ABH FINANCIAL LIMITED

International Financial Reporting Standards Condensed Consolidated Interim Financial Information (Unaudited)

30 June 2013

CONTENTS

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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 2013 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

30 August 2013
Moscow, Russian Federation

In millions of US Dollars	Note	30 June 2013 (unaudited)	31 December 2012
ASSETS			
Cash and cash equivalents		4 630	5 218
Mandatory cash balances with central banks		419	444
Trading securities	6	1 974	1 098
Repurchase receivables relating to trading securities	6	1 225	1 869
Due from other banks		2 252	3 298
Loans and advances to customers	7	31 732	30 564
Investments	8	1 427	1 963
Derivative financial instruments		426	427
Other financial assets		293	128
Other assets		494	364
Premises and equipment		563	559
Deferred tax asset		3	-
TOTAL ASSETS		**45 438**	**45 932**
LIABILITIES			
Due to other banks		5 361	5 502
Customer accounts	9	26 214	26 842
Debt securities issued	10	5 586	5 949
Syndicated and other debt	11	465	125
Subordinated debt	12	2 082	2 170
Derivative financial instruments		439	450
Other financial liabilities		388	291
Other liabilities		321	361
Deferred tax liability		75	90
TOTAL LIABILITIES		**40 931**	**41 780**
EQUITY			
Share capital	13	1 265	1 265
Fair value reserve for investments available for sale		(4)	68
Revaluation reserve for premises and equipment		24	25
Cumulative translation reserve		(454)	(403)
Retained earnings		3 676	3 196
Net assets attributable to the Company's owners		**4 507**	**4 151**
Non-controlling interests		**-**	**1**
TOTAL EQUITY		**4 507**	**4 152**
TOTAL LIABILITIES AND EQUITY		**45 438**	**45 932**

This condensed consolidated interim financial information was approved for issue by the Board of Directors of ABH Financial Limited on 30 August 2013 and any further changes require approval of this body.

In millions of US Dollars	Note	Six-Month Period Ended 30 June 2013 (unaudited)	Six-Month Period Ended 30 June 2012 (unaudited)
Interest income		1 981	1 407
Interest expense		(907)	(620)
Expenses directly attributable to leasing and deposit insurance		(20)	(20)
Net margin	14	**1 054**	**767**
Provision for loan impairment	7	(196)	140
Net margin after provision for loan impairment		**858**	**907**
Fee and commission income		470	337
Fee and commission expense		(113)	(90)
Gains less losses arising from trading securities		(12)	(23)
Gains less losses arising from interest based derivatives		9	2
Gains less losses arising from foreign currencies and precious metals	15	(22)	8
Gains less losses arising from investments		58	8
Losses less gains arising from acquisition of own debts		-	(3)
Other provisions		(44)	(1)
Other operating income		11	10
Operating expenses		(611)	(484)
Profit before tax		**604**	**671**
Income tax expense		(125)	(127)
Profit for the period		**479**	**544**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Avaliable for sale investments:			
- Fair value gains less losses during the period		(25)	1
- Reclassification adjustments for (gains)/losses included in profit or loss		(52)	5
Effect of translation of the financial statements of foreign operations		(249)	(102)
Net change in hedge of net investment in foreign operations		198	14
Income tax recorded directly in other comprehensive income		5	1
Other comprehensive loss for the period		**(123)**	**(81)**
Total comprehensive income for the period		**356**	**463**
Profit for the period attributable to the Company's owners		**479**	**544**
Total comprehensive income for the period attributable to the Company's owners		**356**	**463**

In millions of US Dollars	**Attributable to the Company's owners**						**Non-controlling interests**	**Total equity**
	Share capital (Note 13)	**Fair value reserve for investments available for sale**	**Revaluation reserve for premises and equipment**	**Cumulative translation reserve**	**Retained earnings**	**Total**		
Balance as at 1 January 2012	**1 265**	**(15)**	**28**	**(416)**	**2 572**	**3 434**	**1**	**3 435**
Profit for the period	-	-	-	-	544	544	-	544
Other comprehensive income/(loss) for the period	-	7	-	(88)	-	(81)	-	(81)
Total comprehensive income/(loss) for the period	-	7	-	(88)	544	463	-	463
Realised revaluation reserve	-	-	(2)	-	2	-	-	-
Balance as at 30 June 2012	**1 265**	**(8)**	**26**	**(504)**	**3 118**	**3 897**	**1**	**3 898**
Balance as at 1 January 2013	**1 265**	**68**	**25**	**(403)**	**3 196**	**4 151**	**1**	**4 152**
Profit for the period	-	-	-	-	479	479	-	479
Other comprehensive loss for the period	-	(72)	-	(51)	-	(123)	-	(123)
Total comprehensive (loss)/income for the period	-	(72)	-	(51)	479	356	-	356
Realised revaluation reserve	-	-	(1)	-	1	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	(1)	(1)
Balance as at 30 June 2013	**1 265**	**(4)**	**24**	**(454)**	**3 676**	**4 507**	**-**	**4 507**

In millions of US Dollars	**Six-Month Period Ended 30 June 2013 (unaudited)**	**Six-Month Period Ended 30 June 2012 (unaudited)**
Net cash (used in)/from operating activities	**(644)**	**1 337**
Net cash from/(used in) investing activities	**426**	**(430)**
Net cash used in financing activities	**(114)**	**(474)**
Net (decrease)/increase in cash and cash equivalents	**(332)**	**433**
Cash and cash equivalents at the beginning of the period	5 218	2 707
Effect of exchange rate changes on cash and cash equivalents	(256)	(51)
Cash and cash equivalents at the end of the period	**4 630**	**3 089**

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 2013 for ABH Financial Limited (the "Company") and its subsidiaries (the "Group"). This condensed consolidated interim financial information has been reviewed, not audited.

The Company is a limited liability company registered in the Republic of Cyprus. The Company is wholly owned by ABH Russia Limited, a Cyprus company, which is in turn a wholly owned subsidiary of ABH Holdings S.A. ("ABHH"), a Luxembourg 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 also own a 100% interest in CTF Holdings Limited ("CTFH"). ABHH and CTFH are parent companies of Alfa Group.

The Company is registered at Elenion Building, 5 Themistocles Dervis Street, 2nd floor, CY-1066 Nicosia, Cyprus.

The Group comprises three main segments: corporate and investment banking, retail banking and treasury operations (Note 16). The corporate banking, retail banking and treasury operations of the Group are carried out principally by Open Joint Stock Company Alfa-Bank ("Alfa-Bank") and its subsidiaries. The investment banking activities of the Group are carried out mainly 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.

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. 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 subsidiary is Amsterdam Trade Bank N.V. (Netherlands). Alfa-Bank's registered office is located at 27 Kalanchyovskaya Street, Moscow 107078, Russian Federation. Alfa-Bank's principal place of business is 9 Mashi Poryvaevoy Street, Moscow 107078, Russian Federation.

Alfa Capital Holdings (Cyprus) Limited is primarily involved in the investment banking business including proprietary trading and brokerage activities, investment and merchant banking and asset management. Alfa Capital Holdings (Cyprus) Limited is regulated by the Cyprus Securities and Exchange Commission and licensed principally for brokerage activities and proprietary trading (own trading in shares and debentures). The license entitles Alfa Capital Holdings (Cyprus) Limited to operate both locally (with certain restrictions) and outside Cyprus. Alfa Capital Holdings (Cyprus) Limited is registered at Elenion Building, 5 Themistocles Dervis Street, 2nd floor, CY-1066 Nicosia, Cyprus.

2 Operating Environment of the Group

The Group, through its operations, has a significant exposure to the economy and financial markets of the Russian Federation.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation (Note 19).

The ongoing uncertainty and volatility of the financial markets and other risks could have significant negative effects on the Russian financial and corporate sectors. Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

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 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 2012 except as described below and in Note 5.

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.

Changes in presentation. Where necessary, corresponding figures from the annual consolidated financial statements for the year ended 31 December 2012 have been adjusted to conform to the presentation of amounts in this condensed consolidated interim financial information:

	31 December 2012		
In millions of US Dollars	**As presented in the annual consolidated financial statements for the year ended 31 December 2012**	**Reclassification**	**As presented in the condensed consolidated interim financial information for the six-month period ended 30 June 2013**
Consolidated statement of financial position			
Assets:			
Derivative financial instruments	-	427	427
Other financial assets	555	(427)	128
Liabilities:			
Derivative financial instruments	-	450	450
Other financial liabilities	741	(450)	291

Assets and liabilities related to derivative financial instruments were separately disclosed because of absence in the condensed consolidated interim financial information of further disclosures relating to other financial assets and liabilities.

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 this condensed consolidated interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities are:

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 profit or loss, 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 used will result in an additional or lower charge for loan loss impairment of USD 128 million (six-month period ended 30 June 2012: USD 118 million), respectively.

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

Fair value of financial instruments. The fair values of financial instruments 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. Refer to Note 20.

Income taxes. There are many transactions and calculations in the ordinary course of business for which the ultimate tax determination is uncertain (Note 19). 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.

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 and some other subsidiaries, the Group based its judgement on the fact that these companies operate internationally on markets mainly influenced by the US Dollar (not Russian Rouble) and their major activities include provision of services to foreign investors. Moreover, the majority of their operations are denominated in US Dollars. The US Dollar is also the currency in which their business risks and exposures are managed and the performance of their business is measured.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

5 New Accounting Pronouncements

Since the Group published its last annual consolidated financial statements, certain new standards and interpretations have been issued which are effective for the annual accounting periods starting on or after 1 January 2014 and which the Group has not early adopted:

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

5 New Accounting Pronouncements (Continued)

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group is currently assessing the impact of the amendments on the disclosures in its consolidated financial statements.

Refer to the annual consolidated financial statements of the Group for the year ended 31 December 2012 for the detailed description of all new accounting pronouncements relevant to the Group.

The last annual consolidated financial statements disclosed certain new standards or interpretations which became effective from 1 January 2013 and were adopted in this condensed consolidated interim financial information:

Amendments to IAS 1 "Presentation of Financial Statements" changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future.

IFRS 10 "Consolidated Financial Statements" replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

IFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7. The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

Adoption of the above revised standards had impact on the disclosures of the condensed consolidated interim financial information of the Group. Management expects the above revised standards to be relevant to the Group in future.

Other new standards and interpretations neither affected the condensed consolidated interim financial information of the Group nor are expected to be relevant in future.

6 Trading Securities and Repurchase Receivables

In millions of US Dollars	**30 June 2013 (unaudited)**	**31 December 2012**
Trading securities		
Debt securities	1 624	1 041
Equity securities	350	57
Total trading securities	**1 974**	**1 098**
Repurchase receivables relating to trading securities		
Debt securities	1 048	1 675
Equity securities	177	194
Total repurchase receivables relating to trading securities	**1 225**	**1 869**
Total trading securities and repurchase receivables relating to trading securities	**3 199**	**2 967**

6 Trading Securities and Repurchase Receivables (Continued)

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 and repurchase receivables 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. The information on securities issued by related parties and owned by the Group is disclosed in Note 21.

7 Loans and Advances to Customers

In millions of US Dollars	**30 June 2013 (unaudited)**	**31 December 2012**
Corporate loans	25 296	24 328
Finance lease receivables	1 144	1 084
Reverse sale and repurchase receivables	946	1 270
Loans to small and medium-size enterprises ("SMEs")	519	474
Advances on lease operations	28	21
Total gross loans and advances to corporate customers	**27 933**	**27 177**
Less: Provision for loan impairment	(1 059)	(1 128)
Total loans and advances to corporate customers	**26 874**	**26 049**
Loans to individuals - Credit cards and personal instalment loans ("PILs")	3 499	2 905
Loans to individuals - Consumer loans	1 248	1 371
Loans to individuals - Mortgage loans	267	295
Reverse sale and repurchase receivables	33	37
Loans to individuals - Car loans	29	40
Total gross loans and advances to individuals	**5 076**	**4 648**
Less: Provision for loan impairment	(218)	(133)
Total loans and advances to individuals	**4 858**	**4 515**
Total loans and advances to customers	**31 732**	**30 564**

7 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment for the six-month period ended 30 June 2013 were as follows:

In millions of US Dollars	Corporate loans	Finance lease recei-vables	Loans to SMEs	Advances on lease opera-tions	Loans to individuals: Credit cards and PILs	Loans to individuals: Consu-mer loans	Loans to individuals: Mortga-ge loans	Loans to individuals: Car loans	Total
Provision for loan impairment as at 1 January 2013	**1 044**	**39**	**45**	**-**	**73**	**56**	**2**	**2**	**1 261**
Provisions during the period	(15)	13	4	1	116	80	4	(1)	202
Amounts written off as uncollectible	(16)	(1)	(3)	-	(42)	(53)	(1)	(1)	(117)
Effect of translation to functional currency	19	1	-	-	-	-	-	-	20
Effect of translation to presentation currency	(68)	(3)	(1)	-	(7)	(10)	-	-	(89)
Provision for loan impairment as at 30 June 2013	**964**	**49**	**45**	**1**	**140**	**73**	**5**	**-**	**1 277**

Movements in the provision for loan impairment for the six-month period ended 30 June 2012 were as follows:

In millions of US Dollars	Corporate loans	Finance lease recei-vables	Loans to SMEs	Advances on lease opera-tions	Loans to individuals: Credit cards and PILs	Loans to individuals: Consu-mer loans	Loans to individuals: Mortga-ge loans	Loans to individuals: Car loans	Total
Provision for loan impairment as at 1 January 2012	**1 161**	**80**	**68**	**1**	**21**	**29**	**6**	**2**	**1 368**
Provisions during the period	(176)	(10)	(15)	2	34	38	-	-	(127)
Amounts written off as uncollectible	(15)	-	-	-	(15)	(25)	(2)	(1)	(58)
Effect of translation to functional currency	(9)	-	-	-	-	-	-	-	(9)
Effect of translation to presentation currency	13	(1)	(2)	-	(1)	(3)	-	-	6
Provision for loan impairment as at 30 June 2012	**974**	**69**	**51**	**3**	**39**	**39**	**4**	**1**	**1 180**

The provision for loan impairment during the six-month period ended 30 June 2013 differs from the amount presented in the condensed consolidated interim statement of comprehensive income due to USD 6 million (including USD 5 million relating to loans and advances to individuals) recovery of amounts previously written off as uncollectible (six-month period ended 30 June 2012: USD 13 million (including USD 11 million relating to loans and advances to individuals)). 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:

	30 June 2013 (unaudited)		31 December 2012	
In millions of US Dollars	Amount	%	Amount	%
Individuals	5 076	15	4 648	15
Trade and commerce	4 399	13	4 395	14
Real estate	2 689	8	2 599	8
Ferrous metallurgy	2 320	7	2 327	7
Finance and investment companies	2 280	7	2 480	8
Power generation	2 084	6	2 404	8
Military	1 741	5	1 570	5
Food industry	1 369	4	1 183	4
Construction	1 297	4	1 187	4
Oil industry	1 008	3	856	3
Diamond extraction and processing	955	3	305	1
Railway transport	944	3	1 201	4
Non-ferrous metallurgy	897	3	788	2
Mass media and telecommunications	871	3	857	3
Coal Industry	803	3	882	3
Machinery and metal working	751	2	784	2
Natural gas industry	636	2	652	2
Agriculture	554	2	345	1
Chemistry and petrochemistry	471	1	384	1
Aviation transport	423	1	530	1
Nuclear industry	273	1	294	1
Water transport	54	-	84	-
Other	1 114	4	1 070	3
Total gross loans and advances to customers	**33 009**	**100**	**31 825**	**100**

As at 30 June 2013 loans and advances to customers in the total amount of USD 96 million (31 December 2012: USD 130 million) were pledged as collateral for financing received from the State Deposit Insurance Agency (Note 11).

In accordance with netting agreements with companies under common control as at 30 June 2013 loans and advances to customers in the amount of USD 185 million (31 December 2012: USD 203 million) were netted against customer accounts in the amount of USD 185 million (31 December 2012: USD 177 million of customer accounts and USD 26 million of other liabilities).

7 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to corporate customers outstanding as at 30 June 2013 was as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Reverse sale and repurchase receivables	Loans to SMEs	Advances on lease operations	Total
Gross neither past due nor impaired	**24 583**	**1 065**	**946**	**503**	**27**	**27 124**
Gross past due but not impaired	**1**	**-**	**-**	**2**	**-**	**3**
Gross individually impaired loans						
- not past due	398	52	-	4	1	455
- past due	314	27	-	10	-	351
Gross individually impaired loans	**712**	**79**	**-**	**14**	**1**	**806**
Total gross loans and advances	**25 296**	**1 144**	**946**	**519**	**28**	**27 933**
Provision for loan impairment	(964)	(49)	-	(45)	(1)	(1 059)
Total loans and advances to corporate customers	**24 332**	**1 095**	**946**	**474**	**27**	**26 874**

The Group created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by 30 June 2013. The Group's policy is to classify each loan as "neither past due nor 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.

Analysis by credit quality of loans to corporate customers outstanding as at 31 December 2012 was as follows:

In millions of US Dollars	Corporate loans	Finance lease receivables	Reverse sale and repurchase receivables	Loans to SMEs	Advances on lease operations	Total
Gross neither past due nor impaired	**23 825**	**968**	**1 270**	**458**	**21**	**26 542**
Gross past due but not impaired	**7**	**-**	**-**	**-**	**-**	**7**
Gross individually impaired loans						
- not past due	209	93	-	2	-	304
- past due	287	23	-	14	-	324
Gross individually impaired loans	**496**	**116**	**-**	**16**	**-**	**628**
Total gross loans and advances	**24 328**	**1 084**	**1 270**	**474**	**21**	**27 177**
Provision for loan impairment	(1 044)	(39)	-	(45)	-	(1 128)
Total loans and advances to corporate customers	**23 284**	**1 045**	**1 270**	**429**	**21**	**26 049**

7 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to individuals outstanding as at 30 June 2013 was as follows:

In millions of US Dollars	**Credit cards and PILs**	**Consumer loans**	**Mortgage loans**	**Reverse sale and repurchase receivables**	**Car loans**	**Total**
Gross neither past due nor impaired	3 311	1 154	253	33	28	4 779
Gross past due but not impaired	78	37	6	-	1	122
Gross past due and impaired	110	57	8	-	-	175
Total gross loans and advances to individuals	**3 499**	**1 248**	**267**	**33**	**29**	**5 076**
Provision for loan impairment	(140)	(73)	(5)	-	-	(218)
Total loans and advances to individuals	**3 359**	**1 175**	**262**	**33**	**29**	**4 858**

Analysis by credit quality of loans to individuals outstanding as at 31 December 2012 was as follows:

In millions of US Dollars	**Credit cards and PILs**	**Consumer loans**	**Mortgage loans**	**Reverse sale and repurchase receivables**	**Car loans**	**Total**
Gross neither past due nor impaired	2 806	1 299	282	37	38	4 462
Gross past due but not impaired	45	28	6	-	1	80
Gross past due and impaired	54	44	7	-	1	106
Total gross loans and advances to individuals	**2 905**	**1 371**	**295**	**37**	**40**	**4 648**
Provision for loan impairment	(73)	(56)	(2)	-	(2)	(133)
Total loans and advances to individuals	**2 832**	**1 315**	**293**	**37**	**38**	**4 515**

Impaired loans to individuals are those loans which are past due by 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 concentrations of loans and advances to customers are disclosed in Note 17. Currency and maturity analyses of loans and advances to customers are disclosed in Note 18. The estimated fair value of loans and advances to customers is disclosed in Note 20. The information on related party balances is disclosed in Note 21.

8 Investments

In millions of US Dollars	30 June 2013 (unaudited)	31 December 2012
Debt investments available for sale	1 281	1 417
Investments held to maturity	106	77
Equity investments at fair value through profit and loss	38	104
Equity investments available for sale	2	365
Total investments	**1 427**	**1 963**

In January 2013 the Group sold its entire interest in Pamplona Credit Opportunities Fund (classified as equity investments available for sale) to a subsidiary of CTFH for consideration in the amount of USD 361 million.

Currency and maturity analyses of investments are disclosed in Note 18. The estimated fair value of investments held to maturity is disclosed in Note 20. The information on securities issued by related parties and owned by the Group is disclosed in Note 21.

9 Customer Accounts

In millions of US Dollars	30 June 2013 (unaudited)	31 December 2012
Commercial organisations		
- Current/settlement accounts	4 362	3 894
- Term deposits	6 099	8 354
Individuals		
- Current/demand accounts	6 580	6 595
- Term deposits	6 032	5 594
State and public organisations		
- Current/settlement accounts	180	11
- Term deposits	2 961	2 394
Total customer accounts	**26 214**	**26 842**

In accordance with netting agreements with companies under common control as at 30 June 2013 customer accounts in the amount of USD 513 million (31 December 2012: USD 505 million) were netted against loans and advances to customers in the amount of USD 185 million (2012: USD 203 million) and other financial assets in the amount of USD 328 million (2012: USD 302 million).

Significant risk concentrations of customer accounts are disclosed in Note 17. Currency and maturity analyses of customer accounts are disclosed in Note 18. The estimated fair value of customer accounts is disclosed in Note 20. The information on related party balances is disclosed in Note 21.

10 Debt Securities Issued

In millions of US Dollars	30 June 2013 (unaudited)	31 December 2012
Promissory notes	1 449	1 813
Notes maturing in 2017	1 014	1 014
Notes maturing in 2021	1 009	1 009
Notes maturing in 2015	593	591
Notes maturing in 2016	302	-
Rouble denominated bonds	763	766
Euro Commercial Paper Notes	456	463
Euro Medium Term Notes maturing in 2013	-	293
Total debt securities issued	**5 586**	**5 949**

10 Debt securities issued (Continued)

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

Notes maturing in 2017, 2021, 2015 and 2016. On 24 September 2010 the Group issued USD 1 000 million Notes with maturity date on 25 September 2017 and interest rate of 7.875% p.a. The issue proceeds net of transaction costs were equal to USD 996 million and effective rate at origination was 8.11% p.a. As at 30 June 2013 balance of notes repurchased by the Group on the market amounted to USD 4 million at amortised value (31 December 2012: USD 4 million).

On 28 April 2011 the Group issued USD 1 000 million Notes with maturity date on 28 April 2021 and interest rate of 7.75% p.a. The issue proceeds net of transaction costs were equal to USD 997 million and effective rate at origination was 7.94% p.a. As at 30 June 2013 balance of notes repurchased by the Group on the market amounted to USD 1 million at amortised value (31 December 2012: USD 1 million).

On 18 March 2010 the Group issued USD 600 million Notes with maturity date on 18 March 2015 and interest rate of 8.0% p.a. The issue proceeds net of transaction costs were equal to USD 597 million and effective interest rate at origination was 8.29% p.a. As at 30 June 2013 balance of notes repurchased by the Group on the market amounted to USD 19 million at amortised value (31 December 2012: USD 21 million).

On 26 April 2013 the Group issued RR 10 000 million (equivalent of USD 319 million) Notes with maturity date on 26 April 2016 and interest rate of 8.63% p.a. The issue proceeds net of transaction costs were equal to RR 9 948 million (equivalent of USD 318 million) and effective rate at origination was 9.01% p.a. As at 30 June 2013 balance of notes repurchased by the Group on the market amounted to USD 7 million at amortised value.

Rouble denominated bonds. On 2 February 2011 the Group issued RR 5 000 million (equivalent of USD 169 million) bonds with maturity date on 2 February 2016 and interest rate of 8.25% p.a. The issue proceeds net of transaction costs were equal to RR 4 997 million (equivalent of USD 169 million) and effective interest rate at origination was 8.43% p.a. The bonds are puttable at nominal on 6 February 2014.

On 9 December 2011 the Group issued RR 5 000 million (equivalent of USD 160 million) bonds with maturity date on 2 December 2016 and interest rate of 9.25% p.a. The issue proceeds net of transaction costs were equal to RR 4 998 million (equivalent of USD 160 million) and effective interest rate at origination was 9.48% p.a. The bonds were puttable at nominal on 11 June 2013. At the date of offer the holders partially exercised the put option and the Group redeemed bonds in the amount of RR 3 559 million (equivalent of USD 110 million). On 7 June 2013 according to conditions of bond issue the interest rate was changed from 9.25% to 8.25%.

On 31 August 2012 the Group issued RR 5 000 million (equivalent of USD 155 million) bonds with maturity date on 31 August 2015 and interest rate of 8.6% p.a. The issue proceeds net of transaction costs were equal to RR 4 999 million (equivalent of USD 155 million) and effective interest rate at origination was 8.8% p.a. The bonds are puttable at nominal value on 4 March 2014.

On 28 September 2012 the Group issued RR 10 000 million (equivalent of USD 321 million) bonds with maturity date on 28 September 2015 and interest rate of 8.45% p.a. The issue proceeds net of transaction costs were equal to RR 9 999 million (equivalent of USD 323 million) and effective interest rate at origination was 8.63% p.a. The bonds are puttable at nominal value on 1 October 2013. As at 30 June 2013 balance of bonds repurchased by the Group on the market amounted to USD 66 million at amortised value (31 December 2012: USD 75 million).

On 26 February 2013 the Group issued RR 5 000 million (equivalent of USD 165 million) bonds with maturity date on 26 February 2016 and interest rate of 8.65% p.a. The issue proceeds net of transaction costs were equal to RR 4 999 million (equivalent of USD 165 million) and effective interest rate at origination was 8.85% p.a.

Euro Commercial Paper Programme. On 2 February 2012 the Group established a new Euro Commercial Paper Programme (the “ECP Programme”) with a limit of the aggregate principal amount of outstanding notes issued under the ECP Programme of USD 1 400 million.

10 Debt securities issued (Continued)

The details of Notes outstanding as at 30 June 2013 are disclosed below:

Currency of denomination	Nominal value of the issue	Issue proceeds net of transaction costs	Amortised cost as at 30 June 2013 in millions of US Dollars	Issue date	Maturity date	Zero-coupon bonds, yield at pricing
USD	100	96	99	18 July 2012	22 July 2013	4.00%
USD	140	135	131	11 September 2012	13 September 2013	3.88%
USD	51	50	51	20 December 2012	23 September 2013	3.63%
USD	20	19	20	23 January 2013	29 January 2014	2.75%
USD	29	28	28	17 May 2013	22 May 2014	2.75%
USD	11	10	10	23 May 2013	30 May 2014	2.75%
USD	21	20	20	21 June 2013	27 June 2014	2.75%
USD	24	23	23	30 May 2013	05 June 2014	2.75%
USD	75	74	74	06 June 2013	13 December 2013	2.25%

As at 30 June 2013 the balance of notes issued under ECP Programme and repurchased by the Group on the market amounted to USD 8 million at amortised value (31 December 2012: USD 16 million).

Currency and maturity analyses of debt securities issued are disclosed in Note 18. The estimated fair value of debt securities issued is disclosed in Note 20.

11 Syndicated and Other Debt

In millions of US Dollars	**30 June 2013 (unaudited)**	**31 December 2012**
Syndicated loan	348	-
Loan from the State Deposit Insurance Agency maturing on 9 December 2013 (secured by loans and advances to customers)	117	125
Total syndicated and other debt	**465**	**125**

On 24 April 2013 the Group received a syndicated loan in the amount of USD 350 million bearing a floating interest rate of 6-month LIBOR plus 1.7% p.a. payable semi-annually with 23 April 2014 maturity date. The issue proceeds net of transaction costs were equal to USD 346 million and effective rate at origination was 3.32% p.a.

Currency and maturity analyses of syndicated and other debt are disclosed in Note 18. The estimated fair value of syndicated and other debt is disclosed in Note 20.

12 Subordinated Debt

In millions of US Dollars	**30 June 2013 (unaudited)**	**31 December 2012**
Subordinated loan from VEB maturing in 2020	797	854
Subordinated loan from VEB maturing in 2019	295	316
Subordinated notes maturing in 2019	741	750
Subordinated notes maturing in 2017	249	250
Total subordinated debt	**2 082**	**2 170**

12 Subordinated Debt (Continued)

In 2008 the Russian government provided assistance to the Russian financial system by instructing the Russian State Corporation Bank Razvitiya i Vneshneekonomicheskoy Deyatelnosti ("VEB") to grant subordinated loans to selected banks.

On 29 January 2009 the Group received a subordinated loan from VEB in the amount of RR 10 201 million (equivalent of USD 307 million) bearing a fixed interest rate of 8% per annum payable quarterly until maturity on 25 December 2019, followed by the second tranche of that subordinated loan in the amount of RR 231 million (equivalent of USD 8 million) received on 19 October 2009.

In October 2009 the Group received another subordinated loan from VEB in the amount of RR 29 181 million (equivalent of USD 994 million) bearing a fixed interest rate of 9.5% per annum plus a fee of 0.03% per annum, which matures on 25 December 2020.

The Group has an option to repay these loans at any time subject to approvals from the CBRF and VEB.

Since 25 August 2010 the interest rates on the above subordinated loans were reduced from 8% per annum to 6.5% per annum on the loan maturing on 25 December 2019 and from 9.5% per annum to 7.5% per annum on the loan maturing on 25 December 2020. All other terms of these loans remain unchanged.

The Group accounted for such reduction in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". The revised carrying value of the loans as at 25 August 2010 of USD 1 148 million represented the future revised cash flows relating to the loans discounted at the loans' original effective interest rates. The difference in the amount of USD 157 million between the previous and revised carrying value of the loans was recorded on 25 August 2010 as government grant deferred income within other liabilities and is amortised through interest expense until the loans' maturity dates.

In accordance with the terms of the loan agreements Alfa-Bank is required (i) to maintain a portfolio of loans with a term of not less than six months issued to priority sectors of economy in Russia in the amount of the January 2009 subordinated loan outstanding; (ii) to maintain a portfolio of loans with a term of not less than one year issued to priority sectors of the economy in Russia in the amount of the October 2009 subordinated loan outstanding at interest rates less than or equal to the CBRF refinancing rate plus three percent; (iii) to obtain approval from VEB for certain significant transactions and (iv) to include VEB nominees in Alfa-Bank's management bodies.

On 26 September 2012 the Group issued subordinated notes in the amount of USD 750 million. The notes bear a fixed interest rate of 7.50% per annum payable semi-annually from the issuance until maturity on 26 September 2019. The issue proceeds net of transaction costs were equal to USD 748 million and effective interest rate at origination was 7.71% per annum. As at 30 June 2013 balance of bonds repurchased by the Group on the market amounted to USD 21 million at amortised value (31 December 2012: USD 13 million).

On 22 February 2007 the Group issued subordinated notes in the amount of USD 300 million. The notes bear a fixed interest rate of 8.64% per annum payable semi-annually from the issuance until 22 February 2012 and a floating interest rate thereafter set at the US Treasury Rate plus 5.46% per annum payable semi-annually until maturity on 22 February 2017. The Group had an option to repay these notes at nominal on 22 February 2012. The Group has not exercised the option. The issue proceeds net of transaction costs were equal to USD 299 million and effective interest rate at origination was 9.0% per annum. As at 30 June 2013 balance of bonds repurchased by the Group on the market amounted to USD 58 million at amortised value (31 December 2012: USD 57 million).

Currency and maturity analyses of subordinated debt are disclosed in Note 18. The estimated fair value of subordinated debt is disclosed in Note 20.

13 Share Capital

As at 30 June 2013, 31 December 2012 and 2011 authorised, issued and fully paid share capital of ABH Financial Limited comprised 1 264 800 000 ordinary shares. All shares have a nominal value of USD 1 per share and rank equally. Each share carries one vote.

14 Net Margin

In millions of US Dollars	**Six-Month Period Ended 30 June 2013 (unaudited)**	**Six-Month Period Ended 30 June 2012 (unaudited)**
Interest income		
Loans and advances to corporate customers	1 263	904
Loans and advances to individuals	563	346
Trading securities and repurchase receivables	93	85
Due from other banks	41	36
Debt investments available for sale	20	34
Debt investments held to maturity	1	2
Total interest income	**1 981**	**1 407**
Interest expense		
Term deposits of legal entities	266	149
Debt securities issued	235	169
Term deposits of individuals	156	112
Due to other banks	91	77
Subordinated debt	82	55
Current/settlement accounts	71	49
Syndicated and other debts	6	9
Total interest expense	**907**	**620**
Expenses directly attributable to leasing and deposit insurance	20	20
Net margin	**1 054**	**767**

Refer to Note 21 for details of related party transactions.

15 Gains Less Losses Arising from Foreign Currencies and Precious Metals

In millions of US Dollars	**Six-Month Period Ended 30 June 2013 (unaudited)**	**Six-Month Period Ended 30 June 2012 (unaudited)**
Gains less losses from dealing in foreign currencies	(136)	(38)
Foreign exchange translation gains less losses	114	46
Total gains less losses arising from foreign currencies and precious metals	**(22)**	**8**

16 Segment Analysis

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.
- Retail banking - comprises retail demand and term deposit services, credit and debit card services, retail lending (including consumer loans and personal instalment loans, car loans and mortgages), money transfers and private banking services.

16 Segment Analysis (Continued)

- 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 Group's Chief Operating Decision Maker ("CODM"). The CODM has been identified as the members of the Group's Executive Board.

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 other comprehensive income; (ii) use of a transfer pricing system, (iii) different classification of certain lines of income and expenses and (iv) some balances and operations are excluded from segment analysis since they are monitored separately and on a less regular basis (including situations when balance is not allocated and related income or expense are allocated for the segment analysis and vice versa). 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.

Segment information for the reportable segments of the Group for the six-month period ended 30 June 2013 is set out below:

In millions of US Dollars	**Corporate and Investment banking**	**Retail banking**	**Treasury**	**Total**
Six-Month Period Ended 30 June 2013 (unaudited)				
Segment revenues				
External revenues				
Interest income	1 292	568	49	1 909
Fee and commission income	115	340	8	463
Other operating income	7	4	-	11
Total external revenues	**1 414**	**912**	**57**	**2 383**
Interest income from other segments	441	345	1 539	2 325
Total segment revenues	**1 855**	**1 257**	**1 596**	**4 708**
Interest expense to other segments	(877)	(252)	(1 199)	(2 328)
Gains less losses from investments	(7)	-	(25)	(32)
Gains less losses from foreign currencies and precious metals	28	2	(70)	(40)
Interest expense	(345)	(211)	(332)	(888)
Provision for loan impairment	16	(208)	-	(192)
Fee and commission expenses	(15)	(105)	(2)	(122)
Other provisions	(36)	(1)	-	(37)
Operating expenses	(143)	(218)	(6)	(367)
Allocated operating expenses	(76)	(114)	(4)	(194)
Segment profit/(loss) before tax	**400**	**150**	**(42)**	**508**
30 June 2013 (unaudited)				
Segment assets	**28 663**	**4 841**	**3 494**	**36 998**
Segment liabilities	**13 646**	**10 055**	**12 034**	**35 735**

Difference between interest income from other segments and interest expense from other segments is attributable to activities not reviewed by the CODM.

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

16 Segment Analysis (Continued)

Segment information for the reportable segments of the Group for the six-month period ended 30 June 2012 and as at 31 December 2012 is set out below:

In millions of US Dollars	**Corporate and Investment banking**	**Retail banking**	**Treasury**	**Total**
Six-Month Period Ended 30 June 2012 (unaudited)				
Segment revenues				
External revenues				
Interest income	946	364	52	1 362
Fee and commission income	93	238	6	337
Other operating income	12	4	1	17
Total external revenues	**1 051**	**606**	**59**	**1 716**
Interest income from other segments	278	250	1 200	1 728
Total segment revenues	**1 329**	**856**	**1 259**	**3 444**
Interest expense to other segments	(648)	(153)	(925)	(1 726)
Gains less losses from investments	(12)	-	(4)	(16)
Gains less losses from foreign currencies and precious metals	25	(3)	(31)	(9)
Interest expense	(211)	(145)	(264)	(620)
Provision for loan impairment	204	(59)	-	145
Fee and commission expenses	(21)	(101)	(1)	(123)
Other provisions	3	-	-	3
Operating expenses	(99)	(164)	(4)	(267)
Allocated operating expenses	(58)	(84)	(3)	(145)
Segment profit before tax	**512**	**147**	**27**	**686**
31 December 2012				
Segment assets	**28 565**	**4 474**	**6 034**	**39 073**
Segment liabilities	**14 687**	**9 528**	**12 630**	**36 845**

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

In millions of US Dollars	**Six-Month Period Ended 30 June 2013 (unaudited)**	**Six-Month Period Ended 30 June 2012 (unaudited)**
Segments' profit before tax for the period	**508**	**686**
Provision for loan impairment unallocated to segments (except related to subsidiary banks)	1	1
Subsidiary banks' profit before tax	34	29
Other non-reportable segments' unallocated results	37	(2)
Staff costs accruals unallocated to segments	-	(47)
Gains less losses on available for sale investments recorded in comprehensive income	24	4
Profit before tax	**604**	**671**

17 Significant Risk Concentrations

As at 30 June 2013 the ten largest aggregate balances on correspondent and settlement accounts and overnight placements with banks and financial institutions amounted to USD 2 036 million (31 December 2012: USD 2 491 million) or 84.3% (31 December 2012: 87.6%) of the correspondent and settlement accounts and overnight placements.

As at 30 June 2013 the ten largest aggregate balances due from other banks amounted to USD 1 932 million (31 December 2012: USD 2 473 million) or 85.8% (31 December 2012: 75.0%) of total due from other banks.

As at 30 June 2013 aggregate loans and advances to the ten largest borrowers (or groups of related borrowers) amounted to USD 6 739 million (31 December 2012: USD 6 720 million) or 20.4% (31 December 2012: 21.1%) 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 9 720 million (31 December 2012: USD 9 787 million) or 29.4% (31 December 2012: 30.8%) of the gross loans and advances to customers.

As at 30 June 2013 the ten largest aggregate balances due to other banks amounted to USD 2 746 million (31 December 2012: USD 3 359 million) or 51.2% (31 December 2012: 61.1%) of total due to other banks.

As at 30 June 2013 the ten largest aggregate customer account balances amounted to USD 6 235 million (31 December 2012: USD 6 526 million) or 23.8% (31 December 2012: 24.3%) of the total customer accounts, of which USD 1 817 million (31 December 2012: USD 3 273 million) represented balances outstanding to Alfa Group, its associates, joint ventures and its shareholders (Note 21).

Refer to Note 21 for details on balances of the Group with its related parties.

18 Financial Risk Management

There were no significant changes to the system of risk management during the six-month period ended 30 June 2013 compared to 2012.

The table below summarizes the Group's exposure to foreign currency exchange rate risk as at 30 June 2013:

In millions of US Dollars	USD	RR	EUR	Other currencies	Non-monetary	Total
Assets						
Cash and cash equivalents	1 324	2 385	832	89	-	4 630
Mandatory cash balances with central banks	-	383	36	-	-	419
Trading securities	753	849	22	-	350	1 974
Repurchase receivables relating to trading securities	649	388	11	-	177	1 225
Due from other banks	1 894	148	210	-	-	2 252
Loans and advances to customers	10 745	19 388	1 597	2	-	31 732
Investments	1 191	7	189	-	40	1 427
Derivative financial instruments	358	23	43	2	-	426
Other financial assets	153	123	16	1	-	293
Other assets	8	327	5	5	149	494
Premises and equipment	-	-	-	-	563	563
Deferred tax asset	-	-	-	-	3	3
Total assets	**17 075**	**24 021**	**2 961**	**99**	**1 282**	**45 438**
Liabilities						
Due to other banks	2 948	1 430	981	2	-	5 361
Customer accounts	5 279	18 172	2 680	83	-	26 214
Debt securities issued	3 417	2 167	2	-	-	5 586
Syndicated and other debt	348	117	-	-	-	465
Subordinated debt	990	1 092	-	-	-	2 082
Derivative financial instruments	395	18	24	2	-	439
Other financial liabilities	177	189	22	-	-	388
Other liabilities	53	260	8	-	-	321
Deferred tax liability	-	-	-	-	75	75
Total liabilities	**13 607**	**23 445**	**3 717**	**87**	**75**	**40 931**
Net balance sheet position	**3 468**	**576**	**(756)**	**12**	**1 207**	**4 507**
Net balance sheet position less fair value of foreign exchange derivatives	**3 500**	**569**	**(783)**	**12**	**1 207**	**4 505**
Foreign exchange derivatives (at nominal value)	**(700)**	**(414)**	**1 150**	**(34)**	**-**	**2**
Net balance sheet and derivatives position as at 30 June 2013	**2 800**	**155**	**367**	**(22)**	**1 207**	**4 507**
Net balance sheet and derivatives position as at 31 December 2012	**2 788**	**(314)**	**338**	**2**	**1 338**	**4 152**

18 Financial Risk Management (Continued)

The following table represents analysis of assets and liabilities as at 30 June 2013 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 later maturities. On the basis of past experience Management believes that (i) diversification of these accounts by number and type of customers and (ii) constant inflow of new deposits indicate that at least part of these current/demand/settlement accounts would provide a long-term and stable source of funding for the Group.

In millions of US Dollars	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**No stated maturity**	**Total**
Assets						
Cash and cash equivalents	4 630	-	-	-	-	4 630
Mandatory cash balances with central banks	419	-	-	-	-	419
Trading securities	1 974	-	-	-	-	1 974
Repurchase receivables relating to trading securities	679	16	530	-	-	1 225
Due from other banks	536	1 183	285	248	-	2 252
Loans and advances to customers	2 031	7 502	5 173	17 026	-	31 732
Investments	23	39	80	1 245	40	1 427
Derivative financial instruments	160	47	68	151	-	426
Other financial assets	238	32	-	23	-	293
Other assets	208	137	-	-	149	494
Premises and equipment	-	-	-	-	563	563
Deferred tax asset	-	-	-	-	3	3
Total assets	**10 898**	**8 956**	**6 136**	**18 693**	**755**	**45 438**
Liabilities						
Due to other banks	3 140	1 099	762	360	-	5 361
Customer accounts	6 263	7 170	3 177	9 604	-	26 214
Debt securities issued	344	862	671	3 709	-	5 586
Syndicated and other debt	1	119	345	-	-	465
Subordinated debt	-	56	75	1 951	-	2 082
Derivative financial instruments	229	80	52	78	-	439
Other financial liabilities	371	12	1	4	-	388
Other liabilities	51	60	56	154	-	321
Deferred tax liability	-	-	-	-	75	75
Total liabilities	**10 399**	**9 458**	**5 139**	**15 860**	**75**	**40 931**
Net expected liquidity gap as at 30 June 2013	**499**	**(502)**	**997**	**2 833**	**680**	**4 507**
Cumulative expected liquidity gap as at 30 June 2013	**499**	**(3)**	**994**	**3 827**	**4 507**	
Cumulative expected liquidity gap at 31 December 2012	**1 355**	**(170)**	**658**	**3 065**	**4 152**	

19 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Group are received. As at 30 June 2013 such claims included a customer's claim in the amount of USD 47 million (2012: USD 52 million) related to a settlement of the client's overdue indebtness. On the basis of its own estimates and both internal and external professional advice, Management is of the opinion that no material losses exceeding provision of USD 10 million (31 December 2012: USD 4 million) recorded in this condensed consolidated interim financial information as at 30 June 2013 will be incurred in respect of claims against the Group.

Tax contingencies. A significant part of operations of the Group is undertaken in the Russian Federation. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. 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.

Amended Russian transfer pricing legislation is effective from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management believes that it's pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The 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. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the entity.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

In addition to the aforementioned risks, the Group estimates that as at 30 June 2013 and 31 December 2012 it had no other material probable or possible tax exposure. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in this condensed consolidated interim financial information if these are challenged by the authorities.

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. Financial 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.

In addition to credit related commitments, the Group issues performance guarantees which are insurance contracts.

Outstanding credit related commitments and performance guarantees were as follows:

In millions of US Dollars	**30 June 2013 (unaudited)**	**31 December 2012**
Financial guarantees	410	519
Import letters of credit	507	373
Export letters of credit	52	29
Total credit related commitments	**969**	**921**
Performance guarantees	5 886	5 898
Total credit related commitments and performance guarantees	**6 855**	**6 819**

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

Movements in the provision for losses on credit related commitments and performance guarantees were as follows:

In millions of US Dollars	**Six-Month Period Ended 30 June 2013 (unaudited)**	**Six-Month Period Ended 30 June 2012 (unaudited)**
Provision as at 1 January	**37**	**17**
Provision for losses during the period	28	(3)
Effect of translation to presentation currency	(2)	-
Provision as at 30 June	**63**	**14**

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;
- to maintain a minimum ratio of capital to risk-weighted assets calculated in accordance with Basel I;
- to maintain a minimum level of net assets;
- to maintain a minimum ratio of aggregated financial indebtedness;
- 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 during six-month period ended 30 June 2013 and during 2012.

20 Fair Value of Financial Instruments

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

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The estimated fair value of balances with no stated maturity is the amount repayable on demand.

Investments held to maturity. The fair value of investments held to maturity has been determined by reference to published price quotations or estimated on the basis of discounted cash flows using interest rates for similar instruments.

Debt securities issued. The fair value of traded debt has been determined by reference to published price quotations. The fair value of the rest of the debt securities issued was estimated on the basis of discounted cash flows using interest rates for similar instruments.

Syndicated and other debt. The estimated fair value of syndicated and other debt is based on discounted cash flows using interest rate of new debts with similar remaining maturity.

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

As at 30 June 2013 and 31 December 2012 the fair value of each class of financial assets and liabilities carried at amortised cost approximated their carrying value, except for debt securities issued which fair value was equal to USD 5 882 million and USD 6 248 million as at the respective dates.

20 Fair Value of Financial Instruments (Continued)

For financial instruments carried at fair value, the levels in the fair value hierarchy, which the fair values are attributed to, were as follows:

	30 June 2013			31 December 2012		
In millions of US Dollars	**Quoted prices in active markets (Level 1)**	**Valuation technique with inputs obser-vable in markets (Level 2)**	**Valuation technique with signifi-cant unobser-vable inputs (Level 3)**	**Quoted prices in active markets (Level 1)**	**Valuation technique with inputs obser-vable in markets (Level 2)**	**Valuation technique with signifi-cant unobser-vable inputs (Level 3)**
Financial assets						
Trading securities	1 931	43	-	1 069	29	-
Repurchase receivables	1 225	-	-	1 571	298	-
Debt investment securities available for sale	1 281	-	-	1 417	-	-
Equity investments available for sale	-	-	2	-	-	365
Equity investments through profit and loss	-	13	25	14	11	79
Derivative financial instruments	20	406	-	14	413	-
Other financial assets	-	15	-	-	16	-
Total financial assets carried at fair value	**4 457**	**477**	**27**	**4 085**	**767**	**444**
Financial liabilities						
Derivative financial instruments	166	273	-	76	374	-
Total financial liabilities carried at fair value	**166**	**273**	**-**	**76**	**374**	**-**

Methods and assumptions for valuation of financial assets included in Level 2 and Level 3 of the fair valuation hierarchy

Level 2. The fair value of financial derivatives allocated to Level 2 was determined based on the discounted cash flows (DCF) models with all significant inputs observable in the market. The fair value of securities with insignificant trading volumes is based on adjusted market quotes.

Level 3. Equity investments available for sale in the amount of USD 2 million (31 December 2012: USD 361 million) and equity investments at fair value through profit or loss in the amount of USD 25 million (31 December 2012: USD 4 million) allocated to Level 3 represent investments in funds and have been valued using the net assets values reported to the Group by the respective fund managers. These net assets values in respect of all instruments held by those funds have been in all cases determined either on the basis of market quotes for the instruments held by the funds where available, or on the basis of indicative quotes provided by reputable brokerage houses dealing in such unquoted instruments.

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. Significance of a valuation input is assessed against the fair value measurement in its entirety.

20 Fair Value of Financial Instruments (Continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the period ended 30 June 2013 is as follows:

In millions of US Dollars	**Equity investments available for sale**	**Equity investments at fair value through profit or loss**
Fair value at 1 January 2013	**365**	**79**
Gains or losses recognised in profit or loss for the year	53	3
Gains or losses recognised in other comprehensive income	(55)	-
Acquisition	-	14
Disposals	(361)	(71)
Fair value at 30 June 2013	**2**	**25**
Revaluation gains less losses recognised in profit or loss for the period for assets held at 30 June 2013	**-**	**4**
Revaluation gains less losses recognised in other comprehensive income for the period for assets held at 30 June 2013	**(2)**	**-**

21 Related Party Transactions

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

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

The most significant (by volume of transactions) related parties of the Group are Alfa Group, ABH Ukraine Group (a Ukrainian banking subsidiary of ABHH), TNK-BP Limited (an oil and gas company 25% owned by Alfa Group) and Alfa DA Limited. In March 2013 Alfa Group disposed its investment in TNK-BP Limited.

Alfa DA Limited (“ADA”) and its subsidiaries (“ADA Group”) were created in 2009 for accumulating and managing non-core assets. ADA Group is a subsidiary of a Alfa Group. The non-core assets accumulated and managed by ADA Group consist of assets received as a result of the restructuring of problem loans initially originated by the Group and then sold to ADA Group at fair value. With effect from 2012, ADA Group is also used as an investment vehicle of Alfa Group, in addition to its historic role in relation to problem loans and restructuring. The purchase of ADA Group’s assets was mainly financed by the Group through loans to ADA Group. Proceeds from the subsequent sale of these assets by ADA Group have been and shall continue to be used to repay ADA Group’s indebtedness to the Group, although any residual value received by ADA Group upon such sale will be attributable to the shareholders of ADA Group.

21 Related Party Transactions (Continued)

The outstanding balances as at 30 June 2013 and income and expense items as well as other transactions with related parties for the six-month period then ended were as follows:

	30 June 2013 (unaudited)/Six-month period ended 30 June 2013 (unaudited)				
In millions of US Dollars	**Alfa Group, its associates and shareholders***	**ADA Group and its associates**	**ABH Holdings S.A.**	**ABH Ukraine Group**	**Key manage-ment**
Assets					
Trading securities	131	-	-	6	-
Correspondent accounts with other banks	4	-	-	1	-
Term placements with other banks	99	-	-	251	-
Subordinated loan	11	-	-	132	-
Loans and advances to customers (gross of provision for impairment)	822	357	-	-	-
Provision for loan impairment as at 1 January 2013	(23)	(29)	-	-	-
Provision for loan impairment during the period	(8)	1	-	-	-
Provision for loan impairment as at 30 June 2013	(31)	(28)	-	-	-
Receivables	13	2	12	2	-
Liabilities					
Correspondent accounts of other banks	18	-	-	5	-
Term placements of other banks	1	-	-	-	-
Customer accounts					
- Current/settlement accounts	473	1	8	3	10
- Term deposits	1 297	5	-	30	5
Payables	5	-	-	2	17
Income and expense					
Interest income	28	19	-	13	-
Interest expense	(19)	-	(1)	-	-
Fee and commission income	60	-	-	-	-
Fee and commission expense	(2)	-	-	(1)	-
Gains less losses arising from trading securities	(7)	-	-	16	-
Gains less losses arising from securities available for sale	53	-	-	-	-
Gains less losses arising from trading in foreign currencies	(1)	-	-	-	-
Other expenses	(7)	-	-	-	(14)
Credit related commitments					
Guarantees issued by the Group	9	275	-	-	-
Guarantees received by the Group	132	326	-	-	-
Import letters of credit	117	-	-	-	-

*excluding ABH Holdings S.A., ABH Ukraine Group and ADA Group disclosed separately above.

21 Related Party Transactions (Continued)

	31 December 2012/Six-Month period ended 30 June 2012 (unaudited)					
In millions of US Dollars	**TNK-BP**	**Alfa Group, its associates and sharehol-ders***	**ADA Group and its associates**	**ABH Holdings S.A.**	**ABH Ukraine Group**	**Key manage-ment**
Assets						
Trading securities	-	175	-	-	-	-
Investment securities available for sale	-	5	-	-	-	-
Correspondent accounts with other banks	-	1	-	-	1	-
Term placements with other banks	-	102	-	-	186	-
Subordinated loan	-	11	-	-	132	-
Loans and advances to customers (gross of provision for impairment)	-	1 007	314	-	-	2
Provision for loan impairment as at 1 January 2012	-	(42)	(200)	-	-	-
Provision for loan impairment during the period	-	20	28	-	-	-
Provision for loan impairment as at 30 June 2012	-	(22)	(172)	-	-	-
Receivables	-	5	2	-	1	-
Liabilities						
Correspondent accounts of other banks	-	7	-	-	8	-
Term placements of other banks	-	2	-	-	-	-
Customer accounts						
- Current/settlement accounts	46	453	36	-	1	11
- Term deposits	249	2 477	6	-	5	1
Payables	-	12	-	-	3	65
Income and expense						
Interest income	-	34	28	-	7	-
Interest expense	(3)	(9)	-	-	-	-
Fee and commission income	1	69	-	-	-	-
Fee and commission expense	-	(2)	-	-	(2)	-
Gains less losses arising from trading securities	1	10	-	-	-	-
Gains less losses arising from trading in foreign currencies	11	-	-	-	-	-
Other expenses	-	(6)	-	-	-	(24)
Credit related commitments						
Guarantees issued by the Group	-	8	275	-	-	-
Guarantees received by the Group	-	132	264	-	-	-
Import letters of credit	2	15	-	-	-	-

*excluding ABH Holdings S.A., ABH Ukraine Group, ADA Group and TNK-BP disclosed separately above.

21 Related Party Transactions (Continued)

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

In millions of US Dollars	30 June 2013 (unaudited)	31 December 2012
Key management compensation accrued as at the reporting date	**17**	**65**
- short-term bonuses	3	11
- long-term bonuses	14	54

	Six-Month Period Ended 30 June 2013 (unaudited)	Six-Month Period Ended 30 June 2012 (unaudited)
Key management compensation expense for the period	**14**	**24**
- salaries	5	4
- short-term bonuses	3	3
- long-term bonuses	6	17

Refer to Note 8 for the information on disposal of a significant investment to a related party.