ABH Financial Limited

Consolidated Financial Statements

31 December 2003

Contents

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AUDITORS' REPORT

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

1 We have audited the accompanying consolidated balance sheet of ABH Financial Limited and its subsidiaries (the "Group" as defined in Note 1 to the consolidated financial statements) as at 31 December 2003, and the related consolidated statements of income, of cash flows and of changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2003 and the consolidated results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Moscow, Russian Federation
20 April 2004

(expressed in thousands of US dollars - Note 3)

	Note	2003	2002
Assets			
Cash and cash equivalents	5	923 191	382 234
Mandatory cash balances with the Central Bank of the Russian Federation and other local central banks		293 294	214 252
Trading securities	6	694 575	416 238
Due from other banks	7	131 621	211 342
Loans and advances to customers	8	3 440 680	2 440 366
Investments	9	65 443	95 776
Other assets and receivables	10	185 609	222 054
Premises and equipment	11	149 721	135 928
Total assets		**5 884 134**	**4 118 190**
Liabilities			
Due to other banks	12	796 301	672 120
Customer accounts	13	3 400 406	1 997 416
Promissory notes issued		594 940	644 976
Other borrowed funds	14	323 917	212 684
Other liabilities and payables	15	201 517	146 011
Deferred tax liability	21	13 448	10 312
Total liabilities		**5 330 529**	**3 683 519**
Minority interest		**6 635**	**3 485**
Shareholders' equity			
Share capital	16	160 800	160 800
Fair value reserve for investments available for sale	9	22 798	62 657
Revaluation reserve for premises and equipment	11	5 195	6 267
Retained earnings		358 177	201 462
Total shareholders' equity		**546 970**	**431 186**
Total liabilities and shareholders' equity		**5 884 134**	**4 118 190**

Approved for issue by the Board of Directors and signed on its behalf on 20 April 2004

Mr. Oleg Tumanov
Deputy Chief Executive Officer

Mr. Teijo Pankko
Chief Financial Officer

ABH Financial Limited
Consolidated Statement of Income for the Year Ended 31 December 2003
(expressed in thousands of US dollars - Note 3)

	Note	2003	2002
Interest income	17	477 475	367 125
Interest expense	17	(242 490)	(177 132)
Net interest income		**234 985**	**189 993**
Provision for loan impairment	7, 8	(42 069)	(38 021)
Net interest income after provision for loan impairment		**192 916**	**151 972**
Fee and commission income	18	135 818	91 300
Fee and commission expense	18	(41 150)	(39 800)
Gains less losses arising from trading securities		18 987	19 742
Gains less losses arising from investments available for sale	9	31 054	43 684
Gains less losses arising from trading in foreign currencies		38 908	26 638
Foreign exchange translation gains less losses		(15 968)	854
Other provisions	9, 10, 24	(4 450)	(3 978)
Other operating income	19	65 244	46 150
Operating income		**421 359**	**336 562**
Operating expenses	20	(305 553)	(245 945)
Monetary gain		-	17 582
Profit from operations		**115 806**	**108 199**
Share of results of associated company after tax		920	-
Profit before tax		**116 726**	**108 199**
Income tax expense	21	(11 011)	(3 573)
Profit after tax		**105 715**	**104 626**
Minority interest		(96)	(36)
Net profit		**105 619**	**104 590**

(expressed in thousands of US dollars - Note 3)

	Note	2003	2002
Cash flows from operating activities			
Interest received		495 426	340 437
Interest paid		(222 764)	(156 590)
Fees and commissions received		138 417	88 701
Fees and commissions paid		(39 011)	(39 800)
Income received from trading in securities		24 566	15 573
Income received from trading in foreign currencies		36 595	26 091
Other operating income received		37 246	39 465
Operating expenses paid		(272 190)	(230 236)
Income tax paid		(6 162)	(2 453)
Cash flows from operating activities before changes in operating assets and liabilities		**192 123**	**81 188**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation and other local central banks		(59 818)	(84 526)
Net increase in trading securities		(288 031)	(267 041)
Net decrease/(increase) in due from other banks		85 985	(93 190)
Net increase in loans and advances to customers		(961 752)	(1 092 620)
Net increase in other assets and receivables		(27 303)	(15 536)
Net increase in due to other banks		102 211	356 639
Net increase in customer accounts		1 302 254	623 786
Net (decrease)/increase in promissory notes issued		(94 326)	202 956
Net increase/(decrease) in other liabilities and payables		17 090	(18 345)
Net cash from/(used in) operating activities		**268 433**	**(306 689)**
Cash flows from investing activities			
Proceeds from disposal of investments available for sale, net		87 487	48 634
Acquisition of investments available for sale		(2 047)	(3 469)
Additional acquisition of investment in associated company		(8 210)	-
Acquisition of premises and equipment, net		(24 917)	(30 714)
Proceeds from disposal of subsidiary, net		4 000	-
Dividend income received		1 486	1 862
Net cash from investing activities		**57 799**	**16 313**
Cash flows from financing activities			
Contribution from shareholder		73 000	56 400
Proceeds from other borrowed funds		132 318	200 625
Repayment of other borrowed funds		(24 034)	(40 533)
Net cash from financing activities		**181 284**	**216 492**
Effect of exchange rate changes on cash and cash equivalents		**33 441**	**59 817**
Effect of inflation on cash and cash equivalents		**-**	**(62 473)**
Net increase/(decrease) in cash and cash equivalents		**540 957**	**(76 540)**
Cash and cash equivalents as at the beginning of the year		382 234	458 774
Cash and cash equivalents as at the end of the year		**923 191**	**382 234**

(expressed in thousands of US dollars - Note 3)

	Share capital	**Fair value reserve for investments available for sale**	**Revaluation reserve for premises and equipment**	**Retained earnings**	**Total shareholders' equity**
Balance as at 1 January 2002	**112 800**	**45 678**	**7 339**	**112 207**	**278 024**
Net fair value gains arising on investments available for sale (Note 9)	-	34 947	-	-	34 947
Transfer of net fair value gains arising on investments available for sale to net profit (Note 9)	-	(17 968)	-	-	(17 968)
Translation movement	-	-	-	(16 407)	(16 407)
Transfer of realised revaluation of premises and equipment	-	-	(1 072)	1 072	-
Net profit	-	-	-	104 590	104 590
Share issue (Note 16)	48 000	-	-	-	48 000
Balance as at 31 December 2002	**160 800**	**62 657**	**6 267**	**201 462**	**431 186**
Net fair value gains arising on investments available for sale (Note 9)	-	7 104	-	-	7 104
Transfer of net fair value gains arising on investments available for sale to net profit (Note 9)	-	(12 503)	-	-	(12 503)
Effect of change in accounting treatment of investment in associated company (Note 9)	-	(34 460)	-	-	(34 460)
Translation movement	-	-	-	25 024	25 024
Transfer of realised revaluation of premises and equipment	-	-	(1 072)	1 072	-
Net profit	-	-	-	105 619	105 619
Contribution from the shareholder (Note 26)	-	-	-	25 000	25 000
Balance as at 31 December 2003	**160 800**	**22 798**	**5 195**	**358 177**	**546 970**

1 Principal Activities of ABH Financial Limited

ABH Financial Limited and its subsidiaries (the "Group" or "Alfa Bank Group") comprise two main business segments, commercial banking and investment banking. The commercial banking activities of the Group are carried out principally by Open Joint Stock Company Alfa Bank and its subsidiaries and the investment banking activities of the Group are carried out principally by Alfa Capital Holdings (Cyprus) Limited and certain other subsidiaries. A substantial part of the Group's activities are carried out in Russia.

ABH Financial Limited is wholly owned by Alfa Finance Holdings S.A., which is a subsidiary within the Alfa Group Consortium (the "Consortium"). The Consortium operates in the following business segments: oil and gas, financial services, telecommunications, domestic commodities and retail trade. Refer to Note 28 for information on the planned restructuring of the ownership and control over ABH Financial Limited.

A summary of the constituent entities within the Group is set out below. Refer to Note 27 for a listing of principal subsidiaries. The number of employees of the Group as at 31 December 2003 was 6 256.

ABH Financial Limited is registered at PO Box 3339, Geneva Place, 333 Waterfront Drive, Road Town, Tortola, British Virgin Islands.

Commercial Banking. Open Joint Stock Company Alfa Bank (the "Bank") is a wholly owned subsidiary of ABH Financial Limited. 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 ("CBRF") since 1991. The Bank operates in all sectors of the Russian financial markets, including interbank and retail deposits, foreign exchange operations and debt and bond trading. In addition, a complete range of banking services is provided in Russian Roubles and foreign currencies to its clients.

As at 31 December 2003 the Bank had 32 branches within the Russian Federation. The Bank's major wholly owned subsidiaries comprise Alfa Bank Kazakhstan, Alfa Russia Finance B.V., Amsterdam Trade Bank, Alfa Securities Limited and Alfa Capital Markets.

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

Investment banking. ABH Financial Limited is also the parent company of Alfa Capital Holdings (Cyprus) Limited and certain other subsidiaries which are primarily involved in the investment banking segment of the Group including proprietary trading and brokerage activities, investment and merchant banking and asset management with a primary emphasis on securities within the Russian Federation and Ukraine. Alfa Capital Holdings (Cyprus) Limited is regulated by the Central Bank of Cyprus as a financial services company under a permit issued in April 2002 by which it is licensed to offer financial services to members of the Group, banking or credit institutions and other experienced or professional investors outside the Group.

2 Operating Environment of the Group

The majority of the Group's operations are tied to the Russian market and accordingly the operating environment present in the Russian Federation is important to the overall operations of the Group. Although located in the Russian Federation, a majority of the Group's assets and liabilities as at 31 December 2003 are denominated and settled in US Dollars.

The Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

Whilst there have been improvements in economic trends, the future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

2 Operating Environment of the Group (Continued)

The banking sector in the Russian Federation is particularly sensitive to adverse currency fluctuations and economic conditions. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Russian Federation.

In addition, economic conditions continue to limit the volume of activity in the financial markets. Market quotations may not be reflective of the values for financial instruments which would be determined in an efficient, active market. Management has therefore used the best available information to adjust market quotations to reflect their best estimate of fair values, where considered necessary.

3 Basis of Preparation

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank maintains its accounting records in accordance with Russian banking regulations in the national currency of the Russian Federation, the Russian Rouble ("RR"). Certain other members of the Group (Alfa Leasing and Alfa Capital Asset Management) maintain their accounting records in compliance with Russian Accounting Regulations Other companies maintain their accounting records in compliance with the applicable companies' law in their respective jurisdictions. These consolidated financial statements have been prepared from the accounting records of the constituent entities within the Group and adjusted as necessary in order to comply with IFRS.

The predominant measurement currency of the Group is US Dollar ("USD"). A significant portion of the transactions, settlements and profits of the Group are denominated in US Dollars. Moreover, the Group's (and the Bank's) assets and liabilities are largely denominated and settled in US Dollars (refer to Note 23). The US Dollar is used to a significant extent in, and has a significant impact on, the operations of the Group and the Group's cash flows are primarily denominated in US Dollars. Also, the US Dollar is the currency in which Management of the Group manages business risks and exposures, and measures the performance of its business.

The accounting records of the Group are maintained such that original US Dollar and other currency amounts can be determined. Further information regarding the basis of translation of currencies in the preparation of these consolidated financial statements is provided under the "Foreign Currency Translation" section of this note.

The preparation of these consolidated financial statements requires the use of estimates and assumptions that effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the balance sheet date and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Where necessary, corresponding figures have been adjusted to conform with changes in the presentation of the current period. Accrued interest income and accrued interest expense previously disclosed along with other assets and other liabilities, respectively, are presented within the related balance sheet items in these consolidated financial statements.

Consolidated financial statements. Subsidiaries are those entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which power to control is transferred to the Group and are removed from consolidation from the date the power to control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the identifiable assets and liabilities of the subsidiary acquired is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

3 Basis of Preparation (Continued)

Minority interest is that part of the net results of operations and of the net assets of a subsidiary attributable to the interest which is not owned, directly or indirectly, by the Group. Minority interest in the consolidated balance sheet is recorded separately from liabilities and shareholders' equity and is affected by the foreign currency translation adjustment applicable to the minority shareholders' interest in the subsidiaries. Minority interest related to net results of the current period is recorded in the consolidated statement of income.

Foreign currency translation. The Group determines the appropriate measurement currency for each subsidiary. Monetary assets and liabilities originally denominated in US Dollars are stated at their original US Dollar amounts. Monetary assets and liabilities in other currencies have been translated to US Dollars using the exchange rate in effect as at the balance sheet date. Non-monetary assets and liabilities (excluding those expressed in currencies of countries with hyperinflationary economies), whose values are denominated in currencies other than the US Dollar, have been translated at the exchange rates in effect as at the date of transaction. Income and expenses, which were earned and incurred in other currencies, have been translated into US Dollars using a basis that approximates the rate of exchange in effect as at the date of transaction. Gains and losses arising from translation of assets and liabilities are recorded in the consolidated statement of income as foreign exchange translation gains less losses. Translation differences on non-monetary items, such as equity securities held for trading or available for sale, are recorded as part of the fair value gain or loss.

As the Bank and certain other Group companies operate independently of the Group and, in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", these entities are considered foreign entities (operations not integral to those of the parent) with respect to the Group. Balance sheets of the foreign entities are translated into the Group's measurement currency at the exchange rates in effect as at the balance sheet date and the related statements of income and of cash flows are translated at the average exchange rates for the period. Exchange differences arising from the translation of the net investment in foreign entities are recorded as the translation movement in the consolidated statement of changes in shareholders' equity.

Prior to 1 January 2003 the Bank and other Russian companies of the Group applied the provisions of IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") and their financial information had been adjusted for hyperinflation and then translated into US Dollars at the exchange rates in effect as at the balance sheet date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from 1 January 2003 the Bank and other Russian companies of the Group have no longer applied the provisions of IAS 29. Accounting for the effects of hyperinflation prior to 1 January 2003 is detailed below.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into US Dollars at the exchange rate in effect as at the balance sheet date.

As at 31 December 2003 the principal exchange rate used for translating foreign currency balances was USD 1 = RR 29.4545 (2002: USD 1 = RR 31.7844) and the average exchange rate for the year ended 31 December 2003 was USD 1 = RR 30.6875 (2002: USD 1 = 31.3470). During the year ended 31 December 2003 the devaluation of the US Dollar against the Russian Rouble was 7.3% (2002: appreciation of 5.5%).

Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies. At present, the Russian Rouble is not a freely convertible currency in most countries outside of the Russian Federation.

Accounting for the effects of hyperinflation. A significant proportion of the Group's activities are carried out in the Russian Federation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29. Accordingly, prior to 1 January 2003 the adjustments and reclassifications made to the statutory records of the Bank and other Russian companies of the Group for the purpose of IFRS presentation included the restatement of balances and transactions for the changes in the general purchasing power of the Russian Rouble in accordance with IAS 29. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from 1 January 2003 the Bank and other Russian companies of the Group no longer apply the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at as 31 December 2002 are treated as the basis for the carrying amounts in these consolidated financial statements.

(expressed in thousands of US dollars - Note 3)

3 Basis of Preparation (Continued)

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. IFRS indicates that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index ("CPI"), published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992. The CPI used to restate the consolidated financial statements is based on 1988 prices using 100 as the base index. The CPI for the five years ended 31 December 2002 and the respective conversion factors are the following:

	CPI	Conversion Factor
1998	1 216 400	2.24
1999	1 661 481	1.64
2000	1 995 937	1.37
2001	2 371 572	1.15
2002	2 730 154	1.00

The main guidelines followed in restating the corresponding figures were:

- All amounts were stated in terms of the measuring unit current as at 31 December 2002;
- Monetary assets and liabilities held as at 31December 2002 were not restated because they were already expressed in terms of the monetary unit current at 31 December 2002;
- Non-monetary assets and liabilities (those balance sheet items that were not expressed in terms of the monetary unit current as at 31 December 2002) and components of shareholders' equity were restated from their historical cost by applying the change in the general price index from the date the non-monetary item was originated to 31 December 2002;
- All items in the consolidated statements of income and of cash flows were restated by applying the change in the CPI from the dates when the items were initially transacted to 31 December 2002;
- Gains and losses that arose as result of holding monetary assets and liabilities during the year ended 31 December 2002 were included in the consolidated statement of income.

4 Significant Accounting Policies

The following accounting policies have been used by the Group in preparing these consolidated financial statements.

Cash and cash equivalents. Cash and cash equivalents are items, which can be converted into cash within a day. All short-term placements with other banks, beyond overnight placements, are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Mandatory cash balances with the Central Bank of the Russian Federation and other local central banks. Mandatory balances with the Central Bank of the Russian Federation and other local central banks represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within a one to three month period.

4 Significant Accounting Policies (Continued)

Trading securities are initially recorded at cost (which includes transaction costs) and subsequently remeasured at fair value based on their market value or after the application of various valuation methodologies, including assumptions as to the future realisability of these securities. In determining market value, all trading securities are valued at the last trade price if quoted on an exchange or, if traded over-the-counter, at the last bid price.

All related realised and unrealised gains and losses are recorded within gains less losses arising from trading securities in the consolidated statement of income in the period in which the change occurs. Interest earned on trading securities is reflected in the consolidated statement of income as interest income on trading securities and is recognised on an effective yield basis. Dividends received are included in dividend income within other operating income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise, such transactions are treated as derivative instruments until settlement occurs.

Originated loans and provisions for loan impairment. Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down, other than those that are originated with the intent of being sold immediately or in the short-term which are recorded as trading assets, are categorised as originated loans.

Originated loans are recorded when cash is advanced to borrowers. Initially, originated loans and advances are recorded at cost, which is the fair value of the consideration given, and subsequently are carried at amortised cost less provision for loan impairment. Amortised cost is based on the fair value of cash consideration given to originate those loans determinable by reference to market prices at origination date.

Loans originated at interest rates different from market rates are remeasured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar loans. The difference between the fair value and the nominal value at origination is credited or charged to the consolidated statement of income as gains on origination of assets at rates above market or losses on origination of assets at rates below market. Subsequently, the carrying value of such loans is adjusted for amortisation of the gains/losses on origination and the related income is recorded as interest income within the consolidated statement of income using the effective yield method.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect the amounts due according to original contractual terms. The amount of the provision is the difference between the carrying amount and estimated recoverable amount, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the instrument's original effective interest rate.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio as at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings assigned to the borrowers and reflect the current economic environment in which the borrowers operate.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the provision for loan impairment in the consolidated statement of income.

If the amount of the provision for loan impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for loan impairment in the consolidated statement of income.

Purchased loans and receivables. Purchased loans and receivables are categorised as held to maturity, available for sale or trading assets depending on the Management's intent. Purchased loans and receivables with a fixed maturity where Management has both the intent and the ability to hold to maturity are classified as held to maturity assets. Purchased loans and receivables intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates are classified as available for sale assets. Purchased loans and receivables that were acquired principally for the purpose of generating a short-term profit are classified as trading assets.

4 Significant Accounting Policies (Continued)

Purchased loans and receivables are initially recorded at cost (which includes transaction costs). Purchased loans and receivables classified as available for sale or trading assets are subsequently remeasured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of available for sale assets are recorded in the consolidated statement of changes in shareholders' equity. When the available for sale assets are disposed of, the related accumulated fair value adjustments are included in the consolidated statement of income. Impairment and reversal of impairment of available for sale assets is recorded through the consolidated statement of income. Realised and unrealised gains and losses arising from changes in the fair value of trading assets are included in the consolidated statement of income in the period in which they arise. Purchased loans and receivables classified as held to maturity assets are carried at amortised cost using the effective yield method, less any provision for impairment.

Interest earned whilst holding purchased loans and receivables is recorded in the consolidated statement of income as interest income. All regular way purchases and sales of purchased loans and receivables are recorded at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivative instruments until settlement occurs.

Other credit related commitments. In the normal course of business, the Group enters into other credit related commitments including letters of credit and guarantees. Specific provisions are recorded against other credit related commitments when losses are considered probable.

Promissory notes purchased. Promissory notes purchased are included in trading securities, or in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Investments available for sale. This classification includes investments which Management intends to hold for an indefinite period of time, that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Management determines the appropriate classification of investments at the time of purchase.

Investments available for sale are initially recorded at cost (which includes transaction costs) and subsequently re-measured to fair value based on quoted bid prices. Certain investments available for sale for which there is no available external independent quotation have been fair valued by Management on the basis of results of recent sales of equity interests in the investees between unrelated third parties, consideration of other relevant factors such as discounted cash flows and financial data of the investees and application of other valuation methodologies. Unrealised gains and losses arising from changes in the fair value of investments available for sale are recorded in the consolidated statement of changes in shareholders' equity. When the investments available for sale are disposed of, the related accumulated fair value adjustments are included in the consolidated statement of income as gains less losses arising from investments available for sale. Impairment and reversal of impairment of investments available for sale is recorded through the consolidated statement of income. An investment available for sale is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset. Dividends received are included in dividend income within other operating income.

All regular way purchases and sales of investments available for sale are recorded at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recorded as derivative forward transactions until settlement.

Associated companies. Associated companies are entities over which the Group has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associated companies are accounted for using the equity method of accounting. Under this method, the Group's share of the post-acquisition profits or losses of associated companies is recorded in the consolidated statement of income, and its share of post-acquisition movements in reserves is recorded in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investments. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associated companies includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the associated company.

4 Significant Accounting Policies (Continued)

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included into trading securities or investments available for sale as appropriate. The corresponding liability is presented within due to other banks or other borrowed funds. Securities purchased under agreements to resell ("reverse repo") are recorded as due from other banks or loans and advances to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the consolidated financial statements. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses arising from trading securities in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

Originated receivables from customers. Originated receivables from customers represent receivables for the sale of trading securities and investments available for sale, advances made for purchases of trading securities and investments available for sale, and other receivables and advances. Receivables are carried at amortised cost less provision for impairment. A receivable is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate of the receivable. Provisions made during the period are included in the consolidated statement of income.

Premises and equipment. Premises and equipment are stated at cost, restated, where applicable, to the equivalent purchasing power of the Russian Rouble as at 31 December 2002 for assets acquired prior to 1 January 2003, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises and equipment of acquired subsidiaries are initially recorded in the consolidated balance sheet at their estimated fair value at the date of acquisition of the acquired subsidiary.

Premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation reserve for premises and equipment included in shareholders' equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Construction in progress is carried at cost, restated, where applicable, to the equivalent purchasing power of the Russian Rouble as at 31 December 2002 for assets acquired prior to 1 January 2003, less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying value. Construction in progress is not depreciated until the asset is available for use.

At each reporting date the Group assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Group estimates the recoverable amount, which is determined as the higher of an asset's net selling price or its value in use. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the consolidated statement of income. An impairment loss recorded for an asset in prior periods is reversed if there has been a change in the estimates used to determine the assets recoverable amount".

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and are taken into account in determining profit. Repairs and maintenance are charged to the consolidated statement of income when the expenditure is incurred.

4 Significant Accounting Policies (Continued)

Depreciation. Depreciation is applied on a straight-line basis over the estimated useful lives of the assets using the following rates:

Premises	2.5% per annum;
Office equipment	16% per annum;
Computer equipment	25% per annum;
Motor vehicles	14 - 18% per annum;
Intangible assets	10-20% per annum; and
Leasehold improvements	over the term of the underlying lease.

Operating leases. Where the Group is the lessee, the total lease payments, including those on expected termination, are charged by the lessee to the consolidated statement of income on a straight-line basis over the period of the lease.

Finance leases. Where the Group is the lessor, upon inception of a finance lease, the present value of the lease payments ("net investment in leases") is recorded within other assets. Lease income is recorded over the term of the lease using the effective yield method.

The inception of a lease is considered to be the date of the lease agreement, or commitment if earlier. For purposes of this definition, a commitment should be in writing, signed by the parties with an interest in the transaction, and should specifically set forth the principal terms of the transaction.

Any advance payments made by the lessee prior to commencement of the lease reduce the net investment in the lease.

Finance income from leases is recorded within other operating income in the consolidated statement of income.

When impaired, a provision against net investment in lease is recorded. A financial lease is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate of the finance lease receivable.

Promissory notes issued. Promissory notes issued by the Group carry a fixed date of repayment. These may be issued against cash deposits or as a payment instrument, which the purchaser can discount in the over-the-counter secondary market. Promissory notes issued by the Group are recorded initially at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, promissory notes issued are stated at amortised cost and any difference between net proceeds and the redemption value is recorded in the consolidated statement of income over the period of the security issue using the effective yield method.

If the Group purchases its own promissory notes, they are removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is recorded in the consolidated statement of income.

Borrowings. Borrowings are recorded initially at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recorded in the consolidated statement of income over the period of the borrowings using the effective yield method.

Borrowings originated at interest rates different from market rates are remeasured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar borrowings. The difference between the fair value and the nominal value at origination is credited or charged to the consolidated statement of income as gains on origination of liabilities at rates below market or losses on origination of liabilities at rates above market. Subsequently, the carrying value of such borrowings is adjusted for amortisation of the gains/losses on origination and the related expense is recorded as interest expense within the consolidated statement of income using the effective yield method.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recorded in the consolidated statement of income.

4 Significant Accounting Policies (Continued)

Accrued interest income and accrued interest expense. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount, are included in the carrying values of related balance sheet items.

Dividends. Dividends are recorded in equity in the period in which they are ratified by the Directors of ABH Financial Limited. Dividends declared after the balance sheet date are disclosed in the subsequent events note.

Income taxes. Taxation has been provided for in the consolidated financial statements in accordance with legislation currently in force in the respective territories that the Group operates. The income tax charge in the consolidated statement of income for the period comprises current tax and movements in deferred tax. Current tax is calculated on the basis of the expected taxable profit for the period, using the tax rates enacted as at the balance sheet date. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided, using the balance sheet asset and liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recorded to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted as at the balance sheet date. Deferred tax assets and liabilities are netted only within the individual Group companies of the Group.

Deferred income tax relating to the fair value remeasurement of investments available for sale, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recorded in the consolidated statement of income when the gain or loss on the investments is realised.

Income and expense recognition. Interest income and expense are recorded in the consolidated statement of income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes accrued coupon, discount and premium earned on fixed income instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recorded based on the interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Loan origination fees for loans, which are probable of being drawn down, are deferred (together with related direct costs) and recorded as an adjustment to the effective yield on the loan. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses and portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Custody fees are recorded ratably over the period the service is provided.

Derivative financial instruments. Derivative financial instruments including foreign exchange contracts, currency swaps and other derivative financial instruments are initially recorded in the consolidated balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models or using the spot rate as at the balance sheet date as the basis as appropriate. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivative instruments are included in gains less losses arising from trading in foreign currency, gains less losses arising from trading securities and gains less losses from trading in precious metals within other operating income, depending on the related contracts.

The Group does not apply hedge accounting.

Fiduciary assets. Assets and liabilities held by the Group in its own name, but for the account of third parties, are not recorded on the consolidated balance sheet. Commissions received from such business are shown in fee and commission income within the consolidated statement of income.

(expressed in thousands of US dollars - Note 3)

4 Significant Accounting Policies (Continued)

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions. Provisions are recorded when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Staff costs and related contributions. The Group's contributions to the Russian Federation state pension and social insurance funds in respect of its employees are expensed as incurred and included into staff costs.

Segment reporting. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to customers and whose revenue, result or assets are ten percent or more of all the segments are reported separately.

5 Cash and Cash Equivalents

	2003	**2002**
Cash on hand	169 099	105 819
Cash balances with the CBRF and local central banks (other than mandatory cash balances)	227 528	72 460
Correspondent accounts with other banks		
- Russian Federation	33 014	13 399
- Other countries	168 827	89 793
Overnight placements with other banks		
- Russian Federation	45 262	48 090
- Other countries	279 461	52 673
Total cash and cash equivalents	**923 191**	**382 234**

Currency and interest rates analyses of cash and cash equivalents are disclosed in Note 23.

6 Trading Securities

	2003	**2002**
Russian Federation Eurobonds	305 759	156 669
Corporate Eurobonds	183 300	102 980
Corporate bonds	72 698	62 393
Eurobonds of other states	52 644	20 213
Corporate shares	35 119	29 588
Promissory notes	12 138	17 604
ADRs and GDRs	6 297	10 582
Other	26 620	16 209
Total trading securities	**694 575**	**416 238**

(expressed in thousands of US dollars - Note 3)

6 Trading Securities (Continued)

Russian Federation Eurobonds are interest-bearing securities denominated in US Dollars, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. These bonds have maturity dates ranging from June 2007 to March 2030, coupon rates of approximately 5.0% to 12.8% in 2003 and yields to maturity from 6.7% to 7.4% as at 31 December 2003, depending on the type of bond issue.

Corporate Eurobonds are interest-bearing securities denominated in US Dollars and Euros, issued mainly by large Russian companies, and are freely tradable internationally. These bonds have maturity dates ranging from February 2004 to February 2033, coupon rates of approximately 5.8% to 12.8% during in 2003 and yields to maturity from 5.0% to 11.7% as at 31 December 2003, depending on the type of bond issue.

Corporate bonds are interest-bearing securities denominated in Russian Roubles, issued by large Russian companies, and freely tradable in the Russian Federation. These bonds have maturity dates ranging from February 2004 to July 2009, coupon rates of approximately 7.8% to 20.5% in 2003 and yields to maturity from 7.0% to 16.0% as at 31 December 2003, depending on the type of bond issue.

Eurobonds of other states are interest-bearing securities denominated in US Dollars, issued by governmental bodies of other states, and are freely tradable internationally. These bonds have maturity dates ranging from March 2004 to January 2033, coupon rates of approximately 7.4% to 14.5% in 2003 and yields to maturity from 4.3% to 9.9% as at 31 December 2003, depending on the type of bond issue.

Corporate shares are shares of Russian and Ukrainian companies.

Promissory notes are securities denominated in Russian Roubles, issued at a discount by large Russian companies, and freely tradable in the Russian Federation. These notes have maturity dates ranging from January 2004 to July 2005 and yields to maturity from 9.4% to 13.0% as at 31 December 2003, depending on the type of note issue.

Trading securities with a fair value of USD 319 126 thousand (2002: USD 136 772 thousand) have been sold to third parties under sale and repurchase agreements with other banks. Refer to Note 12.

The Bank is licensed by the Federal Commission on Securities Market for trading in securities.

Currency and interest rates analyses of trading securities are disclosed in Note 23. The information on trading securities issued by related parties and owned by the Group is disclosed in Note 26.

7 Due from Other Banks

	2003	**2002**
Term placements with other banks	91 552	110 911
Reverse sale and repurchase agreements with other banks	40 069	100 481
Less: Provision for loan impairment	-	(50)
Total due from other banks	**131 621**	**211 342**

Movements in the provision for loan impairment are as follows:

	2003	**2002**
Provision for impairment as at 1 January	**50**	**630**
Release of provision for loan impairment during the year	(50)	(580)
Provision for impairment as at 31 December	-	**50**

(expressed in thousands of US dollars - Note 3)

7 Due from Other Banks (Continued)

As at 31 December 2003 fair value of securities purchased under reverse sale and repurchase agreements with other banks was USD 45 626 thousand (2002: USD 120 750 thousand).

As at 31 December 2002 balances due from other banks in the amount of USD 1 825 thousand were of a restricted nature.

As at 31 December 2003 the estimated fair value of due from other banks was USD 131 621 thousand (2002: USD 211 342 thousand). Refer to Note 25.

Currency, maturity and interest rate analyses of due from other banks are disclosed in Note 23.

8 Loans and Advances to Customers

	2003	2002
Current loans	3 585 253	2 559 825
Overdue loans	31 150	15 462
Less: Provision for loan impairment	(175 723)	(134 921)
Total loans and advances to customers	**3 440 680**	**2 440 366**

Movements in the provision for loan impairment are as follows:

	2003	2002
Provision for loan impairment as at 1 January	**134 921**	**96 320**
Provision for loan impairment during the year	42 119	38 601
Loans and advances written off during the year as uncollectable	(1 317)	-
Provision for loan impairment as at 31 December	**175 723**	**134 921**

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

	2003		2002	
	Amount	**%**	**Amount**	**%**
Manufacturing and construction	1 471 294	41	772 419	30
Energy and oil and gas	1 049 572	29	965 195	37
Trade and commerce	520 365	14	405 628	16
Telecommunications	205 547	6	246 147	10
Finance and investment companies	98 775	3	56 477	2
Individuals	49 858	1	17 954	1
Agriculture	13 570	-	29 284	1
Other	207 422	6	82 183	3
Total loans and advances to customers (aggregate amount)	**3 616 403**	**100**	**2 575 287**	**100**

As at 31 December 2003 the Group had 16 borrowers with aggregated loan amounts equal to or above USD 50 000 thousand. The aggregate amount of these loans is USD 1 742 925 thousand or 48.2% of the gross loans and advances to customers. As at 31 December 2002 the Group had 13 borrowers with aggregated loan amounts equal to or above USD 50 000 thousand. The aggregate amount of those loans was USD 1 480 366 thousand or 57.5% of the gross loans and advances to customers.

(expressed in thousands of US dollars - Note 3)

8 Loans and Advances to Customers (Continued)

As at 31 December 2002 loans and advances to customers included USD 33 078 thousand of interest income accrued on a loan to Alfa Telecom Limited, a wholly owned subsidiary of Alfa Finance Holdings, S.A., in the amount of USD 110 000 thousand issued in May 2001 with an initial maturity in May 2004 and carrying a nominal interest rate of 20% p.a., payable at maturity. In June 2003 the parties agreed to change the maturity of the loan to 1 September 2003. On 1 September 2003 the loan was fully repaid along with the interest income accrued to date.

As at 31 December 2003 the estimated fair value of loans and advances to customers was USD 3 454 249 thousand (2002: USD 2 438 552 thousand). Refer to Note 25.

As at 31 December 2003 loans in the amount of USD 23 765 thousand (2002: nil) have been pledged to third parties as collateral with respect to due to other banks. Refer to Note 12.

As at 31 December 2002 loans in the amount of USD 50 000 thousand have been pledged as collateral with respect to a loan from the Agency for Restructuring of Credit Organizations. Refer to Note 14.

Currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 23. The information on related party balances is disclosed in Note 26.

9 Investments

	2003	2002
Investments available for sale	45 885	95 776
Investment in associated company	19 558	-
Total investments	**65 443**	**95 776**

Investments available for sale. The movements in the fair value of investments available for sale were as follows:

	2003	2002
As at 1 January	**95 776**	**137 180**
Net fair value gains arising on investments available for sale	7 104	34 947
Acquisition of investments available for sale	2 047	3 469
Disposal of investments available for sale	(35 483)	(104 876)
Effect of change in accounting treatment of investment in STS	(42 110)	-
Gains less losses arising from investments available for sale operations, net of gains previously recorded directly in shareholders' equity	18 551	25 716
Impairment of investments available for sale	-	(660)
Total investments available for sale as at 31 December	**45 885**	**95 776**

These investments cover industries, which are not part of the long-term strategy of the Group or the Consortium. Management of the Group is focused on an eventual exit strategy for each of these companies. The principal equity investments available for sale are:

			Fair value	
Name	**Nature of business**	**Country of registration**	**2003**	**2002**
Akrikhin	Pharmaceutical	Russia	38 630	30 540
STS	Television	Russia	-	42 110
Borskoe Steklo	Manufacturing	Russia	-	9 000
Svet	Manufacturing	Russia	-	5 500
Other			7 255	8 626
Total			**45 885**	**95 776**

(expressed in thousands of US dollars - Note 3)

9 Investments (Continued)

External independent market quotations were not available for Akrikhin and certain other investments available for sale. The fair values of these assets were determined by Management on the basis of results of recent sales of equity interest in the investees between unrelated third parties, consideration of other relevant factors such as discounted cash flows and financial information of the investees, and application of other valuation methodologies.

As at 31 December 2002 investments available for sale with a fair value of USD 5 227 thousand have been pledged as collateral with respect to a loan from the Agency for Restructuring of Credit Organisations. Refer to Note 14.

Investment in associated company. As at 31 December 2003 an investment in an associated company in the amount of USD 19 558 thousand represents a 25% interest in Story First Communications Inc. (“SFC”), a Delaware corporation primarily investing in television and radio ventures.

In 1999 the Group acquired a 25% plus 2 shares as an investment in the STS Network (“STS”), a national television network in Russia and a 75% owned subsidiary of SFC, with an intention to sell it within a short period after purchase. The investment in STS was carried on the consolidated balance sheet at fair value within investments available for sale. As at 31 December 2002 the fair value of the investment in STS was USD 42 110 thousand.

In August 2003 the Group restructured its entire interest in STS into 25% interest in SFC. In the course of restructuring the Group forgave indebtedness of STS to the Group in amount of USD 10 428 thousand and paid USD 8 210 thousand to STS and one of the shareholders of SFC.

Following the restructuring the Group classified its investment in SFC as an investment in associated company accounted for by the equity method of accounting. The carrying value of the investment in STS as at the date of restructuring was recalculated using the equity method of accounting retrospectively from the date of its acquisition for the purposes of determination of the cost of acquisition of the investment in SFC.

Fair value gains in the amount of USD 34 460 thousand previously recorded directly in shareholders’ equity in relation to the investment in STS were reversed in the consolidated statement of changes in shareholders’ equity for the year ended 31 December 2003.

10 Other Assets and Receivables

	2003	**2002**
Receivables on operations with securities	41 663	62 966
Net investment in lease	26 328	12 243
Trade debtors and prepayments	26 287	10 065
Plastic card debtors and other settlements with clients	25 959	13 882
Precious metals	21 258	121
Conversion operations and derivative financial instruments	17 723	5 971
Receivables from related parties	10 252	94 919
Prepaid taxes	6 212	7 713
Settlement on disposal of subsidiary	3 000	-
Other	14 679	16 049
	193 361	**223 929**
Less: Provision for impairment of receivables	(7 752)	(1 875)
Total other assets and receivables	**185 609**	**222 054**

(expressed in thousands of US dollars - Note 3)

10 Other Assets and Receivables (Continued)

Movements in the provision for impairment of receivables were as follows:

	Note	2003	2002
Provision for impairment of receivables as at 1 January		**1 875**	**4 082**
Provision/(recovery of provision) for impairment of receivables during the year		6 130	(2 207)
Disposal of subsidiary	27	(253)	-
Provision for impairment of receivables as at 31 December		**7 752**	**1 875**

As at 31 December 2003 precious metals include gold with a carrying value of USD 19 943 thousand (2002: nil) that has been sold to third parties under sale and repurchase agreements with other banks. Refer to Note 12.

As at 31 December 2002 receivables from related parties included USD 48 000 thousand receivable from Alfa Finance Holdings S.A. with respect to a share capital contribution. This amount was fully paid to ABH Financial Limited in April 2003. Refer to Notes 13 and 16.

Currency and maturity analyses of other assets and receivables are disclosed in Note 23. The information on related party balances is disclosed in Note 26.

11 Premises and Equipment

	Premises	Leasehold improvements	Office and computer equipment	Intangible assets	Construction in progress	Total
Net book amount as at 31 December 2002	**50 336**	**8 024**	**48 540**	**23 681**	**5 347**	**135 928**
Cost or valuation						
Opening balance	57 188	9 342	84 781	31 725	5 347	188 383
Additions and transfers	512	2 880	11 063	13 701	4 791	32 947
Disposals	(3 015)	(1 083)	(6 377)	(364)	-	(10 839)
Translation movement	4 082	739	5 884	854	325	11 884
Closing balance	**58 767**	**11 878**	**95 351**	**45 916**	**10 463**	**222 375**
Accumulated depreciation						
Opening balance	6 852	1 318	36 241	8 044	-	52 455
Depreciation charge	1 262	225	12 496	5 417	-	19 400
Disposals	(24)	(66)	(2 709)	(10)	-	(2 809)
Translation movement	556	57	2 671	324	-	3 608
Closing balance	**8 646**	**1 534**	**48 699**	**13 775**	**-**	**72 654**
Net book amount as at 31 December 2003	**50 121**	**10 344**	**46 652**	**32 141**	**10 463**	**149 721**

(expressed in thousands of US dollars - Note 3)

11 Premises and Equipment (Continued)

Construction in progress consists mainly of construction and refurbishment of branch premises and equipment. Upon completion, assets are transferred to premises and equipment.

As at 31 December 2003 no premises and equipment were pledged to third parties. As at 31 December 2002 premises and equipment with the carrying value of USD 3 571 thousand were pledged as collateral with respect to a loan from the Agency for Restructuring of Credit Organizations. Refer to Note 14.

12 Due to Other Banks

	2003	**2002**
Term placements of other banks	369 465	280 815
Sale and repurchase agreements with other banks	289 341	164 434
Correspondent accounts of other banks		
- Russian Federation	70 725	158 405
- Other countries	66 770	68 466
Total due to other banks	**796 301**	**672 120**

Trading securities with a fair value of USD 319 126 thousand (2002: USD 136 772 thousand) have been sold to third parties under sale and repurchase agreements with other banks. Refer to Note 6.

In addition, as at 31 December 2003 securities purchased by the Group under reverse sale and repurchase agreements with other banks with a fair value of USD 13 775 thousand (2002: USD 61 811 thousand) were sold by the Group under sale and repurchase agreements with other banks. Refer to Note 7.

Gold with a carrying value of USD 19 943 thousand (2002: nil) has been sold to third parties under sale and repurchase agreements with other banks. Refer to Note 10.

As at 31 December 2003 loans in the amount of USD 23 765 thousand (2002: nil) have been pledged to third parties as collateral with respect to due to other banks. Refer to Note 8.

As at 31 December 2003 the estimated fair value of due to other banks was USD 796 301 thousand (2002: USD 672 120 thousand). Refer to Note 25.

Currency, maturity and interest rate analyses of due to other banks are disclosed in Note 23.

13 Customer Accounts

	2003	**2002**
Commercial organisations		
- Current/settlement accounts	944 284	848 927
- Term deposits	1 076 782	268 846
Individuals		
- Current/demand accounts	331 236	233 529
- Term deposits	961 926	558 092
State and public organisations		
- Current/settlement accounts	7 817	53 585
- Term deposits	78 361	34 437
Total customer accounts	**3 400 406**	**1 997 416**

(expressed in thousands of US dollars - Note 3)

13 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

	2003		2002	
	Amount	**%**	**Amount**	**%**
Individuals	1 293 162	38	791 621	40
Energy and oil and gas	832 203	24	436 579	22
Manufacturing and construction	337 220	10	156 520	8
Trade and commerce	258 047	8	146 261	7
Finance and investment companies	173 278	5	229 432	11
State and public organisations	86 178	3	88 022	5
Mass media and telecommunications	70 447	2	80 995	4
Science	61 341	2	20 925	1
Other	288 530	8	47 061	2
Total customer accounts	**3 400 406**	**100**	**1 997 416**	**100**

As at 31 December 2003 the Group had 5 customers with aggregated balances equal to or above USD 50 000 thousand. The aggregate amount of these deposits was USD 906 962 thousand or 26.7% of the total customer accounts.

As at 31 December 2002 a balance of USD 48 000 thousand was blocked with respect to a contribution to share capital of the Group. Refer to Notes 10 and 16.

Included in customer accounts are balances in amount of USD 45 337 thousand (2002: USD 10 463 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 24.

As at 31 December 2003 the estimated fair value of customer accounts was USD 3 400 406 thousand (2002: USD 1 997 416 thousand). Refer to Note 25.

Currency, maturity and interest rate analyses of customer accounts are disclosed in Note 23. The information on related party balances is disclosed in Note 26.

14 Other Borrowed Funds

	2003	**2002**
Eurobonds	174 535	173 390
Syndicated loan	82 237	-
Euro-Commercial Papers	50 442	-
Russian Rouble denominated bonds	16 703	22 780
Loan from the Agency for Restructuring of Credit Organisations	-	15 930
Other	-	584
Total other borrowed funds	**323 917**	**212 684**

On 19 November 2002 the Group issued US Dollar denominated Eurobonds with a nominal value of USD 175 000 thousand. The bonds carry a fixed coupon at a rate of 10.75% per annum payable semi-annually and mature on 19 November 2005. The bonds have been issued at a discount of 0.5% to the nominal value and issue costs amounted to USD 3 032 thousand. Thus, net issue proceeds amounted to USD 171 093 thousand and the effective interest rate at origination was 12.0%.

On 5 December 2003 the Group received a syndicated loan in amount of USD 82 000 thousand from a consortium of large international banks. The loan matures on 24 November 2004 and bears a floating interest rate equal to LIBOR plus 2.4% per annum. As at 31 December 2003 the interest rate was 4.0% per annum.

(expressed in thousands of US dollars - Note 3)

14 Other Borrowed Funds (Continued)

On 11 December 2003 the Group established a Euro - Commercial Paper Programme (the "Programme"). The aggregate principal amount of outstanding notes issued under the Programme at any time may not exceed USD 200 000 thousand and the tenor of the notes may not be more from 365 days. By 31 December 2003 the Group issued four tranches of US Dollar denominated notes with a total nominal amount of USD 51 550 thousand. The issued notes mature from March 2004 to June 2004 and carry a fixed coupon rate ranging from 4.2% to 5.0% per annum payable at maturity. The notes were issued at a discount to the nominal value ranging from 1.0% to 2.5%. Thus, net issue proceeds amounted to USD 50 318 thousand and the average effective interest rate at origination was 10.5%.

On 14 June 2002 the Group issued Russian Rouble denominated bonds maturing in June 2007 at a nominal value of RR 908 758 thousand. The bonds have a floating interest rate and the coupon is payable semi-annually. As at 31 December 2003 coupon was to be paid at an interest rate of 7.5% per annum. The Bank has issued an irrevocable offer to redeem the bonds at nominal value along with accrued interest on 11 June 2004.

As at 31 December 2003 the estimated fair value of other borrowed funds was USD 335 978 thousand (2002: USD 215 338 thousand). Refer to Note 25.

Currency, maturity and interest rate analyses of other borrowed funds are disclosed in Note 23.

15 Other Liabilities and Payables

	Note	2003	2002
Payable on operations with securities		51 393	41 414
Accrued staff compensation expenses		49 254	43 160
Trade payables		29 796	12 479
Plastic card payables		15 568	13 079
Settlements with clients		9 738	518
Payable to related parties		9 499	7 298
Provision for losses on credit related commitments	24	7 782	9 462
Conversion operations and derivative financial instruments		7 005	2 708
Taxation payable		4 968	407
Other		16 514	15 486
Total other liabilities and payables		**201 517**	**146 011**

Currency and maturity analyses of other liabilities are disclosed in Note 23. The information on related party balances is disclosed in Note 26.

16 Share Capital

As at 31 December 2003 and 31 December 2002 authorised, issued and fully paid share capital of ABH Financial Limited comprised 160 800 000 ordinary shares. All shares have nominal value of USD 1 per share, rank equally and carry one vote.

The increase in share capital of USD 48 000 thousand during 2002 was authorised by the shareholders of ABH Financial Limited on 30 December 2002. As at 31 December 2002 this amount was blocked on the account of Alfa Finance Holdings S.A. with the Group in respect to the contribution (refer to Notes 10 and 13). This amount was fully paid to ABH Financial Limited in April 2003.

(expressed in thousands of US dollars - Note 3)

17 Interest Income and Expense

	2003	2002
Interest income		
Loans and advances to customers	403 393	311 824
Trading securities	55 713	24 202
Due from other banks	18 369	31 099
Total interest income	**477 475**	**367 125**
Interest expense		
Term deposits of individuals	57 899	41 174
Promissory notes issued	52 736	55 653
Term deposits of legal entities	45 952	4 318
Due to other banks	38 592	44 322
Other borrowed funds	24 249	8 253
Current/settlement accounts	23 062	23 412
Total interest expense	**242 490**	**177 132**
Net interest income	**234 985**	**189 993**

Refer to Note 26 for details of related party transactions.

18 Fee and Commission Income and Expense

	2003	2002
Fee and commission income		
Commission on settlement transactions	51 595	40 058
Commission on cash and foreign exchange transactions	24 134	15 719
Commission for consulting services	12 537	3 175
Commission income from Alfa Eco Group	10 430	-
Commission on guarantees issued	9 916	13 846
Commission on transactions with securities	9 225	5 803
Commission income in relation to formation of TNK-BP Limited	4 015	-
Commission income from Golden Telecom	-	3 297
Other	13 966	9 402
Total fee and commission income	**135 818**	**91 300**
Fee and commission expense		
Commission for consulting services	24 480	27 013
Commission on settlement transactions	5 162	8 518
Commission on cash and foreign exchange transactions	4 752	908
Commission on transactions with securities	3 672	933
Other	3 084	2 428
Total fee and commission expense	**41 150**	**39 800**
Net fee and commission income	**94 668**	**51 500**

(expressed in thousands of US dollars - Note 3)

18 Fee and Commission Income and Expense (Continued)

During 2003 commission income in the amount of USD 10 430 thousand from Alfa Eco Group, a party related to the Group, represented fees in relation to significant investment transactions of Alfa Eco Group.

During 2003 commission income in relation to formation of TNK-BP Limited was received from a company jointly controlled by the Consortium and its joint venture partner, Access/Renova Group.

Refer to Note 26 for details of related party transactions.

19 Other Operating Income

	Note	2003	2002
Structured debt operations		36 161	6 938
Leasing and other income on premises and equipment		6 825	5 719
Gains less losses from trading in precious metals		4 618	(2 285)
Gains from disposal of subsidiary	27	4 617	-
Income from insurance operations		4 001	4 468
Late charges on loans and other penalties		3 466	17 640
Dividend income		1 486	1 862
Other		4 070	11 808
Total other operating income		**65 244**	**46 150**

Structured debt operations represent operations with debts of other companies, which were acquired at a discount, and then settled at a higher value resulting in a gain for the Group. Gains from the structured debt operations for 2003 included a gain in the amount of USD 20 863 thousand from the restructuring of a debt of a large telecommunication company.

20 Operating Expenses

	2003	2002
Staff costs	142 315	122 172
Depreciation and other expenses related to premises and equipment	26 932	17 850
Rent, heat and utilities	22 151	13 025
Taxes	20 770	22 620
Advertising and marketing	19 906	11 602
Maintenance	18 798	8 508
Consulting and professional services	13 462	19 551
Computer and telecommunications expenses	13 422	20 292
Travel expenses	3 608	4 217
Other	24 189	6 108
Total operating expenses	**305 553**	**245 945**

(expressed in thousands of US dollars - Note 3)

21 Income Taxes

Income tax expense comprises the following:

	2003	2002
Current tax charge	7 875	2 453
Deferred taxation movement due to origination and reversal of temporary differences	3 136	1 120
Income tax expense for the year	**11 011**	**3 573**

The statutory income tax rate applicable to the majority of the Bank's income is 24% (2002: 24%). This rate was enacted in August 2001 and became effective starting from 1 January 2002. The income tax rate applicable to the majority of income from investment banking operations ranges from 0% to 5% (2002: from 0% to 5%). A reconciliation between the expected and the actual taxation charge is provided below.

	2003	2002
IFRS profit before tax	**116 726**	**108 199**
Theoretical tax charge at the applicable statutory rate	28 014	25 968
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Difference in provisions in accordance with IFRS and statutory rules	(15 459)	(42 673)
- Non deductible expenses	5 943	13 091
- Income which is exempt from taxation	(2 211)	(62 141)
- (Gain)/Loss earned in tax free jurisdictions	(7 560)	21 481
- Negative taxable base which has no future income tax benefit	-	10 494
- Effect of change in statutory taxation legislation	-	41 304
- Other IFRS adjustments	8 607	(4 522)
Tax effect of loss used during 2003	(1 648)	-
Tax effect of loss carry forward	(4 675)	571
Income tax expense for the year	**11 011**	**3 573**

Differences between IFRS and Russian and other countries' statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for income tax purposes. The tax effect of the movement of these temporary differences is recorded mainly at the rate of 24%, except for income on state securities that is taxed at 15%.

	2002	Movement	2003
Tax effect of deductible temporary differences			
Accumulated depreciation of premises and equipment	7 777	2 045	9 822
Tax loss carry forward	2 283	3 207	5 490
Accruals	876	3 034	3 910
Other	(257)	1 618	1 361
Gross deferred tax asset	**10 679**	**9 904**	**20 583**
Tax effect of taxable temporary differences			
Valuation of premises and equipment	(16 010)	(1 282)	(17 292)
Provision for loan impairment	(4 857)	5 310	453
Accruals	(124)	(9 802)	(9 926)
Other	-	(7 266)	(7 266)
Gross deferred tax liability	**(20 991)**	**(13 040)**	**(34 031)**
Total net deferred tax liability	**(10 312)**	**(3 136)**	**(13 448)**

(expressed in thousands of US dollars - Note 3)

21 Income Taxes (Continued)

	2001	Movement	2002
Tax effect of deductible temporary differences			
Accumulated depreciation of premises and equipment	6 080	1 697	7 777
Tax loss carry forward	3 009	(726)	2 283
Accruals	4 262	(3 386)	876
Other	1 775	(2 032)	(257)
Gross deferred tax asset	**15 126**	**(4 447)**	**10 679**
Tax effect of taxable temporary differences			
Valuation of premises and equipment	(12 826)	(3 184)	(16 010)
Provision for loan impairment	(9 453)	4 596	(4 857)
Accruals	(2 039)	1 915	(124)
Gross deferred tax liability	**(24 318)**	**3 327**	**(20 991)**
Total net deferred tax liability	**(9 192)**	**(1 120)**	**(10 312)**

Deferred income tax assets are recorded for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable.

In the context of the Group's current structure, tax losses and current tax assets of different companies may not be offset against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, a deferred tax asset of one company of the Group may not be offset against a deferred tax liability of another company.

Investments available for sale are held and disposed primarily by subsidiaries of the Group operating in tax-free jurisdictions. Therefore, the net fair value gains arising on investments available for sale recorded directly in the consolidated statement of changes in shareholders' equity had no impact on the deferred tax position of the Group.

22 Analysis by Segment

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Group is organised on a basis of two main business segments:

- Commercial banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Investment banking – representing financial instruments trading, structured financing, corporate leasing, merger and acquisitions advice.

Funds are ordinarily reallocated between segments free of charge. There are no material items of income or expense between the business segments.

(expressed in thousands of US dollars - Note 3)

22 Analysis by Segment Continued)

Segment information for the main reportable business segments of the Group for the years ended 31 December 2003 and 31 December 2002 is set out below:

2003	**Corporate banking**	**Investment banking**	**Eliminations**	**Total**
Total revenues	**554 123**	**213 363**	**-**	**767 486**
Segment results	219 605	201 754	-	421 359
Unallocated costs				(305 553)
Share of results of associated company after tax				920
Profit before tax				**116 726**
Income tax expense				(11 011)
Profit after tax				**105 715**
Minority interest				(96)
Net profit				**105 619**
Total assets	**4 911 911**	**1 179 505**	**(207 282)**	**5 884 134**
Total liabilities	**5 103 637**	**434 174**	**(207 282)**	**5 330 529**
Other segment items				
Capital expenditure	(30 500)	(2 447)	-	(32 947)
Depreciation expense	(17 959)	(1 441)	-	(19 400)
Other non-cash income/(expenses)	(43 919)	(2 600)	-	(46 519)
Net fair value gains arising on investments available for sale recorded directly in shareholders' equity	-	7 104	-	7 104
Effect of change in accounting treatment of investment in associated company	-	(34 460)	-	(34 460)

(expressed in thousands of US dollars - Note 3)

22 Analysis by Segment Continued)

2002	Corporate banking	Investment banking	Eliminations	Total
Total revenues	**474 327**	**120 312**	**-**	**594 639**
Segment results	227 295	109 267	-	336 562
Unallocated costs				(245 945)
Monetary gain				17 582
Profit before tax				**108 199**
Income tax expense				(3 573)
Profit after tax				**104 626**
Minority interest				(36)
Net profit				**104 590**
Total assets	**3 375 167**	**865 397**	**(122 374)**	**4 118 190**
Total liabilities	**3 555 751**	**250 142**	**(122 374)**	**3 683 519**
Other segment items				
Capital expenditure	(31 860)	(3 540)	-	(35 400)
Depreciation expense	(12 966)	(1 441)	-	(14 407)
Other non-cash income/(expenses)	(42 105)	106	-	(41 999)
Net fair value gains arising on investments available for sale recorded directly in shareholders' equity	-	34 947	-	34 947

(expressed in thousands of US dollars - Note 3)

22 Analysis by Segment (Continued)

Geographical segments. Segment information for the main geographical segments of the Group is set out below for the year ended 31 December 2003.

	Russia	Europe	CIS	USA	Other	Total
Assets						
Cash and cash equivalents	460 975	289 833	19 045	152 527	811	923 191
Mandatory cash balances with the CBRF and other local central banks	278 976	13 623	695	-	-	293 294
Trading securities	626 495	15 213	8 689	4 136	40 042	694 575
Due from other banks	94 149	19 408	14 895	3 169	-	131 621
Loans and advances to customers	3 266 180	39 371	129 238	5 891	-	3 440 680
Investments	65 443	-	-	-	-	65 443
Other assets and receivables	134 117	43 424	7 087	-	981	185 609
Premises and equipment	136 356	985	12 380	-	-	149 721
Total assets	**5 062 691**	**421 857**	**192 029**	**165 723**	**41 834**	**5 884 134**
Liabilities						
Due to other banks	273 496	423 786	95 919	87	3 013	796 301
Customer accounts	3 216 110	97 450	86 711	135	-	3 400 406
Promissory notes issued	585 726	-	9 214	-	-	594 940
Other borrowed funds	16 703	307 214	-	-	-	323 917
Other liabilities and payables	130 028	51 505	11 959	-	8 025	201 517
Deferred tax liability	13 448	-	-	-	-	13 448
Total liabilities	**4 235 511**	**879 955**	**203 803**	**222**	**11 038**	**5 330 529**
Net balance sheet position as at 31 December 2003	**827 180**	**(458 098)**	**(11 774)**	**165 501**	**30 796**	**553 605**
Net balance sheet position as at 31 December 2002	**791 499**	**(322 816)**	**(1 988)**	**18 939**	**(50 963)**	**434 671**

The majority of credit related commitments were issued in favour of Russian counterparties and their off-shore companies as at both 31 December 2003 and 31 December 2002.

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from off-shore companies of these Russian counterparties are allocated to the caption “Russia”. Cash on hand, precious metals and premises and equipment have been allocated based on the country in which they are physically held.

The majority of the Group’s revenues are generated from counterparties that are of Russian origin.

The majority of capital expenditure of the Group relates to operations of the Group in the Russian Federation.

23 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (market, credit, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Executive Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

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

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Group's maximum exposure to credit risk is primary reflected in the carrying amounts of financial assets on the consolidated balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Geographical risk. Refer to Note 22 for the geographical analysis of the Groups' assets and liabilities.

(expressed in thousands of US dollars - Note 3)

23 Financial Risk Management (Continued)

Currency risk. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Executive Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2003. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet net notional position represents the difference between the notional amounts of foreign currency derivative financial instruments and their fair values. As at 31 December 2003 the Group had the following positions in currencies:

	USD	RR	EURO	Other currencies	Total
Assets					
Cash and cash equivalents	293 596	372 767	242 111	14 717	923 191
Mandatory cash balances with the CBRF and other local central banks	-	278 976	13 623	695	293 294
Trading securities	566 228	101 528	23 973	2 846	694 575
Due from other banks	60 859	65 876	3 321	1 565	131 621
Loans and advances to customers	1 997 240	1 305 161	101 744	36 535	3 440 680
Investments	65 443	-	-	-	65 443
Other assets and receivables	105 656	44 356	10 863	24 734	185 609
Premises and equipment	-	136 356	985	12 380	149 721
Total assets	**3 089 022**	**2 305 020**	**396 620**	**93 472**	**5 884 134**
Liabilities					
Due to other banks	515 948	225 587	30 014	24 752	796 301
Customer accounts	1 652 194	1 453 457	275 640	19 115	3 400 406
Promissory notes issued	171 661	394 669	28 610	-	594 940
Other borrowed funds	307 214	16 703	-	-	323 917
Other liabilities and payables	164 390	22 523	7 345	7 259	201 517
Deferred tax liability	-	13 448	-	-	13 448
Total liabilities	**2 811 407**	**2 126 387**	**341 609**	**51 126**	**5 330 529**
Net balance sheet position	**277 615**	**178 633**	**55 011**	**42 346**	**553 605**
Off-balance sheet net notional position (Note 24)	**(34 973)**	**(26 026)**	**70 659**	**374**	**10 034**
Credit related commitments (Note 24)	**541 296**	**93 694**	**60 531**	**784**	**696 305**

As at 31 December 2002 the Group had the following currency positions:

	USD	RR	EURO	Other currencies	Total
Net balance sheet position	**464 681**	**14 423**	**(22 022)**	**(22 411)**	**434 671**
Off-balance sheet net notional position	**(13 814)**	**6 254**	**(484)**	**9 366**	**1 322**
Credit related commitments (Note 24)	**713 032**	**14 095**	**23 072**	**1 342**	**751 541**

(expressed in thousands of US dollars - Note 3)

23 Financial Risk Management (Continued)

The Group has extended loans and advances denominated in currencies other than operating currencies of the borrowers. Depending on the revenue stream of the borrower, the appreciation of the foreign currencies against the operating currencies may adversely affect the borrowers' repayment ability and therefore may increase the likelihood of future loan losses.

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The liquidity risk is managed by the Asset and Liability Committee of the Group.

The table below shows assets and liabilities as at 31 December 2003 by their remaining contractual maturity, unless there is evidence that any of these assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement is used. Some of the assets, however, may be of a longer term nature; for example, loans are frequently renewed and accordingly short term loans can have a longer term duration.

The liquidity position of the Group as at 31 December 2003 is set out below.

	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	923 191	-	-	-	-	923 191
Mandatory cash balances with the CBRF and other local central banks	293 294	-	-	-	-	293 294
Trading securities	694 575	-	-	-	-	694 575
Due from other banks	120 298	885	10 438	-	-	131 621
Loans and advances to customers	170 325	956 856	1 405 910	907 589	-	3 440 680
Investments	-	-	-	-	65 443	65 443
Other assets and receivables	97 553	47 146	5 539	14 113	21 258	185 609
Premises and equipment	-	-	-	-	149 721	149 721
Total assets	**2 299 236**	**1 004 887**	**1 421 887**	**921 702**	**236 422**	**5 884 134**
Liabilities						
Due to other banks	616 669	132 485	33 689	13 458	-	796 301
Customer accounts	1 751 938	1 322 406	286 524	39 538	-	3 400 406
Promissory notes issued	181 361	256 652	140 258	16 669	-	594 940
Other borrowed funds	-	59 452	90 746	173 719	-	323 917
Other liabilities and payables	158 853	37 149	1 017	4 498	-	201 517
Deferred tax liability	-	-	-	-	13 448	13 448
Total liabilities	**2 708 821**	**1 808 144**	**552 234**	**247 882**	**13 448**	**5 330 529**
Net liquidity gap as at 31 December 2003	**(409 585)**	**(803 257)**	**869 653**	**673 820**	**222 974**	**553 605**
Cumulative liquidity gap as at 31 December 2003	**(409 585)**	**(1 212 842)**	**(343 189)**	**330 631**	**553 605**	
Cumulative liquidity gap as at 31 December 2002	**(683 213)**	**(759 612)**	**(264 156)**	**184 306**	**434 671**	

23 Financial Risk Management (Continued)

The entire portfolio of trading securities is classified within "demand and less than one month" column as the portfolio is of a trading nature and Management believe this is a fairer portrayal of its liquidity position. Mandatory cash balances with the CBRF and other local central banks are included within demand and less than one month as the majority of liabilities to which these balances relate to is also included in this category.

Management believes that in spite of a substantial portion of customer accounts being of a short term nature, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Group is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally fixed on a short term basis. Also, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Executive Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. In the absence of any available hedging instruments, the Group normally seeks to match its interest rate positions.

(expressed in thousands of US dollars - Note 3)

23 Financial Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risks as at 31 December 2003. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	923 191	-	-	-	-	923 191
Mandatory cash balances with the CBRF and other local central banks	293 294	-	-	-	-	293 294
Trading securities	653 159	-	-	-	41 416	694 575
Due from other banks	120 298	885	10 438	-	-	131 621
Loans and advances to customers	170 325	956 856	1 405 910	907 589	-	3 440 680
Investments	-	-	-	-	65 443	65 443
Other assets and receivables	97 553	47 146	5 539	14 113	21 258	185 609
Premises and equipment	-	-	-	-	149 721	149 721
Total assets	**2 257 820**	**1 004 887**	**1 421 887**	**921 702**	**277 838**	**5 884 134**
Liabilities						
Due to other banks	616 669	132 485	33 689	13 458	-	796 301
Customer accounts	1 751 938	1 322 406	286 524	39 538	-	3 400 406
Promissory notes issued	181 361	256 652	140 258	16 669	-	594 940
Other borrowed funds	-	158 392	8 509	157 016	-	323 917
Other liabilities and payables	158 853	37 149	1 017	4 498	-	201 517
Deferred tax liability	-	-	-	-	13 448	13 448
Total liabilities	**2 708 821**	**1 907 084**	**469 997**	**231 179**	**13 448**	**5 330 529**
Net sensitivity gap as at 31 December 2003	**(451 001)**	**(902 197)**	**951 890**	**690 523**	**264 390**	**553 605**
Cumulative sensitivity gap as at 31 December 2003	**(451 001)**	**(1 353 198)**	**(401 308)**	**289 215**	**553 605**	
Cumulative sensitivity gap as at 31 December 2002	**(743 712)**	**(821 236)**	**(318 909)**	**153 597**	**434 671**	

(expressed in thousands of US dollars - Note 3)

23 Financial Risk Management (Continued)

The table below summarises the effective interest rates by major currencies for major monetary financial instruments. The analysis has been prepared using year-end effective contractual rates.

	2003				2002			
	USD	**RR**	**Euro**	**Other currencies**	**USD**	**RR**	**Euro**	**Other currencies**
Assets								
Correspondent accounts and overnight placements with other banks	4.0%	2.3%	2.3%	0.0%	5.9%	16.2%	0.0%	0.0%
Mandatory cash balances with the CBRF and other local banks	-	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%
Debt trading securities	7.5%	11.1%	5.7%	5.1%	8.8%	14.1%	-	-
Due from other banks	3.7%	4.3%	6.5%	5.0%	4.3%	14.5%	3.1%	14.5%
Loans and advances to customers	11.9%	16.1%	9.6%	14.2%	13.2%	20.1%	11.4%	14.0%
Liabilities								
Due to other banks	3.2%	7.1%	3.8%	1.0%	3.3%	12.3%	5.4%	5.0%
Customer accounts								
- current and settlement accounts	1.8%	0.5%	0.2%	0.0%	2.1%	2.3%	2.1%	2.3%
- term deposits	3.9%	6.2%	3.3%	4.8%	6.1%	10.2%	6.1%	10.2%
Promissory notes issued	4.0%	12.5%	2.7%	-	6.1%	15.6%	3.0%	15.6%
Other borrowed funds	9.6%	7.5%	-	-	12.0%	17.6%	-	17.0%

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

24 Contingencies, Commitments and Derivative Financial Instruments

Legal proceedings. In February 2002, Norex Petroleum Limited, a Cypriot company, filed a lawsuit against the Bank, Alfa Capital Markets (USA) and certain other defendants related to the Group in the United States District Court for the Southern District of New York over the ownership of a company which is currently owned by TNK Industrial Holdings Limited. The Group believes that it has substantial defences to jurisdiction and venue in the United States, and it has filed a comprehensive motion to dismiss the complaint. Also, the Group believes that the allegations in the complaint are without merit and intends to vigorously defend this action. Management does not expect to incur any material future losses in relation to this lawsuit. Refer to Note 28.

From time to time and in the normal course of business, other claims against the Group are received. On the basis of internal and external professional advice, Management is of the opinion that no material losses will be incurred and accordingly no provision has been recorded in these consolidated financial statements.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

(expressed in thousands of US dollars - Note 3)

24 Contingencies, Commitments and Derivative Financial Instruments (Continued)

In addition, the tax consequence of transactions for Russian taxation purposes is frequently determined by the form in which transactions are documented and the underlying accounting treatment prescribed by Russian Accounting Rules. Accordingly, the Group structures certain transactions so as to take advantage of such form driven determinations to reduce the overall effective tax rate of the Group. The consolidated statement of income as presented in these consolidated financial statements includes reclassifications to reflect the underlying economic substance of those transactions. The effect of these reclassifications does not have an effect on the Group’s profit before taxation or the tax charge recorded in these consolidated financial statements.

Transfer pricing legislation, which was introduced from 1 January 1999, provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect to all controlled transactions, provided that the transaction price differs from the market price by more than 20%. Controlled transactions include transactions with related parties, and transactions with unrelated parties if the price differs on similar transactions with two different counterparties by more than 20%. However, there is no formal guidance as to how these rules should be applied in practice.

The Management believes that its interpretation of the relevant legislation is appropriate and the Group’s tax, currency and customs positions will be sustained. Accordingly, as at 31 December 2003 no provision for potential tax liabilities had been recorded (2002: no provision).

Capital commitments. As at 31 December 2003 the Group had capital commitments in respect of new computer systems in the amount of USD 6 687 thousand (2002: USD 13 287 thousand) and new retail business in the amount of USD 5 169 (2002: nil). In addition, other capital commitments amounted to USD 6 793 thousand (2002: USD 4 434 thousand). The Group’s Management has already allocated the necessary resources in respect of these commitments. The Group’s Management believes that future net revenues and funding will be sufficient to cover this and any similar such commitments.

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

	2003	**2002**
Not later than 1 year	11 700	10 876
Later than 1 year and not later than 5 years	31 614	15 965
Later than 5 years	11 025	5 210
Total operating lease commitments	**54 339**	**32 051**

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

(expressed in thousands of US dollars - Note 3)

24 Contingencies, Commitments and Derivative Financial Instruments (Continued)

Outstanding credit related commitments are as follows:

	Note	2003	2002
Guarantees issued		387 073	538 946
Export letters of credit		241 843	191 712
Import letters of credit	13	75 171	30 345
Less: provision for losses on credit related commitments	15	(7 782)	(9 462)
Total credit related commitments		**696 305**	**751 541**

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

Movements in the provision for losses on credit related commitments are as follows:

	2003	2002
Provision for losses on credit related commitments as at 1 January	**9 462**	**3 937**
(Release of provision)/Provision for losses on credit related commitments during the year	(1 680)	5 525
Provision for losses on credit related commitments as at 31 December	**7 782**	**9 462**

Derivative financial instruments. Foreign exchange and other off-balance sheet financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions.

The principal amounts of certain types of financial instruments provide a basis for comparison with instruments recorded on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or principal amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The principal or agreed amounts and fair values of derivative instruments held are set out in the following table. This table reflects gross position before the netting of any counterparty position by type of instrument and covers the contracts with a maturity date subsequent to 31 December 2003. These contracts were entered mainly into in December 2003 and are short term in nature.

(expressed in thousands of US dollars - Note 3)

24 Contingencies, Commitments and Derivative Financial Instruments (Continued)

	Domestic			Foreign		
	Principal or agreed amount	**Negative fair value**	**Positive fair value**	**Principal or agreed amount**	**Negative fair value**	**Positive fair value**
Deliverable forwards						
Foreign currency						
- sale of foreign currency	112 594	(170)	63	287 804	(187)	141
- purchase of foreign currency	134 164	(68)	305	253 781	(19)	2 238
Securities						
- sale of securities	369 447	(1 592)	6 380	119 172	(1 460)	907
- purchase of securities	48 645	-	1 542	9 847	-	499
Precious metals						
- sale of precious metals	-	-	-	1 161	-	4
- purchase of precious metals	-	-	-	20 393	(86)	1 008
Spot						
Foreign currency						
- sale of foreign currency	129 805	(408)	356	80 493	(6)	247
- purchase of foreign currency	237 241	(425)	795	38 905	(37)	7
Total		**(2 663)**	**9 441**		**(1 795)**	**5 051**

For these deals the Group has recorded a net gain of USD 2 832 thousand which is included within gains less losses arising from trading in foreign currency, a net gain of USD 6 276 thousand which is included within gains less losses arising from trading securities and a net gain of USD 926 thousand which is included within gains less losses arising from trading in precious metals within other operating income.

Deliverable forward positions in securities as at 31 December 2003 are summarized below. As at 31 December 2003 respective securities long balance sheet positions of the Group exceeded respective securities short deliverable forward positions. Refer to Note 6.

	2003	
	Sale Fair value	**Purchase Fair value**
Eurobonds of RF	263 548	-
Corporate Eurobonds	149 388	48 645
Eurobonds of other states	33 867	9 847
Corporate bonds	29 841	-
Municipal bonds	7 691	-
Other	4 284	-
Total	**488 619**	**58 492**

Refer to Note 26 for information on a call option received by the Group from a related party.

(expressed in thousands of US dollars - Note 3)

24 Contingencies, Commitments and Derivative Financial Instruments (Continued)

Fiduciary assets. These assets are not included in the Group's balance sheet as they are not assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

	2003 Nominal value	2002 Nominal value
Shares in companies held in custody	225 694	212 879
Corporate bonds held in custody	153 355	64 574
Promissory notes of companies held in custody	103 425	275 294
Eurobonds	43 151	135 450
OVGVZ held on account with Vneshtorgbank	31 162	40 343
Client OFZ securities held on an account with NDC	15 131	18 521
Other	200	2 842

Assets pledged. As at 31 December 2003 the Group has the following assets pledges as collateral:

	Notes	2003	2002
Trading securities	6, 12	319 126	136 772
Loans and advances to customers	8, 12, 14	23 765	50 000
Precious metals	10, 12	19 943	-
Investments	9, 14	-	5 227
Premises and equipment	11, 14	-	3 571
Total		**362 834**	**195 570**

As at 31 December 2003 securities purchased by the Group under reverse sale and repurchase agreements with other banks with a fair value of USD 13 775 thousand (2002: USD 61 811 thousand) were sold by the Group under sale and repurchase agreements with other banks. Refer to Notes 7 and 12.

Mandatory cash balances with the CBRF and other local central banks in the amount of USD 293 294 thousand (2002: USD 214 252 thousand) represent mandatory reserve deposits, which are not available to finance the Group's day to day operations.

As at 31 December 2002 25% of the Bank's shares were pledged to the Agency for Restructuring of Credit Organizations in relation to a loan from this organization (refer to Note 14). The pledge gave the creditor voting rights, but not an economic interest in the Bank. This loan was repaid during 2003.

25 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 a quoted market price.

The estimated fair values of financial instruments have been determined by Management 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. As described in more detail in Note 2, the economy of the Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. While Management has used the best available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

Financial instruments carried at fair value. Cash and cash equivalents, trading securities and investments available for sale are carried on the consolidated balance sheet at their fair value. As set out in Note 9, external independent market quotations were not available for certain investments available for sale. The fair value of these assets were determined by Management on the basis of results of recent sales of equity interests in the investees between unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation methodologies.

Loans originated carried at amortised cost less provision for impairment. 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. Refer to Notes 7 and 8 for the estimated fair value of due from other banks and loans and advances to customers, respectively.

Liabilities carried at amortized cost. The fair value of instruments with a quoted market price is based on quoted market prices. The estimated fair value of instruments with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest rate instruments without a quoted market price is based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Refer to Notes 12, 13 and 14 for the estimated fair values of due to other banks, customer accounts and other borrowed funds, respectively. As at 31 December 2003 the estimated fair value of promissory notes issued was USD 596 068 thousand (2002: USD 643 462 thousand).

Derivative financial instruments. All derivative financial instruments are carried at fair value as asset when the fair value is positive and as a liability when the fair value is negative. The fair value of derivative financial instruments is disclosed in Note 24.

26 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or 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 significant shareholders, directors, associated companies and companies with which the Group has significant shareholders in common, including other companies in Alfa Group Consortium and other related parties. These transactions include settlements, loans, deposit taking, guarantees, trade finance, corporate finance, foreign currency exchange and other transactions. A vast majority of these transactions were priced predominantly at market rates. Related party transactions are reflected in the table below.

(expressed in thousands of US dollars - Note 3)

26 Related Party Transactions (Continued)

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

	2003			2002		
	TNK	**Alfa Group Consortium (Note 1)**	**Other**	**TNK**	**Alfa Group Consortium (Note 1)**	**Other**
Trading securities as at the year end	7 180	25 919	-	29 635	32 558	-
Loans and advances to customers as at the year end	**52 369**	**48 843**	**3 270**	**120 733**	**343 639**	**439**
USD, effective contractual rate of 10.7% - 12.5%	2 200	45 093	2 964	-	3 569	-
USD, effective contractual rate of 12.6-14.0%	-	-	-	77 651	13 000	-
USD, effective contractual rate of 14.1%-18.0%	-	2 500	-	2 181	316 702	-
RUR, effective contractual rate of 2.5% - 6.5%	48 328	-	-	40 901	-	-
RUR, effective contractual rate of 13.0% - 19.0%	1 229	-	306	-	-	-
RUR, effective contractual rate of 23.0%-25.0%	-	-	-	-	10 359	439
RUR, effective contractual rate of 30.0%	-	-	-	-	9	-
EUR, effective contractual rate of 10.8%	612	1 250	-	-	-	-
Interest income for the year (based on effective contractual interest rates)	5 894	31 618	397	12 660	39 229	105
Receivables as at the year end	-	10 252	-	39 480	55 439	-
Customer accounts						
Current/settlement accounts as at the year end	**117 031**	**108 820**	**9 825**	**77 019**	**41 033**	**4 097**
RUR, effective contractual rate of 0.0-2.0%	97 847	34 226	6 766	35 474	9 427	3 736
USD, effective contractual rate of 0.0-2.0%	5 803	74 518	3 059	39 804	31 597	361
EUR, effective contractual rate of 0.0-2.0%	13 381	76	-	1 741	9	-
Term deposits as at the year end	**36 659**	**290 646**	**-**	**2 983**	**57 003**	**14**
RUR, effective contractual rate of 5.0% - 12.5%	4 295	34	-	2 983	55	14
USD, effective contractual rate of 2.5% - 4.3%	32 364	290 612	-	-	11	-
USD, effective contractual rate of 7.0%	-	-	-	-	56 937	-
Interest expense for the year (based on effective contractual interest rates)	3 822	4 131	-	8 868	1 593	-

(expressed in thousands of US dollars - Note 3)

26 Related Party Transactions (Continued)

	2003			2002		
	TNK	**Alfa Group Consortium (Note 1)**	**Other**	**TNK**	**Alfa Group Consortium (Note 1)**	**Other**
Promissory notes issued as at the year end	**5 694**	**44 288**	**-**	**52 625**	**35 278**	**-**
RUR, effective contractual interest rate of 0.0%	3 019	83	-	-	-	-
RUR, effective contractual interest rate of 5.0% - 11.0%	1 732	422	-	-	-	-
RUR, effective contractual interest rate of 12.0% - 19.0%	943	-	-	5	-	-
USD, effective contractual interest rate of 4.1%-7.7%	-	43 783	-	52 620	35 278	-
Payables as at the year end	-	7 154	8 341	2 055	4 424	1 619
Guarantees issued by the Group as at the year end	45 119	-	885	218 223	500	-
Import letters of credit as at the year end	13 536	-	-	-	-	-
Export letters of credit as at t he year end	-	-	-	-	2 321	-
Fee and commission income for the year	6 591	13 741	4 015	15 087	7 756	-
Fee and commission expense for the year	997	687	-	1 062	3 686	-
Other income for the year	775	1 351	-	-	218	-
Other expenses for the year	-	5 788	320	-	719	-

In December 2002 the Group sold a construction company, Siracuse, an investment available for sale, to TNK, a significant associated company of Alfa Group Consortium for USD 39 345 thousand payable by instalments by the end of May 2003. Sale proceeds were received by the Group in full by the end of May 2003.

In November 2002 Alfa Telecom Limited, a wholly owned subsidiary of Alfa Finance Holdings S.A., granted to the Group for no consideration a call option (the “Option”) representing the right of the Group to acquire an interest of up to 6% in Golden Telecom Inc, an associated company of Alfa Telecom Limited. The Option was exercisable in whole or in part at any time until 11 May 2004. In December 2003 Alfa Telecom Limited and the Group agreed to cancel the Option and Alfa Telecom Limited paid to the Group a cancellation fee of USD 25 000 thousand approximating the fair value of the Option as at the date of the Option cancellation. The gain received under the transaction was recorder directly in shareholders’ equity as a contribution from the shareholder.

For the year ended 31 December 2003 the total remuneration of members of the Executive Board, including pension contributions, and discretionary compensation amounted to USD 9 987 thousand (2002: USD 5 504 thousand). Accrued remuneration of members of the Executive Board, including pension contributions, and discretionary compensation amounted to USD 5 996 thousand (2002: USD 800 thousand).

(expressed in thousands of US dollars - Note 3)

27 Principal Consolidated Subsidiaries

Russian Federation and CIS	Rest of the World
Alfa Bank	Alfa Capital Holding (Cyprus) Limited (Cyprus)
Alfa Bank Kazakhstan	Alfa Capital Markets (USA)
Alfa Bank Ukraine	Alfa-Russia Finance B.V. (Netherlands)
Alfa Capital Asset Management	Alfa Securities Limited (UK)
Alfa Leasing	Amsterdam Trade Bank (Netherlands)
Ostra Kiev Insurance Company (Ukraine) (disposed in December 2003)	Manwood Limited (Isle of Man)
	Tormead Marketing Limited (Isle of Man)
	Westlaw Incorporated (Nevis, West Indies)

As at 31 December 2003 all principal consolidated subsidiaries of the Group, except for Alfa Bank Ukraine (94.7% owned and controlled), were wholly owned and controlled by the Group.

In December 2003 the Group disposed for USD 7 000 thousand its entire interest in Ostra Kiev Insurance Company and recorded a gain of USD 4 617 thousand on this transaction.

28 Subsequent Events

Norex litigation. On 18 February 2004 the Group received a ruling from the United States District Court for the Southern District of New York dismissing the litigation on the basis of “forum non convenience”.

ABH Financial Limited ownership and control restructuring. On 1 March 2004 the Supervisory Board of the Consortium decided to restructure ownership and control over ABH Financial Limited to comply with the new Russian Federation Federal Law on Deposit Insurance which establishes specific requirements for the ownership structure of banking institutions wishing to participate in the Russian Federation deposit insurance program. The restructuring is to be completed during 2004.