

**ABH Financial Limited**

**International Financial Reporting Standards**

**Condensed Consolidated Interim Financial  
Information (Unaudited)**

**30 June 2009**

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**REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

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

*Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of ABH Financial Limited and its subsidiaries as at 30 June 2009 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. 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  
22 September 2009  
Moscow, Russian Federation

**ABH Financial Limited**  
**Condensed Consolidated Interim Statement of Financial Position (unaudited)**

<i>In millions of US Dollars</i>	Note	30 June 2009 (unaudited)	31 December 2008
<b>ASSETS</b>			
Cash and cash equivalents		2 911	3 860
Mandatory cash balances with central banks		87	79
Trading securities	6	1 253	588
Repurchase receivables relating to trading securities	6	-	151
Due from other banks		2 870	1 837
Loans and advances to customers	7	13 830	17 970
Investments	8	833	372
Repurchase receivables relating to investments	8	-	215
Derivative financial instruments		297	991
Other financial assets		217	204
Other assets		353	371
Premises and equipment		322	390
Deferred tax asset		22	24
<b>TOTAL ASSETS</b>		<b>22 995</b>	<b>27 052</b>
<b>LIABILITIES</b>			
Due to other banks		3 961	7 407
Customer accounts	9	12 598	12 582
Debt securities issued	10	2 000	2 391
Syndicated and other loans	11	588	1 064
Subordinated debt	12	768	464
Derivative financial instruments		260	533
Other financial liabilities		144	300
Other liabilities		89	110
Deferred tax liability		66	39
<b>TOTAL LIABILITIES</b>		<b>20 474</b>	<b>24 890</b>
<b>EQUITY</b>			
Share capital	13	1 265	945
Fair value reserve for investments available for sale		(13)	(45)
Revaluation reserve for premises		39	53
Cumulative translation reserve		(348)	(359)
Retained earnings		1 572	1 554
<b>Net assets attributable to the Company's equity holders</b>		<b>2 515</b>	<b>2 148</b>
<b>Non-controlling interests</b>		<b>6</b>	<b>14</b>
<b>TOTAL EQUITY</b>		<b>2 521</b>	<b>2 162</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>22 995</b>	<b>27 052</b>

This condensed consolidated interim financial information was approved for issue by the Board of Directors of ABH Financial Limited on 22 September 2009 and any further changes require approval of this body.

**ABH Financial Limited**  
**Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)**

<i>In millions of US Dollars</i>	Note	Six-Month Period Ended 30 June 2009 (unaudited)	Six-Month Period Ended 30 June 2008 (unaudited)
Interest income	14	1 381	1 251
Interest expense	14	(790)	(591)
Expenses directly attributable to leasing and deposit insurance	14	(20)	(15)
<b>Net margin</b>		<b>571</b>	<b>645</b>
Provision for loan impairment	7	(395)	(139)
<b>Net margin after provision for loan impairment</b>		<b>176</b>	<b>506</b>
Fee and commission income		145	220
Fee and commission expense		(36)	(34)
Gains less losses arising from trading securities		106	3
Gains less losses arising from interest based derivatives		(79)	13
Gains less losses arising from foreign currencies and precious metals	15	22	(11)
Gains less losses arising from investments		(17)	27
Gains arising from acquisition of own debts		39	2
Other provisions		14	(2)
Loss on disposal of subsidiaries	1	(6)	-
Other operating income	17	18	53
Operating expenses		(352)	(435)
Share of results and impairment of associate		-	(15)
<b>Profit before tax</b>		<b>30</b>	<b>327</b>
Income tax expense		(24)	(62)
<b>Profit for the period</b>		<b>6</b>	<b>265</b>
<b>Other comprehensive income:</b>			
Available for sale investments:			
- Gains less losses on investments during the period		21	-
- Reclassification adjustment for losses included in profit or loss		18	-
Revaluation of premises		(12)	-
Translation movement		(62)	81
Net change in hedge of net investment in foreign operations		73	(62)
Income tax recorded directly in other comprehensive income		(5)	-
<b>Other comprehensive income for the period</b>		<b>33</b>	<b>19</b>
<b>Total comprehensive income for the period</b>		<b>39</b>	<b>284</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		14	265
Non-controlling interests		(8)	-
<b>Profit for the period</b>		<b>6</b>	<b>265</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		47	284
Non-controlling interests		(8)	-
<b>Total comprehensive income for the period</b>		<b>39</b>	<b>284</b>

The notes set out on pages 5 to 36 form an integral part of this Condensed Consolidated Interim Financial Information.

**ABH Financial Limited**  
**Condensed Consolidated Interim Statement of Changes in Equity (unaudited)**

	Attributable to the equity holders of the Company					Total	Non- control- ling interests	Total equity
	Share capital (Note 13)	Fair value reserve for invest- ments available for sale	Revalua- tion reserve for premises	Cumula- tive transla- tion reserve	Retained earnings			
<i>In millions of US Dollars</i>								
<b>Balance as at 1 January 2008</b>	<b>695</b>	<b>-</b>	<b>57</b>	<b>(218)</b>	<b>1 322</b>	<b>1 856</b>	<b>-</b>	<b>1 856</b>
Total comprehensive income for the period	-	-	-	19	265	284	-	284
Realised revaluation reserve	-	-	(2)	-	2	-	-	-
Share capital contribution (Note 13)	250	-	-	-	-	250	-	250
<b>Balance as at 30 June 2008</b>	<b>945</b>	<b>-</b>	<b>55</b>	<b>(199)</b>	<b>1 589</b>	<b>2 390</b>	<b>-</b>	<b>2 390</b>
<b>Balance as at 1 January 2009</b>	<b>945</b>	<b>(45)</b>	<b>53</b>	<b>(359)</b>	<b>1 554</b>	<b>2 148</b>	<b>14</b>	<b>2 162</b>
Total comprehensive income for the period	-	32	(10)	11	14	47	(8)	39
Realised revaluation reserve	-	-	(4)	-	4	-	-	-
Share capital contribution (Note 13)	320	-	-	-	-	320	-	320
<b>Balance as at 30 June 2009</b>	<b>1 265</b>	<b>(13)</b>	<b>39</b>	<b>(348)</b>	<b>1 572</b>	<b>2 515</b>	<b>6</b>	<b>2 521</b>

The notes set out on pages 5 to 36 form an integral part of this Condensed Consolidated Interim Financial Information.

**ABH Financial Limited**  
**Condensed Consolidated Interim Statement of Cash Flows (unaudited)**

<i>In millions of US Dollars</i>	<b>Six-Month Period Ended 30 June 2009 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2008 (unaudited)</b>
<b>Net cash used in operating activities</b>	<b>(372)</b>	<b>(58)</b>
<b>Net cash used in investing activities</b>	<b>(371)</b>	<b>(286)</b>
<b>Net cash (used in)/from financing activities</b>	<b>(135)</b>	<b>320</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(878)</b>	<b>(24)</b>
Cash and cash equivalents at the beginning of the period	3 860	2 634
Effect of exchange rate changes on cash and cash equivalents	(71)	120
<b>Cash and cash equivalents at the end of the period</b>	<b>2 911</b>	<b>2 730</b>

The notes set out on pages 5 to 36 form an integral part of this Condensed Consolidated Interim Financial Information.

## **1 Introduction**

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" for the six-month period ended 30 June 2009 for ABH Financial Limited (the "Company"), a limited liability company registered in the British Virgin Islands, and its subsidiaries (the "Group").

This condensed consolidated interim financial information has been reviewed, not audited.

The Group comprises three main business segments: corporate and investment banking, retail banking and treasury (refer to Note 16). 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. Some of the investment banking activities of the Group are carried out by Alfa Capital Holdings (Cyprus) Limited together with certain other subsidiaries. A substantial part of the Group's activities are carried out in the Russian Federation.

The Company is 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.

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 0.7 million per individual in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments. Alfa-Bank is licensed by the Federal Commission on Securities Market for trading in securities. Alfa-Bank's major wholly owned subsidiaries comprise Amsterdam Trade Bank N.V. (Netherlands) and OJSC Bank Severnaya Kazna (Russian Federation).

On 29 June 2009 the Company signed a call option agreement with ABHH, its controlling shareholder, whereby in exchange for an option premium of USD 63 million ABHH received a right to acquire for a fixed consideration, and at any time until 29 June 2014, shares representing a 100% interest in JSC SB Alfa-Bank Kazakhstan. Also, in accordance with the call option agreement (i) the Company is required to ensure that during the option period ABHH has a majority in the Board of Directors of JSC SB Alfa-Bank Kazakhstan and (ii) any income received by the Company from JSC SB Alfa-Bank Kazakhstan after 29 June 2009 is to be transferred to ABHH following the execution of the option. This agreement effectively transferred to ABHH all potential voting rights and economic benefits relating to JSC SB Alfa-Bank Kazakhstan. The Group accounted for this transaction as a disposal of its interest in JSC SB Alfa-Bank Kazakhstan and recorded a loss on disposal of USD 5 million. At the time of disposal, the total assets of JSC SB Alfa-Bank were USD 268 million, of which cash and cash equivalents comprised USD 118 million, and total liabilities were USD 200 million.

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

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 is 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, 2<sup>nd</sup> floor, CY-1066 Nicosia, PO Box 25549, CY-1310 Nicosia, Cyprus.

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## **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. Despite strong economic growth in recent years, the financial situation in the Russian market significantly deteriorated during the past year. As a result of global volatility in financial and commodity markets, among other factors, there has been a significant decline in the Russian stock market since mid-2008. Since September 2008, there has been increased volatility in currency markets and the Russian Rouble has depreciated significantly against some major currencies. The official United States Dollar (“US Dollar” or “USD”) exchange rate of the CBRF increased from RR 25.37 at 1 October 2008 to RR 29.38 at 31 December 2008 and RR 31.29 at 30 June 2009. Due to increased market volatility, one-day MosPrime rate fluctuated between 6.83% p.a. and 25.17% p.a. during the period from 31 December 2008 to 30 June 2009. International reserves of the Russian Federation decreased from USD 557 billion at 30 September 2008 to USD 427 billion at 31 December 2008 and to USD 413 billion at 30 June 2009. The commodities market was also impacted by the latest events on the financial markets. The spot Free On Board price per barrel of Urals oil decreased from USD 91.15 at 29 September 2008 to USD 41.83 at 31 December 2008 and USD 69.35 at 30 June 2009. Low commodity prices have resulted in lower income from exports and thus lower domestic demand.

A number of measures have been undertaken to support the Russian financial markets, including the following:

- In October 2008 the CBRF reduced the mandatory reserves ratio to 0.5% and raised the guarantee repayment of individual deposits under the State deposit insurance coverage to RR 700 thousand per individual in case of the withdrawal of a license of a bank or an imposed moratorium on payments by the CBRF.
- The list of assets which can be pledged under repurchase agreements with the CBRF was significantly extended.
- The CBRF made significant placements to the leading Russian banks collateralised by guarantees issued by third party banks.
- The CBRF provided additional liquidity through regular unsecured finance auctions.
- Vnesheconombank provided subordinated loans financed by the State to the leading Russian banks.

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.

Management is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group.

**Impact of the ongoing global financial and economic crisis.** The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the “Credit Crunch”), has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in local and international stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. Since September 2008 several medium size Russian banks have been acquired by state-controlled banks and companies due to their liquidity problems. The full extent of the impact of the ongoing crisis is currently not possible to predict.

## **2 Operating Environment of the Group (Continued)**

The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings or deposits and re-finance its existing borrowings or deposits at terms and conditions similar to those applied to earlier transactions.

Counterparties of the Group may be adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed. Deteriorating economic 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 properly reflected revised estimates of expected future cash flows in its impairment assessments.

The amount of provision for impaired loans is based on management's appraisals of these assets at the balance sheet date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in Russia for many types of collateral, especially real estate, has been severely affected by the recent volatility in global financial markets, resulting in a low level of liquidity for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

The fair values of instruments quoted in active markets are based on current bid prices (financial assets) or offer prices (financial liabilities). As a result of the recent volatility in financial markets there are no longer regularly occurring transactions on an arm's length basis for certain instruments and, as such, in the opinion of management certain instruments are no longer being quoted in an active market. If there is no active market for a financial instrument, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The valuation models reflect current market conditions at the measurement date which may not be representative of market conditions either before or after the measurement date. Determining fair value requires consideration of current market conditions, including the relative liquidity of the market and current credit spreads. As at the balance sheet date management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the operating environment of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances.

## **3 Summary of Significant 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" and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

As at 30 June 2009 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 31.2904 (31 December 2008: USD 1 = RR 29.3804) and the average exchange rate for the six-month period ended 30 June 2009 was USD 1 = RR 33.0679 (six-month period ended 30 June 2008: USD 1 = RR 23.9439).

**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 applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2008 except as described below.

**Interim period tax 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.

### **3 Summary of Significant Accounting Policies (Continued)**

**Adoption of IFRS 8, Operating Segments.** IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The adoption of IFRS 8 has resulted in (i) a reduction of the number of segments as the previously separately reported Corporate Banking and Investment Banking segments have been merged in one segment, and (ii) a different presentation of segment revenues and results as some revenues and expenses were accounted for and allocated differently for the purposes of preparation of the segment information prior to the adoption of IFRS 8.

An operating segment is a component of the Group, that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The CODM has been identified as the members of the Group's Executive Board.

Comparative segment disclosures have been restated to conform to the presentation in the current period.

**Adoption of IAS 1, Presentation of Financial Statements, revised in September 2007 and effective for annual periods beginning on or after 1 January 2009.** The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. The revised IAS 1 also introduces a requirement to present (in the annual financial statements) a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

**Adoption of Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009).** The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The Group will present the additional disclosures in its next complete annual financial statements for the year ended 31 December 2009.

**Adoption of Improvements to International Financial Reporting Standards (issued in May 2008).** The amendment to IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, requires benefits arising from government loans at below-market interest rates to be accounted for as government grants, with the benefit calculated as the difference between the proceeds and the initial fair value of the loan, net of transaction costs. The amendment applies prospectively to government loans received in periods beginning on or after 1 January 2009. Based on this amendment the Group has developed and implemented the following accounting policy.

**Government grants.** Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the loans provided by the State at rates below market are recorded as deferred income and are credited to the income statement using a method achieving matching with respective expenses or losses. Such government grants are initially measured as the difference between the proceeds and the initial fair value of the loan, net of transaction costs.

**3 Summary of Significant Accounting Policies (Continued)**

Where necessary, corresponding figures have been adjusted to conform to the presentation of amounts in this condensed consolidated interim financial information. The effect of reclassifications was as follows:

<i>In millions of US Dollars</i>	<b>As originally presented</b>	<b>Reclassification</b>	<b>As presented</b>
<b>Condensed Consolidated Statement of Financial Position as at 31 December 2008</b>			
<b>ASSETS</b>			
Derivative financial instruments	-	991	991
Other financial assets	1 195	(991)	204
<b>LIABILITIES</b>			
Derivative financial instruments	-	533	533
Other financial liabilities	833	(533)	300
<b>Condensed Consolidated Interim Statement of Comprehensive Income for the six-month period ended 30 June 2008</b>			
Expenses directly attributable to leasing and deposit insurance	-	(15)	(15)
Operating expenses	(450)	15	(435)
Gains arising from acquisition of own debts	-	2	2
Other operating income	55	(2)	53
Gains less losses arising from trading securities and derivatives	16	(16)	-
Gains less losses arising from trading securities	-	3	3
Gains less losses arising from interest based derivatives	-	13	13

In addition, during 2009 the Group improved its methodology for calculation of past due leasing balances and, to ensure comparability of the information, reclassified leasing balances in the amount of USD 769 million outstanding as at 31 December 2008 from current and not impaired loans to past due but not impaired loans. Refer to Note 7.

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

**Impairment of loans and advances.** The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the condensed consolidated interim statement of comprehensive 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. A 10% increase or decrease between actual loss experience and the loss estimates will result in an additional or lower charge for loan loss impairment of USD 145 million (six month period ended 30 June 2008: USD 48 million), respectively.

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

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

**Income taxes.** There are many transactions and calculations in the ordinary course of business for which the ultimate tax determination is uncertain. The Group records liabilities for completed and anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the current and deferred taxation in the period in which such determination is made.

Management applies its judgement in interpretation of existing tax legislation for the purposes of assessment of current and deferred taxation. In addition, Management uses judgement to assess the realisability of deferred tax assets, which is subject to availability of profits and other circumstances, including the ability to claim full 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.

**Functional currencies of different entities of the Group.** Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination of what the specific underlying economic conditions are requires judgement. In making this judgement, the Group evaluates among other factors, the location of activities, the sources of revenue, risks associated with activities and denomination of currencies of operations of different entities. Specifically, in determination of the functional currencies of ABH Financial Limited and Alfa Capital Holdings (Cyprus) Limited, the Group based its judgement on the fact that the companies operate internationally on markets mainly influenced by the US Dollar (not Russian Rouble) and their major activities include provision of 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.

**Accounting for a subordinated loan from Vnesheconombank.** On 29 January 2009 the Group received a subordinated loan from Vnesheconombank ("VEB") in the amount of RR 10 201 million bearing a fixed interest rate of 8% per annum payable quarterly until maturity on 25 December 2019. In accordance with the terms of the loan agreement Alfa-Bank is required (i) to maintain a portfolio of loans with a term of not less than 6 months issued to priority economy sectors in the total amount of not less than the subordinated loan outstanding, (ii) to agree with VEB certain specified significant transactions and (iii) to include VEB nominees in Alfa-Bank's management bodies (as at 30 June 2009 and as at the date of this condensed consolidated interim financial information no VEB nominees were officially represented in Alfa-Bank's management bodies). Due to its unique terms and conditions, subordinated nature and absence of observable current market transactions providing evidence of a market rate for such instruments, the loan was originally recognized and subsequently carried on the balance sheet at amortised contractual value.

If there was evidence that the market interest rate for such a loan was higher than the contractual interest rate, the amortised contractual value of the loan would have been replaced by (i) amortised value of the loan determined based on the fair value of the loan at the date of origination and (ii) unamortised value of the government grant embedded in such a low interest loan; there would have been no impact on the consolidated statement of income since the increased effective interest rate would have been offset by amortisation of the government grant.

## **5 New Accounting Pronouncements**

Since the Group published its last annual financial statements, certain new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2010 or later and which the Group has not early adopted:

**Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010).** The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group is currently assessing the impact that these amendments will have on its financial statements.

**Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010).** The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Group does not expect the amendments to have any material effect on its financial statements.

**The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses.** Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. The Group is not eligible to apply the IFRS for SMEs due to the public accountability of its banking business.

**6 Trading Securities and Repurchase Receivables**

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>	<b>31 December 2008</b>
Debt securities	1 190	571
Equity securities	63	17
<b>Total trading securities</b>	<b>1 253</b>	<b>588</b>
<b>Repurchase receivables relating to debt trading securities</b>	<b>-</b>	<b>151</b>
<b>Total trading securities and repurchase receivables</b>	<b>1 253</b>	<b>739</b>

Repurchase receivables represent trading securities sold under sale and repurchase agreements with other banks. The counterparty financial institutions 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.

Currency and maturity analyses of trading securities and repurchase receivables are disclosed in Note 18. Information on securities issued by related parties and owned by the Group is disclosed in Note 20.

**7 Loans and Advances to Customers**

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>	<b>31 December 2008</b>
Corporate loans	11 597	14 798
Finance lease receivables	1 295	1 305
Loans to individuals - credit cards and personal installment loans ("PILs")	787	962
Loans to individuals - car loans	541	705
Loans to individuals - consumer loans	462	499
Loans to individuals - mortgage loans	437	509
Loans to small and medium-size enterprises ("SMEs")	116	284
Reverse sale and repurchase agreements - corporate and individuals	25	31
Advances on lease operations	21	67
<b>Total gross loans and advances to customers</b>	<b>15 281</b>	<b>19 160</b>
Less: Provision for loan impairment	(1 451)	(1 190)
<b>Total loans and advances to customers</b>	<b>13 830</b>	<b>17 970</b>

As at 30 June 2009 loans and advances to customers in the total amount of USD 107 million (31 December 2008: USD 837 million) were pledged as collateral for financing received from the CBRF and USD 480 million (31 December 2008: USD 396 million) for financing received from the State Deposit Insurance Agency (Note 11).

**7 Loans and Advances to Customers (Continued)**

Movements in the provision for loan impairment for the six-month period ended 30 June 2009 were as follows:

<i>In millions of US Dollars</i>	Corpo- rate loans	Loans to SMEs	Finance lease recei- vables	Advan- ces on lease opera- tions	Loans to individuals				Total
					Credit cards and PILs	Car loans	Consu- mer loans	Mort- gage loans	
<b>Provision for loan impairment as at 1 January 2009</b>	<b>1 011</b>	<b>27</b>	<b>33</b>	<b>2</b>	<b>49</b>	<b>23</b>	<b>41</b>	<b>4</b>	<b>1 190</b>
Provisions during the period	40	(6)	262	1	54	21	17	22	411
Amounts written off as uncollectible	-	-	-	-	(38)	(15)	(29)	(8)	(90)
Disposal of a subsidiary	(3)	-	-	-	-	-	-	-	(3)
Translation movement	(47)	(2)	(2)	-	(3)	(1)	(2)	-	(57)
<b>Provision for loan impairment as at 30 June 2009</b>	<b>1 001</b>	<b>19</b>	<b>293</b>	<b>3</b>	<b>62</b>	<b>28</b>	<b>27</b>	<b>18</b>	<b>1 451</b>

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

<i>In millions of US Dollars</i>	Corpo- rate loans	Loans to SMEs	Finance lease recei- vables	Loans to individuals				Total
				Credit cards and PILs	Car loans	Consu- mer loans	Mort- gage loans	
<b>Provision for loan impairment as at 1 January 2008</b>	<b>269</b>	<b>8</b>	<b>13</b>	<b>37</b>	<b>21</b>	<b>32</b>	<b>1</b>	<b>381</b>
Provisions during the period	88	1	6	30	9	23	1	158
Amounts written off as uncollectible	(1)	-	-	(37)	(15)	(32)	-	(85)
Translation movement	12	1	1	6	3	5	-	28
<b>Provision for loan impairment as at 30 June 2008</b>	<b>368</b>	<b>10</b>	<b>20</b>	<b>36</b>	<b>18</b>	<b>28</b>	<b>2</b>	<b>482</b>

The provision for loan impairment during the six-month period ended 30 June 2009 differs from the amount presented in the condensed consolidated interim statement of comprehensive income due to USD 12 million (six-month period ended 30 June 2008: USD 19 million) recovery during six-month period ended 30 June 2009 of amounts previously written off as uncollectible. This amount was credited directly to the provisions line in the condensed consolidated interim statement of comprehensive income.



**7 Loans and Advances to Customers (Continued)**

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

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>		<b>31 December 2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Construction	2 654	17	3 238	17
Individuals	2 247	15	2 687	14
Railway transport	1 614	11	1 820	10
Trade and commerce	1 055	7	2 065	11
Power generation	918	6	988	5
Machinery and metal working	919	6	1 114	6
Armament production	653	4	703	4
Non-ferrous metallurgy	651	4	858	4
Ferrous metallurgy	627	4	897	5
Mass media and telecommunications	601	4	237	1
Finance and investment companies	548	4	882	5
Chemistry and petrochemistry	428	3	208	1
Food industry	318	2	477	2
Diamond extraction and processing	282	2	302	2
Nuclear industry	275	2	455	2
Agriculture	251	2	251	1
Aviation transport	245	1	302	2
Coal Industry	156	1	213	1
Oil industry	145	1	815	4
Natural gas industry	191	1	49	-
Timber industry	40	-	48	-
Water transport	35	-	44	-
Other	428	3	507	3
<b>Total gross loans and advances to customers</b>	<b>15 281</b>	<b>100</b>	<b>19 160</b>	<b>100</b>

Analysis by credit quality of loans to corporate customers outstanding as at 30 June 2009 was as follows:

<i>In millions of US Dollars</i>	<b>Corporate loans</b>	<b>Loans to SMEs</b>	<b>Finance lease receivables</b>	<b>Advances on lease operations</b>	<b>Reverse repo</b>	<b>Total</b>
Gross current and not impaired loans	8 044	92	208	15	5	8 364
Gross past due but not impaired loans	653	-	142	-	-	795
Gross individually impaired loans						
- current	994	5	192	6	-	1 197
- past due	1 906	19	753	-	-	2 678
<b>Gross individually impaired loans</b>	<b>2 900</b>	<b>24</b>	<b>945</b>	<b>6</b>	<b>-</b>	<b>3 875</b>
<b>Total gross loans and advances</b>	<b>11 597</b>	<b>116</b>	<b>1 295</b>	<b>21</b>	<b>5</b>	<b>13 034</b>
Provision for loan impairment	(1 001)	(19)	(293)	(3)	-	(1 316)
<b>Total loans and advances to corporate customers</b>	<b>10 596</b>	<b>97</b>	<b>1 002</b>	<b>18</b>	<b>5</b>	<b>11 718</b>

**7 Loans and Advances to Customers (Continued)**

The Group created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by 30 June 2009. 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.

The amount of loans reported as past due represents the whole balance of such loans while for some of them only some of the individual installments may be past due. The amount of those past due installments on loans to corporate customers as at 30 June 2009 was as follows:

<i>In millions of US Dollars</i>	<b>Corporate loans</b>	<b>Loans to SMEs</b>	<b>Finance lease receivables</b>	<b>Total</b>
- past due installments	2 287	19	155	2 461
- current portion of past due loans	272	-	740	1 012
<b>Total past due loans and advances to corporate customers</b>	<b>2 559</b>	<b>19</b>	<b>895</b>	<b>3 473</b>

Analysis by credit quality of loans to corporate customers outstanding as at 31 December 2008 was as follows:

<i>In millions of US Dollars</i>	<b>Corporate loans</b>	<b>Loans to SMEs</b>	<b>Finance lease receivables</b>	<b>Advances on lease operations</b>	<b>Reverse repo</b>	<b>Total</b>
Gross current and not impaired loans	12 851	245	420	66	19	13 601
Gross past due but not impaired loans	187	2	875	-	-	1 064
Gross individually impaired loans						
- current	948	18	10	1	-	977
- past due	812	19	-	-	-	831
<b>Gross individually impaired loans</b>	<b>1 760</b>	<b>37</b>	<b>10</b>	<b>1</b>	<b>-</b>	<b>1 808</b>
<b>Total gross loans and advances to customers</b>	<b>14 798</b>	<b>284</b>	<b>1 305</b>	<b>67</b>	<b>19</b>	<b>16 473</b>
Provision for loan impairment	(1 011)	(27)	(33)	(2)	-	(1 073)
<b>Total loans and advances to corporate customers</b>	<b>13 787</b>	<b>257</b>	<b>1 272</b>	<b>65</b>	<b>19</b>	<b>15 400</b>

The amount of loans reported as past due represents the whole balance of such loans while for some of them only some of the individual installments may be past due. The amount of those past due installments on loans to corporate customers as at 31 December 2008 was as follows:

**7 Loans and Advances to Customers (Continued)**

<i>In millions of US Dollars</i>	<b>Corporate loans</b>	<b>Loans to SMEs</b>	<b>Finance lease receivables</b>	<b>Total</b>
- past due installments	956	3	106	1 065
- current portion of past due loans	43	18	769	830
<b>Total past due loans and advances to corporate customers</b>	<b>999</b>	<b>21</b>	<b>875</b>	<b>1 895</b>

Analysis by credit quality of loans to individuals outstanding as at 30 June 2009 was as follows:

<i>In millions of US Dollars</i>	<b>Credit cards and PILs</b>	<b>Car loans</b>	<b>Consumer loans</b>	<b>Mortgage loans</b>	<b>Reverse repo</b>	<b>Total</b>
Gross current and not impaired loans	702	485	409	403	20	2 019
Gross past due but not impaired loans	41	30	19	14	-	104
Gross individually impaired loans	44	26	34	20	-	124
<b>Total gross loans and advances to individuals</b>	<b>787</b>	<b>541</b>	<b>462</b>	<b>437</b>	<b>20</b>	<b>2 247</b>
Provision for loan impairment	(62)	(28)	(27)	(18)	-	(135)
<b>Total loans and advances to individuals</b>	<b>725</b>	<b>513</b>	<b>435</b>	<b>419</b>	<b>20</b>	<b>2 112</b>

The amount of loans reported as past due represents the whole balance of such loans while for some of them only some of the individual installments may be past due. The amount of those past due installments on loans to individuals as at 30 June 2009 was as follows:

<i>In millions of US Dollars</i>	<b>Credit cards and PILs</b>	<b>Car loans</b>	<b>Consumer loans</b>	<b>Mortgage loans</b>	<b>Total</b>
- past due installments	25	13	36	1	75
- current portion of past due loans	60	43	17	33	153
<b>Total past due loans and advances to individuals</b>	<b>85</b>	<b>56</b>	<b>53</b>	<b>34</b>	<b>228</b>

**7 Loans and Advances to Customers (Continued)**

Analysis by credit quality of loans to individuals outstanding as at 31 December 2008 was as follows:

<i>In millions of US Dollars</i>	<b>Credit cards and PILs</b>	<b>Car loans</b>	<b>Consumer loans</b>	<b>Mortgage loans</b>	<b>Reverse repo</b>	<b>Total</b>
Gross current and not impaired loans	887	666	457	493	12	2 515
Gross past due but not impaired loans	34	21	21	10	-	86
Gross individually impaired loans	41	18	21	6	-	86
<b>Total gross loans and advances to individuals</b>	<b>962</b>	<b>705</b>	<b>499</b>	<b>509</b>	<b>12</b>	<b>2 687</b>
Provision for loan impairment	(49)	(23)	(41)	(4)	-	(117)
<b>Total loans and advances to individuals</b>	<b>913</b>	<b>682</b>	<b>458</b>	<b>505</b>	<b>12</b>	<b>2 570</b>

The amount of loans reported as past due represents the whole balance of such loans while for some of them only some of the individual installments may be past due. The amount of those past due installments on loans to individuals as at 31 December 2008 was as follows:

<i>In millions of US Dollars</i>	<b>Credit cards and PILs</b>	<b>Car loans</b>	<b>Consumer loans</b>	<b>Mortgage loans</b>	<b>Total</b>
- past due installments	22	9	28	1	60
- current portion of past due loans	53	30	14	15	112
<b>Total past due loans and advances to individuals</b>	<b>75</b>	<b>39</b>	<b>42</b>	<b>16</b>	<b>172</b>

Impaired loans to individuals are those loans which are past by due more than 30 days. The primary factors that the Group considers in determining whether a loan is impaired are the ability of borrowers to service their debt, loans and interest past due status and realisability of related collateral, if any.

Significant risk concentration of loans and advances to customers is disclosed in Note 17. Currency and maturity analyses of loans and advances to customers are disclosed in Note 18. The information on related party balances is disclosed in Note 20.

**8 Investments and Repurchase Receivables Relating to Investments**

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>	<b>31 December 2008</b>
Debt investments available for sale	759	317
Equity investments at fair value through profit and loss	74	55
<b>Total investments</b>	<b>833</b>	<b>372</b>
Repurchase receivables relating to debt investments available for sale	-	215
<b>Total investments and repurchase receivables relating to investments</b>	<b>833</b>	<b>587</b>

Repurchase receivables represent securities sold under sale and repurchase agreements with other banks. The counterparty financial institutions have a right to resell or pledge these securities.

Currency and maturity analyses of investments and repurchase receivables are disclosed in Note 18. The information on securities issued by related parties and owned by the Group is disclosed in Note 20.

**9 Customer Accounts**

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>	<b>31 December 2008</b>
<b>Commercial organisations</b>		
- Current/settlement accounts	1 877	2 024
- Term deposits	1 880	2 947
<b>Individuals</b>		
- Current/demand accounts	3 169	3 392
- Term deposits	3 395	2 754
<b>State and public organisations</b>		
- Current/settlement accounts	-	2
- Term deposits	2 277	1 463
<b>Total customer accounts</b>	<b>12 598</b>	<b>12 582</b>

Significant risk concentration of customer accounts is disclosed in Note 17. Currency and maturity analyses of customer accounts are disclosed in Note 18. The information on related party balances is disclosed in Note 20.

**10 Debt Securities Issued**

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>	<b>31 December 2008</b>
Promissory notes issued	540	412
Notes issued under a DPR Programme	466	694
Euro Medium Term Notes maturing in 2009	371	381
Euro Medium Term Notes maturing in 2012	335	382
Euro Medium Term Notes maturing in 2013	288	303
Euro Commercial Paper notes	-	219
<b>Total debt securities issued</b>	<b>2 000</b>	<b>2 391</b>

Promissory notes are debt securities issued by the Group with a discount to face value or with interest accrual in Russian Roubles, US Dollars and Euros.

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"). The notes issued under DPR Programme are repayable by quarterly installments.

Details on issuance of the debt securities under DPR Programme were as follows:

<i>In millions of currency</i>	<b>Currency of denomination</b>	<b>Nominal value of the issue</b>	<b>Issue proceeds net of transaction costs</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Coupon per annum, payable quarterly</b>
DPR notes tranche A	USD	200	198	30 March 2007	15 March 2012	LIBOR + 2.0%
DPR notes tranche B	EUR	145	144	30 March 2007	15 March 2012	EURIBOR + 1.9%
DPR notes tranche A	USD	260	258	7 December 2006	15 December 2011	LIBOR + 1.9%
DPR notes tranche B	EUR	230	228	7 December 2006	15 December 2011	EURIBOR + 1.9%
DPR notes	USD	350	345	30 March 2006	15 March 2011	LIBOR + 1.6%

The Group is also required to deposit with designated banks funds covering the repayment of the next quarterly installment for the notes issued under the DPR Programme. As at 30 June 2009 included within term placements with other banks are deposits placed under DPR Programme in the amount of USD 87 million (31 December 2008: USD 84 million).

As at 30 June 2009 balance of notes issued under the DPR Programme and repurchased by the Group on the market amounted to USD 108 million and EUR 64 million by nominal value (31 December 2008: USD 44 million and EUR 47 million by nominal value).

On 22 June 2004 the Group established a Euro Medium Term Note Programme ("MTN Programme") with a limit of the aggregate principal amount of outstanding notes issued under the MTN Programme of USD 1 000 million which was increased in November 2006 up to USD 2 000 million. Notes issued under MTN Programme are repayable at respective maturity dates.

**10 Debt Securities Issued (Continued)**

Details on issuance of the debt securities under MTN programme were as follows:

<i>In millions of currency</i>	Currency of denomination	Nominal value of the issue	Issue proceeds net of transaction costs	Issue date	Maturity date	Coupon per annum, payable semi-annually
Euro Medium Term Notes	USD	400	398	24 June 2008	24 June 2013	9.25%
Euro Medium Term Notes	USD	500	498	25 June 2007	25 June 2012	8.20%
Euro Medium Term Notes	USD	400	399	3 October 2006	10 October 2009	7.88%

In relation to Euro Medium Term Notes issued on 24 June 2008 the noteholders have a right to require redemption of the notes at the nominal value on 24 June 2011.

As at 30 June 2009 balance of notes issued under the MTN Programme and repurchased by the Group on the market amounted to USD 311 million by nominal value (31 December 2008: USD 239 million by nominal value).

Currency and maturity analyses of debt securities issued are disclosed in Note 18.

**11 Syndicated and Other Loans**

<i>In millions of US Dollars</i>	30 June 2009 (unaudited)	31 December 2008
Loan from State Deposit Insurance Agency maturing 9 December 2013	249	267
Syndicated loan maturing 13 July 2009	249	249
Syndicated loan maturing 14 January 2010	70	71
Syndicated loan maturing 7 July 2009	20	20
Syndicated loan maturing 23 May 2009	-	1
Syndicated loan maturing 23 January 2009	-	456
<b>Syndicated and other loans</b>	<b>588</b>	<b>1 064</b>

Details of the syndicated and other loans outstanding as at 30 June 2009 were as follows:

<i>In millions of currency</i>	Currency of denomination	Nominal value	Issue proceeds net of transaction costs	Issue date	Maturity date	Interest rate per annum
Loan from State Deposit Insurance Agency	RUR	7 800	7 800	9 December 2008	9 December 2013	6.50%
Syndicated loan tranche	USD	245	244	14 July 2008	13 July 2009	LIBOR + 1.0%
Syndicated loan tranche	USD	70	69	14 July 2008	14 January 2010	LIBOR + 1.3%
Syndicated loan	USD	20	20	17 July 2007	7 July 2009	7.24%

**11 Syndicated and Other Loans (Continued)**

On 9 December 2008 in relation to the acquisition of OJSC Bank Severnaya Kazna the Group received a RR 7 800 million loan from the State Deposit Insurance Agency. The loan is repayable in 5 installments: four installments of RR 1 000 million payable on 9 December each year from 2009 to 2012 and the fifth installment of RR 3 800 million payable on 9 December 2013. The loan is secured by loans and advances to customers in the amount of USD 480 million (31 December 2008: USD 396 million) (Note 7). Interest is payable monthly. The Group has an option to repay this loan at any time.

Other syndicated loans are repayable at maturity and the interest they bear is payable semi-annually.

Currency and maturity analyses of syndicated and other loans are disclosed in Note 18.

**12 Subordinated Debt**

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>	<b>31 December 2008</b>
Subordinated loan from VEB maturing in 2019	326	-
Subordinated notes maturing in 2017	253	265
Subordinated notes maturing in 2015	189	199
<b>Total subordinated debt</b>	<b>768</b>	<b>464</b>

Refer to Note 4 for details of the subordinated loan from VEB.

On 22 February 2007 the Group issued subordinated notes in the amount of USD 300 million. The notes bear a fixed interest rate of 8.635% 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 at nominal on 22 February 2012. The issue proceeds net of transaction costs were equal to USD 299 million. As at 30 June 2009 the Group repurchased on the market the subordinated notes maturing in 2017 with a nominal value of USD 54 million (31 December 2008: USD 42 million).

On 9 December 2005 the Group issued subordinated notes in the amount of USD 225 million. 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. The issue proceeds net of transaction costs were equal to USD 224 million. As at 30 June 2009 the Group repurchased on the market the subordinated notes maturing in 2015 with a nominal value of USD 36 million (31 December 2008: USD 26 million).

Currency and maturity analyses of subordinated debt are disclosed in Note 18.



**13 Share Capital**

	Six-Month period ended 30 June 2009 (unaudited)		Six-Month period ended 30 June 2008 (unaudited)	
	Number of shares, in units	Total share capital, in millions of US Dollars	Number of shares, in units	Total share capital, in millions of US Dollars
Total share capital as at 1 January	944 800 000	945	694 800 000	695
New shares issued during the period	320 000 000	320	250 000 000	250
<b>Total share capital</b>	<b>1 264 800 000</b>	<b>1 265</b>	<b>944 800 000</b>	<b>945</b>

On 26 June 2009 the Company issued to ABHH 320 000 000 additional new ordinary shares in exchange for cash consideration of USD 320 million.

On 30 June 2008 the Company issued to ABHH 250 000 000 additional new ordinary shares in exchange for cash consideration of USD 250 million.

As at 30 June 2009 authorised, issued and fully paid share capital of ABH Financial Limited comprised 1 264 800 000 ordinary shares (30 June 2008 and 31 December 2008: 944 800 000 ordinary shares). All shares have a nominal value of USD 1 per share and rank equally. Each share carries one vote.

**14 Interest Income and Expense**

<i>In millions of US Dollars</i>	Six-Month Period Ended 30 June 2009 (unaudited)	Six-Month Period Ended 30 June 2008 (unaudited)
<b>Interest income</b>		
Loans and advances to corporate customers	910	917
Loans and advances to individuals	248	201
Due from other banks	122	64
Trading securities	72	66
Debt investments available for sale and repurchase receivables	29	3
<b>Total interest income</b>	<b>1 381</b>	<b>1 251</b>
<b>Interest expense</b>		
Due to other banks	(301)	(80)
Term deposits of legal entities	(216)	(239)
Term deposits of individuals	(105)	(45)
Debt securities issued	(79)	(114)
Current/settlement accounts	(44)	(55)
Subordinated debt	(31)	(23)
Syndicated and other loans	(14)	(35)
<b>Total interest expense</b>	<b>(790)</b>	<b>(591)</b>
Expenses directly attributable to leasing and deposit insurance	(20)	(15)
<b>Net margin</b>	<b>571</b>	<b>645</b>

Expenses directly attributable to leasing and deposit insurance include non-reimbursable property tax and insurance costs relating to the leased assets which are directly attributable to finance leasing operations and regular contributions to the State Deposit Insurance Agency.

Refer to Note 20 for details of related party transactions.

**15 Gains less Losses from Foreign Currencies and Precious Metals**

<i>In millions of US Dollars</i>	<b>Six-Month Period Ended 30 June 2009 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2008 (unaudited)</b>
Term deals	(140)	4
Spot deals	4	178
Foreign exchange translation gains less losses/(losses less gains)	158	(193)
<b>Total gains less losses arising from foreign currencies and precious metals</b>	<b>22</b>	<b>(11)</b>

Refer to Note 20 for details of related party transactions.

**16 Segment Information**

The Group's reportable segments are strategic business units that offer different products and services:

- Corporate and Investment banking - comprises corporate lending, leasing, corporate deposit services, trade finance operations and structured corporate lending, securities trading, debt and equity capital markets services, derivative products, corporate finance advisory services and merger and acquisition advice. Corporate and Investment banking were merged at the beginning of the 2009 in order to create new client services, reduce operating costs and improve cross-selling opportunities.
- Retail banking - comprises retail demand and term deposit services, credit and debit card services, retail lending (including consumer loans and personal installment loans, car loans and mortgages), money transfers and private banking services.
- Treasury - comprises the Group's wholesale funding, internal funding reallocation, liquidity and risk management activities.

These segments are managed separately because each of them requires formulating a different strategy and uses different operational platforms. The Group evaluates segment performance on the basis of profit or loss before tax. Segment performance is regularly reviewed by the CODM.

Segment financial information reviewed by the CODM includes loans and advances to customers of Amsterdam Trade Bank N.V. and JSC SB Alfa-Bank Kazakhstan, but not their results and other balance sheet items. Regular review of these subsidiary banks is delegated to the local management teams. The CODM obtains financial statements of Amsterdam Trade Bank N.V. and JSC SB Alfa-Bank Kazakhstan. Such financial information overlaps with segment analysis provided internally to the CODM. Management therefore applied the core principle of IFRS 8, Operating Segments, in determining which of the overlapping financial information sets should form the basis of operating segments. Management considered that information on subsidiary banks is available less frequently in concluding that segments exclude details of the subsidiaries other than information about their loan portfolios.

The accounting policies of the operating segments are materially the same as those described in the summary of significant accounting policies except for: (i) the fair value changes in available for sale securities that are reported within the segments' profits or losses rather than in equity; (ii) use of a transfer pricing system and (iii) different classification of certain lines of income and expenses. In accordance with the transfer pricing system used by the Group funds are generally reallocated at internal interest rates set by the Treasury Department of the Group, which are determined by reference to market interest rate benchmarks, contractual maturities for loans and observed actual maturities of customer accounts balances.

**16 Segment Information (Continued)**

Segment information for the reportable business segments of the Group as at and for the six-month period ended 30 June 2009 is set out below:

<i>In millions of US Dollars</i>	<b>Corporate and Investment banking</b>	<b>Retail banking</b>	<b>Treasury</b>	<b>Total</b>
<b>Six-Month Period Ended 30 June 2009 (unaudited)</b>				
<b>Segment revenues</b>				
<b>External revenues</b>				
Interest income	896	226	39	1 161
Fee and commission income	57	82	2	141
Other operating income	15	10	-	25
<b>Total external revenues</b>	<b>968</b>	<b>318</b>	<b>41</b>	<b>1 327</b>
Interest income from other segments	233	180	1 082	1 495
<b>Total segment revenues</b>	<b>1 201</b>	<b>498</b>	<b>1 123</b>	<b>2 822</b>
Interest expense to other segments	(623)	(164)	(707)	(1 494)
Gains less losses from investments	128	-	8	136
Gains less losses from foreign currencies and precious metals	21	8	19	48
Interest expense	(156)	(95)	(476)	(727)
Provision for loan impairment	(403)	(113)	-	(516)
Fee and commission expense	(9)	(28)	-	(37)
Other provisions	26	-	-	26
Operating expenses	(81)	(137)	(6)	(224)
Allocated administrative expenses	(37)	(40)	(5)	(82)
<b>Segment profit before tax</b>	<b>67</b>	<b>(71)</b>	<b>(44)</b>	<b>(48)</b>
<b>30 June 2009 (unaudited)</b>				
<b>Segment assets</b>	<b>12 219</b>	<b>2 090</b>	<b>4 228</b>	<b>18 537</b>
<b>Segment liabilities</b>	<b>6 154</b>	<b>3 473</b>	<b>7 019</b>	<b>16 646</b>

**16 Segment Information (Continued)**

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

Segment information for the reportable business segments of the Group for the six-month period ended 30 June 2008 and as at 31 December 2008 is set out below:

<i>In millions of US Dollars</i>	<b>Corporate and Investment banking</b>	<b>Retail banking</b>	<b>Treasury</b>	<b>Total</b>
<b>Six-Month Period Ended 30 June 2008 (unaudited)</b>				
<b>Segment revenues</b>				
<b>External revenues</b>				
Interest income	883	212	81	1 176
Fee and commission income	108	100	5	213
Other income	6	1	-	7
<b>Total external revenues</b>	<b>997</b>	<b>313</b>	<b>86</b>	<b>1 396</b>
Interest income from other segments	294	112	847	1 253
<b>Total segment revenues</b>	<b>1 291</b>	<b>425</b>	<b>933</b>	<b>2 649</b>
Interest expense to other segments	(553)	(118)	(557)	(1 228)
Gains less losses from investments	4	-	(1)	3
Gains less losses from foreign currencies and precious metals	(8)	3	(2)	(7)
Share of results and impairment of associates	(6)	-	-	(6)
Interest expense	(240)	(44)	(273)	(557)
Provision for loan impairment	(145)	(59)	-	(204)
Fee and commission expense	(7)	(28)	(1)	(36)
Other provisions	(6)	-	-	(6)
Operating expenses	(98)	(168)	(7)	(273)
Allocated administrative expenses	(42)	(44)	(21)	(107)
<b>Segment profit before tax</b>	<b>190</b>	<b>(33)</b>	<b>71</b>	<b>228</b>
<b>31 December 2008 (unaudited)</b>				
<b>Segment assets</b>	<b>15 109</b>	<b>2 590</b>	<b>3 936</b>	<b>21 635</b>
<b>Segment liabilities</b>	<b>6 904</b>	<b>2 745</b>	<b>10 669</b>	<b>20 318</b>

**16 Segment Information (Continued)**

A reconciliation of revenue for reportable segments to the Group's total revenue for the period is as follows:

<i>In millions of US Dollars</i>	<b>Six-Month Period Ended 30 June 2009 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2008 (unaudited)</b>
<b>Segment revenues</b>	<b>2 822</b>	<b>2 649</b>
Interest income from other segments	(1 495)	(1 253)
Subsidiary banks' external revenues	96	82
Other non-reportable segments' external revenues and unallocated amounts	18	(9)
Revenues related to the Group's business in the Ukraine	24	23
Fair value losses less gains/(gains less losses) from interest rate derivatives reported within segment revenues	79	(13)
Revenue from significant non-recurring transactions unallocated to segments	-	45
<b>Total revenues in the financial information</b>	<b>1 544</b>	<b>1 524</b>

A reconciliation of the profit for reportable segments to the Group's total profit before tax for the period is as follows:

<i>In millions of US Dollars</i>	<b>Six-Month Period Ended 30 June 2009 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2008 (unaudited)</b>
<b>Segment profit before tax</b>	<b>(48)</b>	<b>228</b>
Allocation of previously unallocated provision for loan impairment	113	72
Subsidiary banks' profit before tax	13	29
Other non-reportable segments' profit before tax and unallocated results	(6)	(17)
Fair value gain on revaluation of investments unallocated to segments	-	26
Revenue from significant non-recurring transactions unallocated to segments	-	45
Staff costs accruals unallocated to segments	(15)	(56)
Fair value gains on available for sale investments recorded in equity	(21)	-
Loss on disposal of subsidiaries unallocated to segments	(6)	-
<b>Profit before tax for the period reported in the financial information</b>	<b>30</b>	<b>327</b>

**16 Segment Information (Continued)**

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

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>	<b>31 December 2008</b>
<b>Segment assets</b>	<b>18 537</b>	<b>21 635</b>
<i>Items unallocated to segments:</i>		
Assets related to subsidiary banks	2 249	2 061
Assets related to the Group's business in the Ukraine	391	405
Cash on hand and settlement accounts with trading systems	520	892
Mandatory cash balances with central banks	87	79
Other financial assets	514	1 195
Other assets	353	371
Premises and equipment	322	390
Deferred tax asset	22	24
<b>Total assets reported in the financial information</b>	<b>22 995</b>	<b>27 052</b>

Assets related to subsidiary banks exclude loans to customers allocated to the corporate and investment banking segment which as at 30 June 2009 amounted to USD 1 204 million (31 December 2008: USD 1 746 million).

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

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>	<b>31 December 2008</b>
<b>Segment liabilities</b>	<b>16 646</b>	<b>20 318</b>
<i>Items unallocated to segments:</i>		
Liabilities related to subsidiary banks	3 269	3 590
Other financial liabilities	404	833
Other liabilities	89	110
Deferred tax liability	66	39
<b>Total liabilities reported in the financial information</b>	<b>20 474</b>	<b>24 890</b>

## **17 Significant Risk Concentrations**

As at 30 June 2009 the ten largest aggregate balances on correspondent and settlement accounts and overnight placements with banks and financial institutions amounted to USD 409 million (31 December 2008: USD 768 million) or 81.0% (31 December 2008: 98.2%) of the correspondent and settlement accounts and overnight placements.

As at 30 June 2009 the ten largest aggregate balances due from other banks amounted to USD 2 203 million (31 December 2008: USD 1 375 million) or 76.8% (31 December 2008: 74.8%) of total due from other banks.

As at 30 June 2009 aggregate loans and advances to the ten largest borrowers (or groups of related borrowers) amounted to USD 4 458 million (31 December 2008: USD 4 255 million) or 29.2% (31 December 2008: 22.2%) 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 6 074 million (31 December 2008: USD 6 274 million) or 39.7% (31 December 2008: 32.7%) of the gross loans and advances to customers.

As at 30 June 2009 the ten largest aggregate balances due to other banks amounted to USD 3 148 million (31 December 2008: USD 6 412 million) or 79.5% (31 December 2008: 86.6%) of total due to other banks, of which USD 2 497 million (31 December 2008: USD 5 366 million) represented balances outstanding to the CBRF.

As at 30 June 2009 balances outstanding to CBRF were comprised of loans received under (i) a cross-guarantee lending programme in the amount of USD 855 million (31 December 2008: USD 1 771 million); (ii) a secured lending programme in the amount of USD 105 million (31 December 2008: USD 471 million), secured by a pledge of loans and advances to customers in the gross amount of USD 107 million (31 December 2008: USD 837 million) (Note 7) and (iii) other regular money market finance in the amount of USD 1 537 million (31 December 2008: USD 2 718 million) including the finance obtained through unsecured finance auctions. As at 31 December 2008 the Group also had loans of USD 406 million outstanding to CBRF with the fair value of securities pledged of USD 404 million.

As at 30 June 2009 the ten largest aggregate customer account balances amounted to USD 4 153 million (31 December 2008: USD 3 715 million) or 33.0% (31 December 2008: 29.5%) of the total customer accounts, of which USD 871 million (31 December 2008: USD 1 361 million) represented balances outstanding to Alfa Group (Note 20) and its shareholders.

During the six-month period ended 30 June 2008 the Group recorded non-recurring income from sale of rights to film licenses in the amount of USD 45 million which was recorded within other operating income.

**18 Financial Risk Management**

There were no significant changes to the system of risk management during the six-month period ended 30 June 2009 compared to 2008.

**Currency risk.** In respect of currency risk, the Treasury Department of the Group is responsible for the centralised management of the currency risk of the Group. Asset and Liability Management Committee (“ALCO”) sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily by the Treasury Department of the Group based on the management reports provided on open currency position. The Group uses derivatives to manage current and forecast exposures resulting from foreign currencies.

The table below summarizes the Group’s exposure to foreign currency exchange rate risk as at 30 June 2009 and 31 December 2008:

<i>In millions of US Dollars</i>	USD	RR	EUR	Other currencies	Non- monetary	Total
<b>Assets</b>						
Cash and cash equivalents	411	623	1 863	14	-	2 911
Mandatory cash balances with central banks	-	44	43	-	-	87
Trading securities	660	254	276	-	63	1 253
Due from other banks	813	1 807	246	4	-	2 870
Loans and advances to customers	7 181	5 663	888	98	-	13 830
Investments	318	346	95	-	74	833
Derivative financial instruments	154	66	74	3	-	297
Other financial assets	147	65	5	-	-	217
Other assets	20	174	11	-	148	353
Premises and equipment	-	-	-	-	322	322
Deferred tax asset	-	-	-	-	22	22
<b>Total assets</b>	<b>9 704</b>	<b>9 042</b>	<b>3 501</b>	<b>119</b>	<b>629</b>	<b>22 995</b>
<b>Liabilities</b>						
Due to other banks	535	3 020	322	84	-	3 961
Customer accounts	2 409	5 907	4 272	10	-	12 598
Debt securities issued	1 353	355	292	-	-	2 000
Syndicated and other loans	339	249	-	-	-	588
Subordinated debt	442	326	-	-	-	768
Derivative financial instruments	128	29	20	83	-	260
Other financial liabilities	53	76	15	-	-	144
Other liabilities	42	38	9	-	-	89
Deferred tax liability	-	-	-	-	66	66
<b>Total liabilities</b>	<b>5 301</b>	<b>10 000</b>	<b>4 930</b>	<b>177</b>	<b>66</b>	<b>20 474</b>
<b>Net balance sheet position</b>	<b>4 403</b>	<b>(958)</b>	<b>(1 429)</b>	<b>(58)</b>	<b>563</b>	<b>2 521</b>
<b>Net balance sheet position less fair value of foreign exchange derivatives</b>	<b>4 334</b>	<b>(961)</b>	<b>(1 492)</b>	<b>22</b>	<b>563</b>	<b>2 466</b>
<b>Derivatives (at nominal value)</b>	<b>(1 592)</b>	<b>53</b>	<b>1 627</b>	<b>(33)</b>	<b>-</b>	<b>55</b>
<b>Net balance sheet and derivatives position as at 30 June 2009</b>	<b>2 742</b>	<b>(908)</b>	<b>135</b>	<b>(11)</b>	<b>563</b>	<b>2 521</b>
<b>Net balance sheet and derivatives position as at 31 December 2008</b>	<b>1 660</b>	<b>(231)</b>	<b>3</b>	<b>105</b>	<b>625</b>	<b>2 162</b>



**18 Financial Risk Management (Continued)**

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

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

The following table represents analysis of carrying amounts of assets and liabilities as at 30 June 2009 by their expected maturities as determined by the Group. This analysis was prepared on the basis of contractual maturities except for adjustments in relation to (i) trading securities and (ii) part of customer accounts. The entire portfolio of trading securities was classified within “demand and less than 1 month” based on the Management’s assessment of the portfolio’s realisability. Part of current/settlement/demand accounts was reallocated from “demand and less than 1 month” category to baskets with the later maturities. On the basis of past experience the 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 long-term and stable source of funding for the Group.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
<i>In millions of US Dollars</i>						
<b>Assets</b>						
Cash and cash equivalents	2 911	-	-	-	-	2 911
Mandatory cash balances with central banks	87	-	-	-	-	87
Trading securities	1 253	-	-	-	-	1 253
Due from other banks	2 759	31	-	80	-	2 870
Loans and advances to customers	2 727	2 906	1 336	6 861	-	13 830
Investments	-	23	128	608	74	833
Derivative financial instruments	73	63	53	108	-	297
Other financial assets	120	91	-	6	-	217
Other assets	153	52	-	-	148	353
Premises and equipment	-	-	-	-	322	322
Deferred tax asset	-	-	-	-	22	22
<b>Total assets</b>	<b>10 083</b>	<b>3 166</b>	<b>1 517</b>	<b>7 663</b>	<b>566</b>	<b>22 995</b>
<b>Liabilities</b>						
Due to other banks	2 135	423	1 139	264	-	3 961
Customer accounts	2 292	3 984	1 972	4 350	-	12 598
Debt securities issued	172	724	251	853	-	2 000
Syndicated and other loans	271	38	76	203	-	588
Subordinated debt	-	25	30	713	-	768
Derivative financial instruments	76	16	124	44	-	260
Other financial liabilities	94	33	2	15	-	144
Other liabilities	43	10	-	36	-	89
Deferred tax liability	-	-	-	-	66	66
<b>Total liabilities</b>	<b>5 083</b>	<b>5 253</b>	<b>3 594</b>	<b>6 478</b>	<b>66</b>	<b>20 474</b>
<b>Net expected liquidity gap as at 30 June 2009</b>	<b>5 000</b>	<b>(2 087)</b>	<b>(2 077)</b>	<b>1 185</b>	<b>500</b>	<b>2 521</b>
<b>Cumulative expected liquidity gap as at 30 June 2009</b>	<b>5 000</b>	<b>2 913</b>	<b>836</b>	<b>2 021</b>	<b>2 521</b>	
<b>Cumulative expected liquidity gap as at 31 December 2008</b>	<b>1 594</b>	<b>505</b>	<b>24</b>	<b>1 554</b>	<b>2 162</b>	

## **19 Contingencies and Commitments**

**Legal proceedings.** From time to time and in the normal course of business legal 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 those claims and accordingly no provision has been recorded in this condensed consolidated interim financial information as at 30 June 2009 and as at 31 December 2008.

**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 and sophisticated approach in their interpretation of the legislation and tax examinations. This includes them following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. 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 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.

The Group conducts some transactions which might be considered to be as 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.

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

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 2009 it had other possible obligations from exposure to other than remote tax risks of up to approximately USD 10 million (31 December 2008: USD 4 million).

**19 Contingencies and Commitments (Continued)**

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

Outstanding credit related commitments were as follows:

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>	<b>31 December 2008</b>
Cross guarantees	995	1 848
Guarantees issued	574	697
Import letters of credit	147	492
Export letters of credit	42	217
<b>Total credit related commitments</b>	<b>1 758</b>	<b>3 254</b>

Cross guarantees represent guarantees provided by Alfa-Bank to CBRF in favour of other Russian banks under a special CBRF lending programme. Alfa-Bank received similar guarantees from the same banks for some of its borrowings from CBRF (Note 17).

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:

<i>In millions of US Dollars</i>	<b>Six-Month Period Ended 30 June 2009 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2008 (unaudited)</b>
<b>Provision for losses on credit related commitments as at 1 January</b>	<b>46</b>	<b>21</b>
(Recovery of provision) / provision for losses on credit related commitments during the period	(28)	1
Effect of translation to presentation currency	(3)	1
<b>Provision for losses on credit related commitments as at 30 June</b>	<b>15</b>	<b>23</b>

**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 Basel I;
- to maintain a minimum level of net assets;
- to maintain a minimum ratio of aggregated financial indebtedness;
- to maintain certain levels of credit ratings;
- to ensure that all related party transactions are on an arm's length basis; and
- to maintain a maximum level of long-term debt securities issued.

Management believes that the Group was in compliance with these covenants as at 30 June 2009 and 31 December 2008.

## **20 Related Party Transactions**

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

ABHH (Note 1) and CTF Holdings Limited and their subsidiaries constitute the Alfa Group. Banking transactions are entered into in the normal course of business with significant shareholders, directors, associated companies and companies with which the Group has significant shareholders in common, including other companies in Alfa Group and other related parties. These transactions include settlements, loans, deposit taking, guarantees, trade finance, corporate finance, foreign currency exchange and other transactions. Related party transactions are reflected in the tables below.

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

ABH Ukraine Group is a related party under common control of the Alfa Group.

**20 Related Party Transactions (Continued)**

The outstanding balances as at 30 June 2009 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 2009 (unaudited)/Six-Month period ended 30 June 2009 (unaudited)				
	TNK-BP	Alfa Group and its shareholders except for ABH Ukraine Group	Key manage- ment	Associates	ABH Ukraine Group
<i>In millions of US Dollars</i>					
<b>Assets</b>					
Trading securities as at the period end	79	41	-	-	234
Investment securities available for sale as at the period end	4	30	-	-	30
Term placements with other banks as at the period end	-	-	-	-	72
Loans and advances to customers as at the period end (gross of provision for impairment)	7	1 063	-	105	100
Provision for loan impairment as at 1 January 2009	-	-	-	(105)	-
Provision for loan impairment during the period	-	(60)	-	-	-
Provision for loan impairment as at 30 June 2009	-	(60)	-	(105)	-
Option premium receivable (Note 1)	-	63	-	-	-
Receivables as at the period end	-	45	-	-	98
<b>Liabilities</b>					
Correspondent accounts of other banks Customer accounts	-	6	-	-	190
- Current/settlement accounts as at the period end	49	265	5	-	2
- Term deposits as at the period end	140	584	3	-	20
Payables as at the period end	-	18	8	-	3
<b>Income and expenses</b>					
Interest income for the period (based on effective contractual interest rates)	3	55	-	-	16
Interest expense for the period (based on effective contractual interest rates)	(4)	(19)	-	-	-
Fee and commission income	-	9	-	-	-
Gains less losses arising from trading securities	-	(6)	-	-	(2)
Gains less losses arising from trading in foreign currencies	-	1	-	-	18
Other expenses for the period	-	9	8	-	-
<b>Credit related commitments</b>					
Guarantees issued by the Group	24	8	-	-	-
Import letters of credit as at the period end	-	6	-	-	-

**20 Related Party Transactions (Continued)**

The outstanding balances as at 31 December 2008 and income and expense items as well as other transactions for the period ended 30 June 2008 with related parties were as follows:

	<b>31 December 2008/Six-Month period ended 30 June 2008 (unaudited)</b>				
	<b>TNK-BP</b>	<b>Alfa Group and its shareholders except for ABH Ukraine Group</b>	<b>Key management</b>	<b>Associates</b>	<b>ABH Ukraine Group</b>
<i>In millions of US Dollars</i>					
<b>Assets</b>					
Trading securities as at the year end	17	18	-	-	121
Investment securities available for sale at the year end	7	3	-	-	45
Term placements with other banks as at the year end	-	4	-	-	39
Loans and advances to customers as at the year end (gross of provision for impairment)	-	658	-	105	5
Provision for loan impairment as at 1 January 2008	-	-	-	(11)	-
Provision for loan impairment during the period	-	-	-	(6)	-
Provision for loan impairment as at 30 June 2008	-	-	-	(17)	-
Provision for loan impairment as at 31 December 2008	-	-	-	(105)	-
Receivables as at the year end	-	35	-	-	204
<b>Liabilities</b>					
Correspondent accounts of other banks	-	-	-	-	89
Customer accounts					
- Current/settlement accounts as at the year end	84	191	3	-	3
- Term deposits as at the year end	8	1 164	-	-	3
Payables as at the year end	-	6	9	-	20
<b>Income and expense</b>					
Interest income for the period (based on effective contractual interest rates)	-	23	-	9	9
Interest expense for the period (based on effective contractual interest rates)	(2)	(38)	-	-	-
Fee and commission income	-	21	-	-	-
Gains less losses arising from trading securities	-	(5)	-	-	3
Gains less losses arising from trading in foreign currencies	-	(13)	-	-	(9)
Other expenses for the period	-	(8)	(17)	-	-
<b>Credit related commitments</b>					
Guarantees issued by the Group	77	10	-	-	-
Import letters of credit as at the period end	-	14	-	-	-

**20 Related Party Transactions (Continued)**

Refer to Note 1 for details of disposal of JSC SB Alfa-Bank Kazakhstan to ABHH.

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

<i>In millions of US Dollars</i>	<b>30 June 2009 (unaudited)</b>	<b>31 December 2008</b>
<b>Key management compensation accrued as at the balance sheet date</b>	<b>8</b>	<b>9</b>
<b>Salaries</b>	-	-
<b>Bonuses</b>	<b>8</b>	<b>9</b>
- short-term bonuses	2	3
- long-term bonuses	6	6

<i>In millions of US Dollars</i>	<b>Six-Month Period Ended 30 June 2009 (unaudited)</b>	<b>Six-Month Period Ended 30 June 2008 (unaudited)</b>
<b>Key management compensation expense for the period</b>	<b>8</b>	<b>17</b>
<b>Salaries</b>	<b>3</b>	<b>4</b>
<b>Bonuses</b>	<b>5</b>	<b>13</b>
- short-term bonuses	2	6
- long-term bonuses	3	7

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.

**21 Subsequent Events**

In August 2009 Vnesheconombank approved two subordinated loans to Alfa-Bank in the total amount of RR 29 412 million which were not yet received as at the date of this condensed consolidated interim financial information.