ABH FINANCIAL LIMITED

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

30 June 2016

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 2016 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and selected notes. 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".

AO PricewaterhouseCoopers Audit

24 August 2016
Moscow, Russian Federation

ABH Financial Limited
Condensed Consolidated Interim Statement of Financial Position (Unaudited)

In millions of US Dollars	Note	30 June 2016	31 December 2015
ASSETS			
Cash and cash equivalents		3 265	3 145
Mandatory cash balances with central banks		192	151
Trading securities	6	1 196	802
Repurchase receivables relating to trading securities	6	48	157
Due from other banks		1 919	1 347
Loans and advances to customers	7	20 812	20 239
Investments	8	3 698	3 403
Repurchase receivables relating to investments	8	155	188
Derivative financial instruments		684	912
Other financial assets		555	418
Other assets		265	267
Deferred tax asset		2	-
Premises and equipment		525	441
TOTAL ASSETS		**33 316**	**31 470**
LIABILITIES			
Due to other banks		2 186	2 094
Customer accounts	9	19 163	17 748
Debt securities issued	10	3 915	4 029
Syndicated and other debt	11	286	242
Subordinated debt	12	1 596	1 533
Derivative financial instruments		639	712
Other financial liabilities		420	195
Other liabilities		328	256
Deferred tax liability		138	317
TOTAL LIABILITIES		**28 671**	**27 126**
EQUITY			
Share capital	13	1 265	1 265
Fair value reserve for investments available for sale		34	27
Revaluation reserve for premises		70	71
Cumulative translation reserve		(1 305)	(1 438)
Retained earnings		4 572	4 407
Net assets attributable to the Company's owners		**4 636**	**4 332**
Non-controlling interests		**9**	**12**
TOTAL EQUITY		**4 645**	**4 344**
TOTAL LIABILITIES AND EQUITY		**33 316**	**31 470**

This condensed consolidated interim financial information was approved for issue by the Board of Directors of ABH Financial Limited on 24 August 2016 and any further changes require approval of this body.

ABH Financial Limited
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

In millions of US Dollars	**Note**	**Six-Month Period Ended 30 June 2016**	**Six-Month Period Ended 30 June 2015**
Interest income		1 328	1 690
Interest expense		(668)	(1 031)
Expenses directly attributable to leasing and deposit insurance		(19)	(22)
Net margin	14	**641**	**637**
Provision for loan impairment	7	(131)	(466)
Net margin after provision for loan impairment		**510**	**171**
Fee and commission income		391	385
Fee and commission expense		(114)	(114)
Gains less losses arising from trading securities		4	7
Gains less losses arising from interest based derivatives		(7)	2
Gains less losses arising from foreign currencies and precious metals	15	(10)	106
Gains less losses arising from investments		21	5
Gains less losses arising from acquisition of own debts		(17)	(4)
Other provisions		(54)	(8)
Other operating income		5	32
Operating expenses		(465)	(479)
Profit before tax		**264**	**103**
Income tax expense		(103)	(71)
Profit for the period		**161**	**32**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Investments available for sale:			
- Fair value gains less losses		32	111
- Reclassification adjustments for gains included in profit or loss		(21)	(5)
Effect of translation of the financial statements of foreign operations		550	9
Net change in hedge of net investment in foreign operations		(521)	(128)
Income tax on items that may be reclassified to profit or loss		100	7
Other comprehensive income/(loss) for the period		**140**	**(6)**
Total comprehensive income for the period		**301**	**26**
Profit is attributable to:			
The Company's owners		166	28
Non-controlling interests		(5)	4
Profit for the period		**161**	**32**
Total comprehensive income is attributable to:			
The Company's owners		306	22
Non-controlling interests		(5)	4
Total comprehensive income for the period		**301**	**26**

In millions of US Dollars	Attributable to the Company's owners							
	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**	**Total**	**Non-control-ling interests**	**Total equity**
Balance as at 1 January 2015	**1 265**	**(55)**	**73**	**(868)**	**3 868**	**4 283**	**13**	**4 296**
Profit for the period	-	-	-	-	28	28	4	32
Other comprehensive loss for the period	-	87	-	(93)	-	(6)	-	(6)
Total comprehensive income for the period	-	87	-	(93)	28	22	4	26
Realised revaluation reserve	-	-	(1)	-	1	-	-	-
Contribution from the shareholder	-	-	-	-	83	83	-	83
Balance as at 30 June 2015	**1 265**	**32**	**72**	**(961)**	**3 980**	**4 388**	**17**	**4 405**
Balance as at 1 January 2016	**1 265**	**27**	**71**	**(1 438)**	**4 407**	**4 332**	**12**	**4 344**
Profit for the period	-	-	-	-	166	166	(5)	161
Other comprehensive income for the period	-	7	-	133	-	140	-	140
Total comprehensive income for the period	-	7	-	133	166	306	(5)	301
Realised revaluation reserve	-	-	(1)	-	1	-	-	-
Changes of non-controlling interests	-	-	-	-	(2)	(2)	2	-
Balance as at 30 June 2016	**1 265**	**34**	**70**	**(1 305)**	**4 572**	**4 636**	**9**	**4 645**

In millions of US Dollars	**Six-Month Period Ended 30 June 2016**	**Six-Month Period Ended 30 June 2015**
Cash flows from operating activities		
Interest received	1 299	1 601
Interest paid, other than on debt securities issued, syndicated and other debt and subordinated debt	(444)	(759)
Expense directly attributable to leasing and deposit insurance paid	(19)	(22)
Fees and commissions received	386	385
Fees and commissions paid	(109)	(114)
Net income received from trading securities	(94)	114
Net income received from trading in foreign currencies	101	(53)
Net income received from interest rate derivatives	(7)	(4)
Other operating income received	4	32
Staff costs paid	(286)	(273)
Other operating expenses paid	(97)	(138)
Income tax paid	(194)	(70)
Cash flows from operating activities before changes in operating assets and liabilities	**540**	**699**
Changes in operating assets and liabilities		
Net change in mandatory cash balances with central banks	(21)	38
Net change in trading securities and repurchase receivables	(114)	46
Net change in due from other banks	(458)	1 247
Net change in loans and advances to customers	532	1 843
Net change in other financial assets and other assets	(111)	57
Net change in due to other banks	(17)	(4 655)
Net change in customer accounts	125	608
Net change in other financial liabilities and other liabilities	191	(121)
Net cash received/(used) in operating activities	**667**	**(238)**
Cash flows from investing activities		
Acquisition of investments available for sale	(191)	(1 307)
Proceeds from disposal and redemption of investments available for sale	306	915
Acquisition of investments held to maturity	(553)	(59)
Proceeds from redemption of investments held to maturity	260	50
Acquisition of premises, equipment and intangible assets	(76)	(86)
Proceeds from disposal of premises and equipment	3	12
Net cash used in investing activities	**(251)**	**(475)**
Cash flows from financing activities		
Repayment of syndicated and other debt	(20)	-
Interest paid on syndicated and other debt	(1)	(3)
Proceeds from debt securities issued	283	265
Repayment of debt securities issued	(553)	(1 461)
Interest paid on debt securities issued	(127)	(219)
Proceeds from subordinated debt	55	-
Repayment of subordinated debt	(64)	(47)
Interest paid on subordinated debt	(58)	(68)
Net cash used in financing activities	**(485)**	**(1 533)**
Net decrease in cash and cash equivalents	**(69)**	**(2 246)**
Cash and cash equivalents as at the beginning of the period	3 145	4 999
Effect of exchange rate changes on cash and cash equivalents	189	(45)
Cash and cash equivalents as at the end of the period	**3 265**	**2 708**

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 2016 for ABH Financial Limited (the "Company") and its subsidiaries (the "Group").

The Company is a limited liability company registered in the Republic of Cyprus. The Company is a wholly owned subsidiary of ABH Holdings S.A. ("ABHH").

ABHH is a Luxembourg company, owned by six shareholders: Mr. Fridman, Mr. Khan, Mr. Kuzmichev, Mr. Aven, Mr. Kosogov and a non-profit organisation (the "Shareholders"). None of the Shareholders individually controls and/or owns a 50% or more interest in ABHH.

The Company is registered at Themistokli Dervi, 5, Elenion Building, 2nd floor, 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 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 Alfa-Bank 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 (the "SDIA") guarantees repayment of 100% of individual deposits up to RR 1.4 million per individual in case of the withdrawal of a license of a bank or the CBRF imposed moratorium on payments. Alfa-Bank is licensed by the Federal Commission on Securities Market for trading in securities. Alfa-Bank's major subsidiaries are Amsterdam Trade Bank N.V. (Netherlands) and Baltiyskiy Bank (Russian Federation). Alfa-Bank's registered office is located at 27 Kalanchevskaya 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 Themistokli Dervi, 5, Elenion Building, 2nd floor, 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 frequent changes and varying interpretations (Note 19). During 2015 and 2016, the Russian economy has been negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could significantly differ from actual results.

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 2015, 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 2015 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 2015 have been adjusted to conform to the presentation of amounts in this condensed consolidated interim financial information:

In millions of US Dollars	**As presented in the annual consolidated financial statements for the year ended 31 December 2015**	**Reclassifica-tion**	**As presented in the condensed consolidated interim financial information for the six-month period ended 30 June 2016**
Consolidated statement of financial position			
Assets:			
Derivative financial instruments	-	912	912
Other financial assets	1 330	(912)	418
Liabilities:			
Derivative financial instruments	-	712	712
Other financial liabilities	907	(712)	195

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 similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its estimates of 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 117 million (six-month period ended 30 June 2015: USD 175 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 unit 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.

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 services to international 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.

Exposure to Ukrainian borrowers. As at 30 June 2016 the Group had balances receivable from ABH Ukraine Group (Note 21) with the carrying value of USD 14 million (31 December 2015: USD 31 million). In addition to the exposure to ABH Ukraine Group, as at 30 June 2016 the Group had balances receivable from Ukrainian borrowers with the carrying value of approximately USD 93 million (31 December 2015: USD 142 million). Continuing instability in Ukraine has a significant negative impact on the operations and the financial position of these borrowers. The Group determined and recorded provision for loan impairment in respect of these balances based on circumstances and events as at 30 June 2016. Further negative developments in the circumstances and events after 30 June 2016 might have further negative impact on the recoverability of these balances.

Accounting for subordinated loans from VEB. Refer to Note 12.

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. Terms and conditions of related party balances are disclosed in Note 21.

5 Adoption of New or Revised Standards and Interpretations and New Accounting Pronouncements

There were no new standards and interpretations, which became effective for the Group from 1 January 2016.

No new relevant standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2017 apart from those disclosed in the last annual consolidated financial statements of the Group.

6 Trading Securities and Repurchase Receivables

In millions of US Dollars	**30 June 2016**	**31 December 2015**
Trading securities		
Debt securities	1 181	787
Equity securities	15	15
Total trading securities	**1 196**	**802**
Repurchase receivables relating to trading securities		
Debt securities	48	157
Total repurchase receivables relating to trading securities	**48**	**157**
Total trading securities and repurchase receivables relating to trading securities	**1 244**	**959**

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.

Currency and maturity analyses of trading securities and repurchase receivables are disclosed in Note 18.

7 Loans and Advances to Customers

In millions of US Dollars	**30 June 2016**	**31 December 2015**
Corporate customers		
Corporate loans	17 580	17 483
Reverse sale and repurchase receivables	666	639
Finance lease receivables	581	574
Loans to small and medium-size enterprises (“SMEs”)	312	236
Advances on lease operations	10	8
Total gross loans and advances to corporate customers	**19 149**	**18 940**
Provision for loan impairment	(1 026)	(1 248)
Total loans and advances to corporate customers	**18 123**	**17 692**
Individuals		
Credit cards and personal instalment loans (“PILs”)	2 185	2 085
Consumer loans	485	475
Mortgage loans	122	125
Reverse sale and repurchase receivables	33	19
Car loans	11	10
Total gross loans and advances to individuals	**2 836**	**2 714**
Provision for loan impairment	(147)	(167)
Total loans and advances to individuals	**2 689**	**2 547**
Total loans and advances to customers	**20 812**	**20 239**

7 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment for the six-month period ended 30 June 2016 were as follows:

	Corporate customers			**Individuals**			**Total**
In millions of US Dollars	**Corporate loans**	**Finance lease recei-vables**	**Loans to SMEs**	**Credit cards and PILs**	**Consumer loans**	**Mortgage loans**	
Provision for loan impairment as at 1 January 2016	**1 163**	**42**	**43**	**125**	**35**	**7**	**1 415**
Provisions during the period	35	1	32	60	16	2	146
Amounts written off as uncollectible	(345)	(2)	(18)	(98)	(26)	(1)	(490)
Effect of translation to functional currency	(48)	-	-	-	-	-	(48)
Effect of translation to presentation currency	113	5	5	21	6	-	150
Provision for loan impairment as at 30 June 2016	**918**	**46**	**62**	**108**	**31**	**8**	**1 173**

Movements in the provision for loan impairment for the six-month period ended 30 June 2015 were as follows:

	Corporate customers			**Individuals**			**Total**
In millions of US Dollars	**Corporate loans**	**Finance lease recei-vables**	**Loans to SMEs**	**Credit cards and PILs**	**Consumer loans**	**Mortgage loans**	
Provision for loan impairment as at 1 January 2015	**1 284**	**40**	**37**	**214**	**61**	**4**	**1 640**
Provisions during the period	195	(3)	8	200	66	5	471
Amounts written off as uncollectible	(106)	-	(4)	(176)	(60)	-	(346)
Effect of translation to functional currency	(26)	-	(1)	-	-	-	(27)
Effect of translation to presentation currency	2	1	(1)	10	4	-	16
Provision for loan impairment as at 30 June 2015	**1 349**	**38**	**39**	**248**	**71**	**9**	**1 754**

The provision for loan impairment during the six-month period ended 30 June 2016 differs from the amount presented in the condensed consolidated interim statement of comprehensive income due to USD 15 million recovery of amounts previously written off as uncollectible (six-month period ended 30 June 2015: USD 5 million). 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:

In millions of US Dollars	30 June 2016 Amount	%	31 December 2015 Amount	%
Individuals	2 836	13	2 714	13
Real estate	2 708	12	2 134	10
Oil industry	2 113	10	2 181	10
Trade and commerce	1 638	7	1 550	7
Miscellaneous machinery and metal working	1 418	7	1 226	6
Non-ferrous metallurgy	1 398	7	1 136	5
Chemistry and petrochemistry	1 226	6	748	3
Mass media and telecommunications	1 247	6	1 095	5
Finance and investment companies	1 226	6	835	4
Food industry	973	4	990	5
Ferrous metallurgy	914	4	877	4
Diamond extraction and processing	855	4	1 111	5
Power generation	744	3	881	4
Railway transport	684	3	660	3
Coal Industry	489	2	493	2
Nuclear industry	274	1	393	2
Agriculture	250	1	316	1
Construction	207	1	1 212	6
Aviation transport	101	-	92	-
Water transport	28	-	27	-
Natural gas industry	17	-	82	-
Other	639	3	901	4
Total gross loans and advances to customers	**21 985**	**100**	**21 654**	**100**

As at 30 June 2016 loans and advances to customers in the total amount of USD 59 million (31 December 2015: USD 502 million) were pledged as collateral for financing received from the CBRF.

Analysis by credit quality of loans to corporate customers outstanding as at 30 June 2016 was as follows:

In millions of US Dollars	Corporate loans	Reverse sale and repurchase receivables	Finance lease receivables	Loans to SMEs	Advances on lease operations	Total
Gross neither past due nor impaired	**15 765**	**666**	**241**	**209**	**10**	**16 891**
Gross determined to be impaired						
- not past due	343	-	331	22	-	696
- past due	1 472	-	9	81	-	1 562
Total gross impaired loans	**1 815**	**-**	**340**	**103**	**-**	**2 258**
Total gross loans and advances to customers	**17 580**	**666**	**581**	**312**	**10**	**19 149**
Provision for loan impairment	(918)	-	(46)	(62)	-	(1 026)
Total loans and advances to corporate customers	**16 662**	**666**	**535**	**250**	**10**	**18 123**

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 2016. 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 2015 was as follows:

In millions of US Dollars	**Corporate loans**	**Reverse sale and repurchase receivables**	**Finance lease receivables**	**Loans to SMEs**	**Advances on lease operations**	**Total**
Gross neither past due nor impaired	**15 306**	**639**	**218**	**140**	**8**	**16 311**
Gross determined to be impaired						
- not past due	615	-	327	14	-	956
- past due	1 562	-	29	82	-	1 673
Total gross impaired loans	**2 177**	**-**	**356**	**96**	**-**	**2 629**
Total gross loans and advances to customers	**17 483**	**639**	**574**	**236**	**8**	**18 940**
Provision for loan impairment	(1 163)	-	(42)	(43)	-	(1 248)
Total loans and advances to corporate customers	**16 320**	**639**	**532**	**193**	**8**	**17 692**

Analysis by credit quality of loans to individuals outstanding as at 30 June 2016 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	2 028	443	110	33	11	2 625
Gross past due but not impaired	78	19	3	-	-	100
Gross impaired loans	79	23	9	-	-	111
Total gross loans and advances to individuals	**2 185**	**485**	**122**	**33**	**11**	**2 836**
Provision for loan impairment	(108)	(31)	(8)	-	-	(147)
Total loans and advances to individuals	**2 077**	**454**	**114**	**33**	**11**	**2 689**

7 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to individuals outstanding as at 31 December 2015 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	1 943	436	111	19	10	2 519
Gross past due but not impaired	53	13	2	-	-	68
Gross impaired loans	89	26	12	-	-	127
Total gross loans and advances to individuals	**2 085**	**475**	**125**	**19**	**10**	**2 714**
Provision for loan impairment	(125)	(35)	(7)	-	-	(167)
Total loans and advances to individuals	**1 960**	**440**	**118**	**19**	**10**	**2 547**

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 and Repurchase Receivables

In millions of US Dollars	30 June 2016	31 December 2015
Investments		
Debt investments available for sale	2 129	2 155
Investments held to maturity	1 572	1 247
Equity investments at fair value through profit or loss	13	13
Equity investments available for sale	4	6
Provision for impairment of investments held to maturity	(20)	(18)
Total investments	**3 698**	**3 403**
Repurchase receivables relating to investments		
Debt investments held to maturity	72	95
Debt investments available for sale	83	93
Total repurchase receivables relating to investments	**155**	**188**
Total investments and repurchase receivables relating to investments	**3 853**	**3 591**

8 Investments and Repurchase Receivables (Continued)

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.

Movements in the provision for impairment of investment securities held to maturity for the six-month period ended 30 June 2016 were as follows:

In millions of US Dollars	Corporate Eurobonds	Corporate bonds	Total
Provision for impairment as at 1 January 2016	**17**	**1**	**18**
Provision for impairment during the year	2	-	2
Provision for impairment as at 30 June 2016	**19**	**1**	**20**

Movements in the provision for impairment of investment securities held to maturity for the six-month period ended 30 June 2015 were as follows:

In millions of US Dollars	Corporate Eurobonds	Corporate bonds	Municipal bonds	Total
Provision for impairment as at 1 January 2015	**23**	**2**	**-**	**25**
Provision for impairment during the year	(6)	1	1	(4)
Provision for impairment as at 30 June 2015	**17**	**3**	**1**	**21**

Currency and maturity analyses of investments and repurchase receivables are disclosed in Note 18. The estimated fair value of investments held to maturity is disclosed in Note 20.

9 Customer Accounts

In millions of US Dollars	30 June 2016	31 December 2015
Commercial organisations		
- Current/settlement accounts	4 081	2 533
- Term deposits	3 641	4 157
Individuals		
- Current/demand accounts	5 777	4 758
- Term deposits	5 472	5 707
State and public organisations		
- Current/settlement accounts	19	66
- Term deposits	173	527
Total customer accounts	**19 163**	**17 748**

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 2016**	**31 December 2015**
Notes maturing in September 2017	917	957
Rouble denominated bonds	905	849
Notes maturing in April 2021	782	853
Notes maturing in November 2018	426	461
Notes maturing in June 2017	299	307
Promissory notes	318	223
Euro Commercial Paper Notes	153	129
Notes maturing in January 2018	88	89
Notes maturing in August 2018	27	22
Notes maturing in April 2016	-	139
Total debt securities issued	**3 915**	**4 029**

Rouble denominated bonds. The details of Rouble denominated bonds outstanding as at 30 June 2016 are disclosed below:

Issue date	**Maturity date**	**Next repricing date**	**Amortised cost as at 30 June 2016 in millions of US Dollars**	**Coupon per annum**	**Effective interest rate**
9 December 2011	2 December 2016	-	51	8.25%	8.43%
20 August 2013	20 August 2016	-	80	8.35%	8.53%
24 October 2013	24 October 2016	-	158	8.25%	8.43%
11 June 2014	11 June 2017	-	64	10.25%	10.50%
30 June 2014	30 June 2017	-	78	10.25%	10.52%
18 September 2014	30 August 2029	19 September 2016	80	11.65%	11.99%
18 September 2014	30 August 2029	18 September 2017	80	11.95%	12.31%
2 December 2014	13 November 2029	31 May 2018	75	10.30%	10.57%
25 November 2015	27 November 2018	24 October 2017	159	12.00%	12.37%
12 April 2016	12 April 2019	16 April 2018	80	10.65%	10.95%
Total Rouble denominated bonds			**905**		

Notes. 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 2016 balance of Notes repurchased by the Group on the market amounted to USD 100 million at amortised cost (31 December 2015: USD 62 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 2016 balance of Notes repurchased by the Group on the market amounted to USD 227 million at amortised cost (31 December 2015: USD 158 million).

On 25 November 2015 the Group issued USD 500 million Notes with maturity date on 27 November 2018 and interest rate of 5.0% p.a. The issue proceeds net of transaction costs were equal to USD 499 million and effective interest rate at origination was 5.16% p.a. As at 30 June 2016 balance of Notes repurchased by the Group on the market amounted to USD 74 million at amortised cost (31 December 2015: USD 40 million).

On 9 June 2014 the Group issued Euro 350 million (equivalent of USD 478 million) Notes with maturity date on 9 June 2017 and interest rate of 5.5% p.a. The issue proceeds net of transaction costs were equal to Euro 348 million (equivalent of USD 475 million) and effective rate at origination was 5.68% p.a. As at 30 June 2016 balance of Notes repurchased by the Group on the market amounted to USD 89 million at amortised cost (31 December 2015: USD 87 million).

10 Debt Securities Issued (Continued)

On 6 December 2013 the Group issued CHF 85 million (equivalent of USD 94 million) Notes with maturity date on 16 January 2018 and interest rate of 4.0% p.a. The issue proceeds net of transaction costs were equal to CHF 84 million (equivalent of USD 93 million) and effective rate at origination was 4.28% p.a.

On 16 December 2015 the Group issued RR 1 768 million (equivalent of USD 25 million) Notes repayable by instalments by 28 August 2018. The Notes bear a fixed interest rate from 0.45% to 0.5% p.a. payable at each repayment date plus additional income calculated based on various indexes for each repayment date. The issue proceeds net of transaction costs were equal to RR 1 624 million (equivalent of USD 23 million) and effective interest rate at origination was 10.81% p.a.

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.

USD denominated Euro Commercial Paper Programme. On 2 February 2012 the Group established 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.

The details of Notes outstanding as at 30 June 2016 are disclosed below:

Issue date	Maturity date	Amortised cost as at 30 June 2016	Effective interest rate per annum
10 July 2015	8 July 2016	105	3.87%
31 July 2015	29 July 2016	20	3.96%
3 June 2016	2 June 2017	22	2.13%
21 December 2015	19 December 2016	6	3.76%
Total		**153**	

As at 30 June 2016 the balance of notes issued under ECP Programme and repurchased by the Group on the market amounted to USD 5 million at amortised cost (31 December 2015: USD 5 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 2016	31 December 2015
Loan from the SDIA maturing on 3 September 2024	286	242
Total syndicated and other debt	**286**	**242**

In September 2014 the SDIA provided Baltiyskiy Bank with a RR 57 400 million (equivalent of USD 1 537 million) loan carrying an interest rate of 0.51% p.a. and repayable in 2024 (except that earlier partial repayments are required in case of recovery of certain problem assets of Baltiyskiy Bank). The loan was recorded by the Group at the date of acquisition of Baltiyskiy Bank at its fair value of RR 15 564 million (equivalent of USD 285 million) determined by discounting future cash flows at interest rate of 15.65% p.a.

The estimated fair value of syndicated and other debt is disclosed in Note 20.

12 Subordinated Debt

In millions of US Dollars	30 June 2016	31 December 2015
Subordinated notes maturing in September 2019	499	551
Subordinated loan from VEB maturing in 2020	421	369
Subordinated notes maturing in February 2020	256	257
Subordinated notes maturing in February 2017	209	220
Subordinated loan from VEB maturing in 2019	155	136
Subordinated loan maturing in April 2023	56	-
Total subordinated debt	**1 596**	**1 533**

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% p.a. plus a fee of 0.03% p.a., which matures 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% p.a. plus a fee of 0.03% p.a., 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% p.a. to 6.5% p.a. on the loan maturing on 25 December 2019 and from 9.5% p.a. to 7.5% p.a. 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% p.a. 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% p.a. As at 30 June 2016 balance of Notes repurchased by the Group on the market amounted to USD 264 million at amortised cost (31 December 2015: USD 212 million).

On 18 November 2014 the Group issued subordinated Notes in the amount of USD 250 million. The Group has an option to repay these Notes on 18 February 2020. The Notes bear a fixed interest rate of 9.50% p.a. payable semi-annually from 18 February 2015 until 18 February 2020 and if the option is not exercised thereafter a floating interest rate set at the US Treasury Rate plus 7.847% p.a. payable semi-annually until maturity on 18 February 2025. The issue proceeds net of transaction costs were equal to USD 248 million and effective interest rate at origination was 9.90% p.a.

12 Subordinated Debt (Continued)

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% p.a. payable semi-annually from the issuance until 22 February 2012 and an interest rate thereafter set at the US Treasury Rate plus 5.46% p.a. 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% p.a. As at 30 June 2016 balance of Notes repurchased by the Group on the market amounted to USD 98 million at amortised cost (31 December 2015: USD 86 million).

On 28 April 2016 the Group received a subordinated loan from ABHH in the amount of Euro 50 million (equivalent of USD 55 million) bearing a floating interest rate EURIBOR plus 4.5% p.a. payable quarterly with minimum margin of 4.5% and maturity date on 28 April 2023.

In December 2015 the Group borrowed Russian Federation bonds (the “OFZ”) with a total nominal value of RR 62 788 million (equivalent of USD 869 million) from the SDIA. The borrowing (1) is to be settled by return of the OFZ in 2025 - 2034, (2) carries interest equivalent to the received OFZ coupon + 1% p.a. and (3) included in the regulatory capital of Alfa-Bank. According to the borrowing documentation Alfa-Bank (1) can not sale the OFZ during the first 3 years after the receipt without Ministry of Finance of Russia approval (however use of the OFZ as collateral is allowed, including under sale and repurchase agreements with the CBRF), (2) has to maintain specified growth rate in lending to certain types of borrowers, (3) has to limit remuneration of top management and employees during three years after OFZ receipt or until fulfilment of the following condition, (4) has to ensure increase of the regulatory capital of Alfa-Bank by amount equivalent to 50% of the borrowing and (5) has to comply with certain other provisions. The SDIA retains substantially all the risks and rewards of ownership of the OFZ. Therefore the Group has not recorded the OFZ and related obligations to return those on the consolidated statement of financial position.

Currency and maturity analyses of subordinated debt are disclosed in Note 18. The estimated fair value of subordinated debt is disclosed in Note 20. Refer to Note 21 for details of related party transactions.

13 Share Capital

As at 30 June 2016 and 31 December 2015 and 31 December 2014 authorised, issued and fully paid share capital of ABH Financial Limited comprised 6 324 000 preference shares and 1 258 476 000 ordinary shares. All shares had a nominal value of USD 1 per share and rank equally except that the preference shares are entitled to distributions (1) in priority to ordinary shares and (2) on the basis of distributable profits determined by the Board of Directors of the Company. Each share carries one vote.

In August 2015 the Company declared and paid dividends on preference shares in the amount of USD 50 million (approximately USD 7.91 per preference share). In December 2015 the Company declared and paid dividends on preference shares in the amount of USD 50 million (approximately USD 7.91 per preference share).

In May 2015 a balance in the amount of USD 83 million payable by the Group to a subsidiary of ABHH (Note 1) was forgiven. The Group treated this transaction as contribution from the Shareholder and recorded this amount directly in equity.

In August 2015 the Group received USD 50 million from a subsidiary of ABHH (Note 1) on a non-refundable basis. The Group treated this transaction as a contribution from the Shareholder and recorded this amount directly in equity.

14 Net Margin

In millions of US Dollars	Six-Month Period Ended 30 June 2016	Six-Month Period Ended 30 June 2015
Interest income		
Loans and advances to corporate customers	805	1 045
Loans and advances to individuals	316	480
Debt investments held to maturity and repurchase receivables	65	34
Trading securities and repurchase receivables	64	41
Due from other banks	52	62
Debt investments available for sale and repurchase receivables	26	28
Total interest income	**1 328**	**1 690**
Interest expense		
Term deposits of individuals	172	302
Term deposits of legal entities	158	230
Debt securities issued	147	180
Due to other banks	69	162
Subordinated debt	58	70
Current/settlement accounts	45	65
Syndicated and other debts	19	22
Total interest expense	**668**	**1 031**
Expenses directly attributable to leasing and deposit insurance	19	22
Net margin	**641**	**637**

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 2016	Six-Month Period Ended 30 June 2015
Gains less losses from dealing in foreign currencies and precious metals	496	(54)
Foreign exchange translation gains less losses	(506)	160
Total gains less losses arising from foreign currencies and precious metals	**(10)**	**106**

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.
- Treasury - comprises the Group's wholesale funding, internal funding reallocation, liquidity and risk management activities.

16 Segment Analysis (Continued)

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 Executive Board of Alfa-Bank.

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 2016 is set out below:

In millions of US Dollars	**Corporate and Investment banking**	**Retail banking**	**Treasury**	**Total**
Six-Month Period Ended 30 June 2016				
External revenues				
Interest income	924	316	60	1 300
Fee and commission income	145	236	3	384
Other operating income	11	1	-	12
Total external revenues	**1 080**	**553**	**63**	**1 696**
Interest income from other segments	303	354	1 259	1 916
Total segment revenues	**1 383**	**907**	**1 322**	**3 612**
Interest expense to other segments	(691)	(189)	(1 015)	(1 895)
Interest expense	(213)	(219)	(270)	(702)
Provision for loan impairment	28	(68)	-	(40)
Fee and commission expense	(10)	(96)	(5)	(111)
Gains less losses from investments	19	-	(20)	(1)
Gains less losses from foreign currencies and precious metals	32	12	(63)	(19)
Other provisions	(53)	(1)	-	(54)
Operating expenses	(118)	(175)	(6)	(299)
Allocated operating expenses	(61)	(61)	(2)	(124)
Segment result	**316**	**110**	**(59)**	**367**
30 June 2016				
Segment assets	**20 498**	**4 225**	**4 188**	**28 911**
Segment liabilities	**9 221**	**9 990**	**6 763**	**25 974**

16 Segment Analysis (Continued)

Segment information for the reportable segments of the Group for the six-month period ended 30 June 2015 is set out below:

In millions of US Dollars	**Corporate and Investment banking**	**Retail banking**	**Treasury**	**Total**
Six-Month Period Ended 30 June 2015				
External revenues				
Interest income	1 019	472	74	1 565
Fee and commission income	111	257	8	376
Other operating income	17	1	-	18
Total external revenues	**1 147**	**730**	**82**	**1 959**
Interest income from other segments	423	532	1 652	2 607
Total segment revenues	**1 570**	**1 262**	**1 734**	**4 566**
Interest expense to other segments	(781)	(314)	(1 462)	(2 557)
Interest expense	(311)	(343)	(389)	(1 043)
Provision for loan impairment	(64)	(270)	-	(334)
Fee and commission expense	(7)	(103)	(1)	(111)
Gains less losses from investments	99	-	30	129
Gains less losses from foreign currencies and precious metals	50	(5)	32	77
Other provisions	6	(10)	3	(1)
Operating expenses	(100)	(182)	(10)	(292)
Allocated operating expenses	(71)	(72)	(2)	(145)
Segment result	**391**	**(37)**	**(65)**	**289**
30 June 2015				
Segment assets	**22 317**	**3 727**	**4 240**	**30 284**
Segment liabilities	**8 554**	**10 423**	**8 641**	**27 618**

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.

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 2016**	**Six-Month Period Ended 30 June 2015**
Segments' result	**367**	**289**
Provision for loan impairment unallocated to segments (except related to subsidiary banks)	(36)	(9)
Subsidiary banks' loss before tax	(73)	(93)
Other non-reportable segments' unallocated results	(3)	27
Gains less losses on investments available for sale recorded in other comprehensive income	9	(111)
Profit before tax	**264**	**103**

17 Significant Risk Concentrations

As at 30 June 2016 the ten largest aggregate balances on correspondent and settlement accounts and overnight placements amounted to USD 793 million (31 December 2015: USD 805 million) or 81.4% (31 December 2015: 89.4%) of the correspondent and settlement accounts and overnight placements.

As at 30 June 2016 the ten largest aggregate balances due from other banks amounted to USD 1 545 million (31 December 2015: USD 1 142 million) or 80.5% (31 December 2015: 84.8%) of total due from other banks.

As at 30 June 2016 aggregate loans and advances to the ten largest borrowers (or groups of related borrowers) amounted to USD 6 930 million (31 December 2015: USD 6 722 million) or 31.5% (31 December 2015: 31.0%) 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 9 670 million (31 December 2015: USD 9 219 million) or 44.0% (31 December 2015: 42.6%) of the gross loans and advances to customers.

As at 30 June 2016 the ten largest aggregate balances due to other banks amounted to USD 1 307 million (31 December 2015: USD 1 220 million) or 59.8% (31 December 2015: 58.3%) of total due to other banks, of which USD 59 million (31 December 2015: USD 371 million) represented balances outstanding to the CBRF.

As at 30 June 2016 the ten largest aggregate customer account balances amounted to USD 2 779 million (31 December 2015: USD 3 027 million) or 14.5% (31 December 2015: 17.1%) of the total customer accounts.

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 2016 compared to 2015.

The table below summarizes the Group's exposure to currency exchange rate risk as at 30 June 2016:

In millions of US Dollars	**USD**	**RR**	**EUR**	**Other currencies**	**Non-monetary**	**Total**
Assets						
Cash and cash equivalents	719	1 618	823	105	-	3 265
Mandatory cash balances with central banks	-	179	13	-	-	192
Trading securities	483	677	17	4	15	1 196
Repurchase receivables relating to trading securities	47	-	1	-	-	48
Due from other banks	872	953	93	1	-	1 919
Loans and advances to customers	9 307	10 392	1 110	3	-	20 812
Investments	2 665	498	518	-	17	3 698
Repurchase receivables relating to investments	155	-	-	-	-	155
Derivative financial instruments	216	441	25	2	-	684
Other financial assets	424	114	11	6	-	555
Other assets	9	46	21	7	182	265
Deferred tax asset	-	-	-	-	2	2
Premises and equipment	-	-	-	-	525	525
Total assets	**14 897**	**14 918**	**2 632**	**128**	**741**	**33 316**
Liabilities						
Due to other banks	872	1 087	219	8	-	2 186
Customer accounts	5 888	10 625	2 531	119	-	19 163
Debt securities issued	2 423	1 058	346	88	-	3 915
Syndicated and other debt	-	286	-	-	-	286
Subordinated debt	964	576	56	-	-	1 596
Derivative financial instruments	146	476	15	2	-	639
Other financial liabilities	198	205	15	2	-	420
Other liabilities	105	206	14	3	-	328
Deferred tax liability	-	-	-	-	138	138
Total liabilities	**10 596**	**14 519**	**3 196**	**222**	**138**	**28 671**
Net balance sheet position	**4 301**	**399**	**(564)**	**(94)**	**603**	**4 645**
Net balance sheet position less fair value of foreign exchange derivatives	**4 234**	**420**	**(574)**	**(94)**	**603**	**4 589**
Foreign exchange derivatives (fair value of currencies receivable or payable)	**724**	**(1 138)**	**405**	**65**	**-**	**56**
Net balance sheet and derivatives position as at 30 June 2016	**4 958**	**(718)**	**(169)**	**(29)**	**603**	**4 645**
Net balance sheet and derivatives position as at 31 December 2015	**4 448**	**(264)**	**(135)**	**(1)**	**296**	**4 344**

18 Financial Risk Management (Continued)

The following table represents analysis of assets and liabilities as at 30 June 2016 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	3 265	-	-	-	-	3 265
Mandatory cash balances with central banks	192	-	-	-	-	192
Trading securities	1 196	-	-	-	-	1 196
Repurchase receivables relating to trading securities	22	-	26	-	-	48
Due from other banks	1 612	301	6	-	-	1 919
Loans and advances to customers	5 281	1 742	2 862	10 927	-	20 812
Investments	50	1 002	281	2 348	17	3 698
Repurchase receivables relating to investments	21	-	65	69	-	155
Derivative financial instruments	168	316	72	128	-	684
Other financial assets	304	1	163	87	-	555
Other assets	65	16	-	4	180	265
Deferred tax asset	-	-	-	-	2	2
Premises and equipment	-	-	-	-	525	525
Total assets	**12 176**	**3 378**	**3 475**	**13 563**	**724**	**33 316**
Liabilities						
Due to other banks	1 725	225	61	175	-	2 186
Customer accounts	3 942	4 069	2 524	8 628	-	19 163
Debt securities issued	145	487	708	2 575	-	3 915
Syndicated and other debt	-	-	-	286	-	286
Subordinated debt	-	47	262	1 287	-	1 596
Derivative financial instruments	150	273	160	56	-	639
Other financial liabilities	413	6	-	1	-	420
Other liabilities	111	55	79	82	1	328
Deferred tax liability	-	-	-	-	138	138
Total liabilities	**6 486**	**5 162**	**3 794**	**13 090**	**139**	**28 671**
Net expected liquidity gap as at 30 June 2016	**5 690**	**(1 784)**	**(319)**	**473**	**585**	**4 645**
Cumulative expected liquidity gap as at 30 June 2016	**5 690**	**3 906**	**3 587**	**4 060**	**4 645**	
Cumulative expected liquidity gap as at 31 December 2015	**1 830**	**(123)**	**1 173**	**4 063**	**4 344**	

19 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice, the Group's management is of the opinion that no material losses exceeding the provision of USD 54 million (31 December 2015: USD 16 million) recorded in this condensed consolidated interim financial information will be incurred in respect of such claims. In October 2015 the Group received a court ruling supporting a customer's claim requiring the Group to pay to the customer approximately RR 6 billion in relation to a settlement by the Group of obligations of the customer guaranteed by the Group. The Group is involved in litigation with this customer with respect to its claim. In June 2016 a Russian court of cassation ruled that the initial court decision in favour of the customer came into effect. In July 2016 the Russian Supreme Court suspended the court rulings specified above until the end of cassation appeal proceedings initiated by the Group. The Group intends to achieve the setting aside of these rulings and the dismissal of the customer's claim by the Russian Supreme Court. Based on its understanding of the facts, review of the legislation and subsequent decision the Russian Supreme Court the Group is going to vigorously defend its position.

Tax contingencies. A significant part of operations of the Group is undertaken in the Russian Federation. Russian tax legislation (including changes 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 challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of tax review of 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.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This 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.

Russian legislation contains special rules for adjustment of transaction prices for tax purposes which includes transfer pricing rules as well as rules for securities and derivatives. The Group believes that no transactions performed in 2015 required tax adjustments, except for certain transactions (mainly related to securities and derivatives). It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated.

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 impact the financial position and/or some operations of the Group.

In 2014 the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015 CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and concluded that this new legislation does not result in additional material deferred taxes for temporary differences that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to.

As Russian tax legislation does not provide definitive guidance in certain areas, the tax authorities may challenge the Group's interpretations of some uncertain areas. 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 2016 and 31 December 2015 it had no other material probable or possible tax exposures. The above 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 these consolidated financial statements if these are challenged by the authorities.

19 Contingencies and Commitments (Continued)

Credit related commitments and performance guarantees. 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. Performance guarantees are insurance contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

Outstanding credit related commitments and performance guarantees were as follows:

In millions of US Dollars	**30 June 2016**	**31 December 2015**
Financial guarantees	318	355
Import letters of credit	731	257
Export letters of credit	32	1
Total credit related commitments	**1 081**	**613**
Performance guarantees	1 142	1 081
Total credit related commitments and performance guarantees	**2 223**	**1 694**

The total outstanding contractual amount of credit related commitments and performance guarantees 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 2016**	**Six-Month Period Ended 30 June 2015**
Provision for losses as at 1 January	**55**	**168**
Provision/(release of provision) for losses during the period	5	(10)
Effect of translation to presentation currency	7	2
Provision for losses as at 30 June	**67**	**160**

19 Contingencies and Commitments (Continued)

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 ensure that all related party transactions are on an arm's length basis.

The Group was in compliance with these covenants during the six-month period ended 30 June 2016 and during 2015.

During 2015 Amsterdam Trade Bank N.V. ("ATB") recorded significant additional provisions for loan impairment which (1) impacted the ability of ATB to comply with regulatory capital ratio requirements and (2) contributed in March 2016 in a requirement from the regulator to maintain its regulatory capital ratio at a level higher than the previously required minimum. The management of ATB and the management of the Group are currently implementing the rectification measures including increasing capitalisation of ATB, disposal of some of its loan exposures and other actions. Based on discussions with the regulators, measures taken to date, and the intentions and ability of the Group and its shareholders to implement the further rectification measures, the Management of the Group currently believes that the matters indicated above will be satisfactorily resolved in the short term and will not result in any significant operating restrictions or material financial penalties. As at 30 June 2016 ATB was in compliance with applicable regulatory capital ratio requirements. Starting from July 2016 ATB was in compliance with the above requirements considering the grace period provided by the regulator. The Group intends to continue providing support to ATB as may be required.

In April and June 2016 the Group has converted the subordinated debt provided to Amsterdam Trade Bank N.V. in the amount of Euro 55 million and USD 35 million into shares of Amsterdam Trade Bank N.V. As a result the interest of the Group in Amsterdam Trade Bank N.V. increased to approximately 95%.

Regulatory compliance. The Group provides financial services in Russia, Netherlands, Cyprus and other jurisdictions. Financial services are subject to regulation by authorities in connection with obtaining and renewing various licences and permits, as well as with ongoing compliance with existing laws and regulations and with the terms and conditions of the respective licences and permits. The failure to comply with the legal and regulatory requirements may result in the imposition of fines or penalties or more severe sanctions including the suspension, amendment or termination of licences and permits or in requirements to limit certain business activities.

In the normal course of business, the Group must interpret and apply existing legal and regulatory requirements to its activities. From time to time matters of actual or potential non-compliance with existing legal or regulatory requirements may be identified. The Management is focused on the rectification of such matters known as at the date of signing of this condensed consolidated interim financial information and believes that such matters will not result in significant operating restrictions or material financial losses. No provisions have been recorded in this condensed consolidated interim financial information in this respect.

20 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (1) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (2) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (3) level three measurements are valuations not based on observable market data (that is, unobservable inputs). 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. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

For assets and liabilities carried at fair value, the levels in the fair value hierarchy, which the fair values are attributed to, were as follows:

	30 June 2016			**31 December 2015**		
In millions of US Dollars	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Trading securities	815	381	-	525	277	-
Repurchase receivables relating to trading securities	38	10	-	151	6	-
Debt investment securities available for sale	2 129	-	-	2 155	-	-
Equity investments available for sale	-	-	4	-	-	6
Equity investments at fair value through profit or loss	-	-	13	-	-	13
Repurchase receivables relating to investments	83	-	-	93	-	-
Derivative financial instruments	3	681	-	13	899	-
Other financial assets	-	418	-	-	382	-
- Financial instruments at fair value through profit or loss	-	220	-	-	249	-
- Receivables on operation with securities and derivatives	-	198	-	-	133	-
Non-financial assets	-	-	-			
- Premises	-	-	320	-	-	282
- Investment properties	-	-	47	-	-	39
Total assets recurring fair value measurements	**3 068**	**1 490**	**384**	**2 937**	**1 564**	**340**
Financial liabilities						
Derivative financial instruments	38	601	-	15	697	-
Other financial liabilities	-	174	-	-	39	-
Total liabilities recurring fair value measurements	**38**	**775**	**-**	**15**	**736**	**-**

20 Fair Value of Financial Instruments (Continued)

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 (LIBOR, EURIBOR, Mosprime, the CBRF rates for foreign currencies). The fair value of securities with insignificant trading volumes was based on quotes provided by reputable brokerage houses. The fair value of financial instruments at fair value through profit or loss was based on LIBOR rates and credit value adjustment which reflects the probability of default of counterparty and debit value adjustment which reflects the possibility of the Group's default.

Level 3. Equity investments available for sale and equity investments at fair value through profit or loss allocated to Level 3 represent investments in funds and have been valued using the net assets values reported to the Group.

Premises have been recorded at fair value. The valuation was based on the report as at December 2015 of an independent firm of valuers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value. The market value of premises was assessed using the sales comparison method.

Significance of a valuation input is assessed against the fair value measurement in its entirety.

There were no material movements in Level 3 of the fair value hierarchy during six-month period ended 30 June 2016.

Assets and liabilities not measured at fair value but for which fair value is disclosed

As at 30 June 2016 the fair value of each class of financial assets and liabilities carried at amortised cost approximated their carrying value.

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.

Investments held to maturity. The fair value of investments held to maturity has been determined by reference to published price quotations.

Due to banks and customer accounts 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 similar instruments with similar credit risk and remaining maturity.

Debt securities issued. The fair value of traded securities has been determined by reference to published price quotations. The fair value of the rest of the debt 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 rates for similar instruments.

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

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.

Banking transactions are entered into in the normal course of business with related parties. These transactions include settlements, loans, deposit taking, guarantees, trade finance, corporate finance, foreign currency exchange and other transactions.

The outstanding balances as at 30 June 2016 with related parties were as follows:

	30 June 2016				
In millions of US Dollars	The Shareholders	ABHH	Subsidiaries of ABHH	Key management	Other related parties
Assets					
Correspondent accounts with other banks	-	-	16	-	-
Term placements with other banks	-	-	51	-	-
Loans and advances to customers (before provision for impairment)	-	-	13	1	-
Receivables	-	10	25	-	-
Liabilities	-	-	-	-	-
Correspondent accounts of other banks	-	-	5	-	-
Term placements of other banks	-	-	2	-	-
Customer accounts					
- Current/settlement accounts	35	25	1	10	8
- Term deposits	47	-	-	4	6
Other borrowed funds	-	56	-	-	-
Payables	-	-	2	16	-
Credit related commitments					
Guarantees issued by the Group	-	-	27	-	-

For six-month period ended 30 June 2016 income and expense items and other transactions with related parties were as follows:

	Six-month period ended 30 June 2016				
In millions of US Dollars	The Shareholders	ABHH	Subsidiaries of ABHH	Key management	Other related parties
Interest income	-	-	4	-	-
Interest expense	(2)	-	-	-	-
Other expenses	(1)	-	(1)	(11)	(2)

21 Related Party Transactions (Continued)

The outstanding balances as at 31 December 2015 with related parties were as follows:

	31 December 2015				
In millions of US Dollars	**The Shareholders**	**ABHH**	**Subsidiaries of ABHH**	**Key management**	**Other related parties**
Assets					
Term placements with other banks	-	-	80	-	-
Subordinated loans	-	-	36	-	-
Loans and advances to customers (before provision for impairment)	-	-	5	1	-
Receivables	-	2	36	-	-
Liabilities					
Correspondent accounts of other banks	-	-	7	-	-
Customer accounts					
Current/settlement accounts	37	-	3	8	3
Term deposits	601	-	-	1	8
Payables	-	2	3	14	-
Credit related commitments					
Guarantees issued and import letters of credit	-	-	29	-	-

For six-month period ended 30 June 2015 income and expense items and other transactions with related parties were as follows:

	Six-month period ended 30 June 2015				
In millions of US Dollars	**The Shareholders**	**ABHH**	**Subsidiaries of ABHH**	**Key management**	**Other related parties**
Interest income	-	-	10	-	-
Interest expense	(2)	-	-	-	-
Fee and commission expense	-	-	(2)	-	-
Other income	-	-	4	-	-
Other expenses	-	(9)	-	(4)	(3)

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 2016**	**31 December 2015**
Key management compensation accrued as at the reporting date	**16**	**14**
- short-term bonuses	6	7
- long-term bonuses	10	7

In millions of US Dollars	**Six-Month Period Ended 30 June 2016**	**Six-Month Period Ended 30 June 2015**
Key management compensation expense for the period	**11**	**4**
- salaries	2	2
- short-term bonuses	3	2
- long-term bonuses	6	-

Refer to Notes 13 for the information on distributions to and contributions from the shareholder.

22 Subsequent Events

In August 2016 the Group issued RR 5 000 million (equivalent of USD 77 million) Rouble denominated bonds with maturity date in July 2031, next repricing date in August 2018 and interest rate of 9.75% p.a.

In July 2016 the Group issued a new tranche of Euro Commercial Paper Notes in the amount of USD 46 million with a maturity date in April 2017 and effective rate at origination of 2.91% p.a.

In July 2016 the Group issued a new tranche of Euro Commercial Paper Notes in the amount of USD 103 million with a maturity date in July 2017 and effective rate at origination of 3.14% p.a.