote tax risks of up to approximately USD 17 734 thousand (31 December 2007: up to USD 4 724 thousand).

Capital and Operating lease commitments. The Group has no significant capital and operating lease commitments as at 30 June 2008.

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 2008 (unaudited)**	**31 December 2007**
Guarantees issued		994 777	985 817
Export letters of credit		190 205	224 573
Import letters of credit	12	651 837	328 696
Total credit related commitments		**1 836 819**	**1 539 086**

22 Contingencies and Commitments (Continued)

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 2008 (unaudited)**	**Six-Month Period Ended 30 June 2007 (unaudited)**
Provision for losses on credit related commitments as at 1 January	21 383	11 986
Provision for / (recovery of provision for) losses on credit related commitments during the period	463	(961)
Effect of translation to presentation currency	1 003	229
Provision for losses on credit related commitments as at 30 June	**22 849**	**11 254**

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

- to comply with the ratios and requirements of the CBRF (for Alfa-Bank);
- to maintain a ratio of capital to risk-weighted assets as defined by Basle I;
- to maintain a minimum level of net assets;
- 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.

Management believes that the Group was in compliance with these covenants as at 30 June 2008 and 31 December 2007.

Assets pledged and restricted. As at 30 June 2008 and 31 December 2007 the Group had the following assets pledged as collateral:

In thousands of US Dollars	**Note**	**30 June 2008 (unaudited)**	**31 December 2007**
Trading securities classified as repurchase receivables	7, 11	711 808	534 426
Term placements with other banks under DPR programme	8, 13	91 164	80 480
Margin call deposits	8	174 211	92 952
Total		**977 183**	**707 858**

Mandatory cash balances with central banks in the amount of USD 544 641 thousand (31 December 2007: USD 308 092 thousand) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

23 Related Party Transactions

For the purposes of this condensed consolidated 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 constitute the Alfa Group. Banking transactions are entered into in the normal course of business with significant shareholders, directors, associated companies and companies with which the Group has significant shareholders in common, including other companies in Alfa Group and other related parties. These transactions include settlements, loans, deposit taking, guarantees, trade finance, corporate finance, foreign currency exchange and other transactions.

The most significant related parties of the Group are Alfa Group and TNK-BP Limited ("TNK-BP"), an oil and gas company 25% owned by Alfa Group.

23 Related Party Transactions (Continued)

The outstanding balances as at 30 June 2008 and income and expense items as well as other transactions for the six-month period then ended with related parties were as follows:

	30 June 2008/ Six-Month period ended 30 June 2008 (unaudited)				
In thousands of US Dollars	TNK-BP	Alfa Group and its sharehol-ders except for ABH Ukraine Group	Key manage-ment	Associates	ABH Ukraine Group
Trading securities and repurchase receivables as at the period end	**18 267**	**-**	**-**	**450**	**132 116**
Correspondent accounts with other banks as at the period end	**-**	**-**	**-**	**-**	**1 505**
Term placements with other banks as at the period end	**-**	**-**	**-**	**-**	**205 074**
RUR, effective contractual rate of 5.5% - 9.6%	-	-	-	-	64 065
USD, effective contractual rate of 5.4% - 10.6%	-	-	-	-	124 653
EUR, effective contractual rate of 4.5% - 8.3%	-	-	-	-	16 356
Loans and advances to customers as at the period end (gross of provision for impairment)	**-**	**622 615**	**-**	**112 066**	**5 210**
RUR, effective contractual rate of 9.9% - 15.3%	-	308 488	-	-	-
USD, effective contractual rate of 5.2% - 15.0%	-	314 127	-	31 444	5 210
EUR, effective contractual rate of 9.7%-11.9%	-	-	-	80 622	-
Provision for loan impairment as at 1 January	**-**	**-**	**-**	**(10 961)**	**-**
Provision for loan impairment during the period	-	-	-	(5 849)	-
Provision for loan impairment as at 30 June	**-**	**-**	**-**	**(16 810)**	**-**
Receivables as at the period end	**29**	**35 319**	**32**	**132**	**2 292**
Correspondent accounts of other banks	**-**	**-**	**-**	**-**	**35 716**
Customer accounts					
Current/settlement accounts as at the period end	**101 700**	**521 305**	**2 652**	**-**	**4 629**
RUR, effective contractual rate of 0.0% - 4.8%	101 288	98 253	1 005	-	-
USD, effective contractual rate of 0.0% - 4.0%	411	183 542	1 134	-	4 571
EUR, effective contractual rate of 0.0% - 3.4%	1	239 510	513	-	58
Term deposits as at the period end	**27 893**	**565 349**	**2 843**	**-**	**-**
RUR, effective contractual rate of 2.8% - 10.3%	27 893	163 348	1 068	-	-
USD, effective contractual rate of 3.6% - 6.8%	-	393 921	1 775	-	-
EUR, effective contractual rate of 3.8% - 6.8%	-	1 457	-	-	-
GBP, effective contractual rate of 8.0%	-	6 623	-	-	-

23 Related Party Transactions (Continued)

	30 June 2008/Six-Month period ended 30 June 2008 (unaudited)				
In thousands of US Dollars	TNK-BP	Alfa Group and its sharehol-ders except for ABH Ukraine Group	Key manage-ment	Associates	ABH Ukraine Group
Payables as at the period end	**3**	**9 550**	**18 986**	**-**	**5 941**
Interest income for the period (based on effective contractual interest rates)	**180**	**22 501**	**2**	**9 332**	**8 897**
Interest expense for the period (based on effective contractual interest rates)	**1 664**	**38 451**	**40**	**-**	**146**
Fee and commission income	**578**	**20 889**	**-**	**-**	**115**
Fee and commission expense	**-**	**66**	**-**	**-**	**-**
Gains / (losses) arising from trading securities	**-**	**(5 534)**	**63**	**-**	**2 685**
Gains/ (losses) arising from trading in foreign currencies	**155**	**(12 794)**	**6**	**-**	**(8 588)**
Other operating income for the period	**117**	**45**	**34**	**-**	**2**
Operating expenses for the period	**-**	**8 142**	**17 197**	**-**	**-**
Guarantees issued by the Group	**146 934**	**10 706**	**-**	**-**	**-**
Provision for losses on credit related commitments as at 1 January	**-**	**(96)**	**-**	**-**	**-**
Recovery of provision for losses on credit related commitments during the period	-	96	-	-	-
Provision for losses on credit related commitments as at 30 June	**-**	**-**	**-**	**-**	**-**
Import letters of credit as at the period end	**-**	**49 978**	**-**	**-**	**-**

23 Related Party Transactions (Continued)

The outstanding balances as at the 31 December 2007 and income and expense as well as other transactions for the period ended 30 June 2007 with related parties are as follows:

	31 December 2007 (audited)/ Six-Month period ended 30 June 2007 (unaudited)				
In thousands of US Dollars	**TNK-BP**	**Alfa Group and its sharehol-ders except for ABH Ukraine Group**	**Key manage-ment**	**Associates**	**ABH Ukraine Group**
Trading securities and repurchase receivables as at 31 December 2007	**37**	**355**	**-**	**700**	**64 199**
Correspondent accounts with other banks as at the year end	**-**	**-**	**-**	**-**	**19 003**
Term placements with other banks as at the period end	**-**	**-**	**-**	**-**	**248 789**
USD, effective contractual rate of 5.4% - 10.6%	-	-	-	-	98 318
EUR, effective contractual rate of 4.5% - 7.2%	-	-	-	-	146 902
Other currencies, effective contractual rate of 5.7% - 17.2%	-	-	-	-	3 569
Loans and advances to customers as at the year end (gross of provision for impairment)	**-**	**450 945**	**2 168**	**73 276**	**5 692**
RUR, effective contractual rate of 9.9% - 15.3%	-	69 233	-	-	-
USD, effective contractual rate of 5.2% - 14.5%	-	378 969	2 168	-	5 692
EUR, effective contractual rate of 10.1%-11.9%	-	2 743	-	73 276	-
Provision for loan impairment as at 1 January	**-**	**(2 556)**	**(70)**	**(11 366)**	**-**
Recovery of provision for loan impairment during the period	-	996	11	6 727	-
Provision for loan impairment as at 30 June	**-**	**(1 560)**	**(59)**	**(4 639)**	**-**
Provision for loan impairment as at 31 December 2007	**-**	**-**	**-**	**(10 961)**	**-**
Receivables as at the year end	**9**	**18 554**	**4**	**-**	**15 197**
Correspondent accounts of other banks	**-**	**-**	**-**	**-**	**21 885**
Customer accounts					
Current/settlement accounts as 31 December 2007	**59 866**	**186 382**	**1 899**	**-**	**2 015**
RUR, effective contractual rate of 0.0%	58 971	90 146	897	-	-
USD, effective contractual rate of 0.0% - 4.0%	894	93 312	903	-	2 008
EUR, effective contractual rate of 0.0% - 3.4%	1	2 924	99	-	7

23 Related Party Transactions (Continued)

In thousands of US Dollars	**31 December 2007 (audited)/ Six-Month period ended 30 June 2007 (unaudited)** TNK-BP	Alfa Group and its shareholders except for ABH Ukraine Group	Key management	Associates	ABH Ukraine Group
Term deposits as at the year end	**43 726**	**1 586 517**	**2 759**	**-**	**-**
RUR, effective contractual rate of 2.8% - 9.6%	43 726	165 536	1 246	-	-
USD, effective contractual rate of 3.6% - 6.8%	-	863 034	1 513	-	-
EUR, effective contractual rate of 3.8% - 6.8%	-	557 947	-	-	-
Payables as at the year end	**2**	**10 461**	**12 710**	**-**	**1 234**
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 for period	**1 129**	**4 959**	**-**	**-**	**47**
Gains / (losses) arising from trading securities	**-**	**(2)**	**-**	**-**	**1 033**
Gains / (losses) arising from trading in foreign currencies	**-**	**(3 255)**	**(4 820)**	**-**	**2 852**
Other operating income for the period	**526**	**307**	**4**	**-**	**-**
Operating expenses for the period	**-**	**7 056**	**8 664**	**-**	**-**
Guarantees issued by the Group	**116 247**	**2 779**	**-**	**-**	**-**
Provision for losses on credit related commitments as at 1 January	**(493)**	**(259)**	**-**	**-**	**-**
Recovery of provision for losses on credit related commitments during the period	185	207	-	-	-
Provision for losses on credit related commitments as at 30 June	**(308)**	**(52)**	**-**	**-**	**-**
Provision for losses on credit related commitments as at 31 December	-	**(96)**	-	-	-
Import letters of credit as at the period end	**-**	**25 360**	**-**	**-**	**24 817**

23 Related Party Transactions (Continued)

Key management of the Group represents 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 2008 (unaudited)	31 December 2007
Key management compensation accrued as at the balance sheet date	**18 797**	**12 610**
Salaries	517	-
Bonuses	**18 280**	**12 610**
- short-term bonuses	6 160	7 230
- long-term bonuses	12 120	5 380

In thousands of US Dollars	Six-Month Period Ended 30 June 2008 (unaudited)	Six-Month Period Ended 30 June 2007 (unaudited)
Key management compensation expense for the period	**17 197**	**8 664**
Salaries	4 133	3 447
Bonuses	**13 064**	**5 217**
- short-term bonuses	6 215	2 248
- long-term bonuses	6 849	2 969

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

24 Principal Subsidiaries

Russian Federation and CIS	Rest of the World
OJSC Alfa-Bank	Alfa Capital Holdings (Cyprus) Limited (Cyprus)
JSB SB Alfa-Bank Kazakhstan	Alforma Capital Markets, Inc (USA)
LLC Alfa Leasing	Amsterdam Trade Bank N.V. (Netherlands)
LLC ATB Leasing	

25 Subsequent Events

On 14 July 2008 the Group received a syndicated loan in the amount of USD 315 000 thousand by two tranches in the amount of USD 245 500 thousand and USD 69 500 thousand. The first tranche matures on 13 July 2009 and bears floating interest rate of LIBOR plus 1.0% per annum payable semi-annually. The second tranche matures on 14 January 2010 and bears floating interest rate of LIBOR plus 1.3% per annum payable semi-annually. The issue proceeds net of transaction costs amounted to USD 243 544 thousand for the first tranche and USD 68 861 thousand for the second tranche.

On 2 July 2008 the Group repaid the notes issued on 28 June 2005 under the MTN Programme with an aggregate nominal amount of USD 250 000 thousand.

On 23 July 2008 the Group repaid the first tranche of USD 452 125 thousand of the syndicated loan in the total amount of USD 900 000 thousand received on 25 July 2007.