Alfa MTN Issuance Limited

(incorporated with limited liability in Cyprus)

Alfa MTN Markets Limited

(incorporated with limited liability in Cyprus)

Alfa MTN Invest Limited

(incorporated with limited liability in Cyprus)

and

Alfa MTN Projects Limited

(incorporated with limited liability in Cyprus)

U.S.$1,000,000,000
Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed by

ABH Financial Limited

(incorporated with limited liability in the British Virgin Islands)

and

Open Joint Stock Company "ALFA-BANK"

(incorporated as an open joint stock company in the Russian Federation)

Joint Arrangers

Merrill Lynch International **UBS Investment Bank**

Dealers

Barclays Capital **JPMorgan**

Merrill Lynch International **UBS Investment Bank**

Base Prospectus dated 29 November 2005

IMPORTANT NOTICE

This Base Prospectus contains information provided by Alfa MTN Issuance Limited ("Alfa Issuance"), Alfa MTN Markets Limited ("Alfa Markets"), Alfa MTN Invest Limited ("Alfa Invest") and Alfa MTN Projects Limited ("Alfa Projects") (and, together with Alfa Issuance, Alfa Markets and Alfa Invest, the "Issuers" and each an "Issuer") in connection with a euro medium term note programme (the "Programme") under which the Issuers may issue and have outstanding at any time euro medium term notes (the "Notes") up to a maximum aggregate amount of U.S.$1,000,000,000 or its equivalent in alternative currencies. The Notes will be constituted by, and have the benefit of an amended and restated trust deed dated 29 November 2005 (the "Trust Deed") between the Issuers, ABH Financial Limited ("ABH Financial"), Open Joint Stock Company "ALFA-BANK" ("Alfa Bank" and together with ABH Financial, the "Guarantors" and each a "Guarantor") and J.P. Morgan Corporate Trustee Services Ltd. (the "Trustee"). ABH Financial and Alfa Bank will unconditionally and irrevocably guarantee the due and punctual payment of all amounts due and payable in respect of any Notes issued by each Issuer pursuant to, in the case of ABH Financial, Clause 5 of the Trust Deed (the "ABH Financial Guarantee") and, in the case of Alfa Bank, pursuant to an amended and restated deed of guarantee dated 29 November 2005 entered into by Alfa Bank (the "Deed of Guarantee" and, together with the ABH Financial Guarantee, the "ABH Financial and Alfa Bank Guarantees"). The Issuers and the Guarantors have, pursuant to an amended and restated programme agreement dated 29 November 2005 (the "Programme Agreement"), appointed Barclays Bank PLC, J.P. Morgan Securities Ltd., Merrill Lynch International and UBS Limited (the "Dealers") as dealers for the Notes under the Programme, and have authorised and requested the Dealers to circulate this Base Prospectus in connection with the Programme, subject as provided in the Programme Agreement. In this Base Prospectus, references to "Alfa Banking Group" mean ABH Financial and its subsidiaries taken as a whole and references to "Alfa Bank Group" mean Alfa Bank and its subsidiaries taken as a whole. This Base Prospectus comprises a Base Prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive"). Only Notes that have a denomination of at least EUR 50,000 may be issued under the Programme subject to any requirements for a minimum denomination which exceeds EUR50,000 by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant currency.

Each Issuer and Guarantor accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of each Issuer and Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Copies of each Final Terms (as defined herein) will be available (in the case of Notes to be admitted to the Official List) from FT Business Research Centre operated by FT Interactive Data at Fitzroy House, 13 15 Epworth Street, London EC2A 4DL and (in the case of all Notes) from the specified office of the Principal Paying Agent. The Issuers and the Guarantors have undertaken to the Dealers in the Programme Agreement (as defined herein) to comply with section 87G of the Financial Services and Markets Act 2000 as amended (the "FSMA") and the Prospectus Rules.

Except where otherwise specified herein, all of the information contained in this Base Prospectus has been derived from official data published by Russian government agencies and the Central Bank of the Russian Federation (the "CBR"), Goskomstat and the Russian federal, regional and local governments. Each Issuer and Guarantor accepts responsibility for correctly extracting such information from its sources and confirms that such information has been correctly extracted from its sources. However, each Issuer and Guarantor has relied on the accuracy of such information without carrying out an independent verification. The official data published by Russian federal, regional and local governments and the CBR is substantially less complete or researched than those of Western countries. Any discussion of matters related to the Russian Federation in this Base Prospectus must, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information. The veracity of some official data released by the Russian government may be questionable. Where information has been sourced from a third party, each Issuer and Guarantor confirms that this information has been accurately reproduced and that as far as each Issuer and Guarantor is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuers, the Guarantors, the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers and/or the Guarantors. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuers or the Guarantors or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness at any time of this Base Prospectus or any supplement hereto. No person has been authorised by the Issuers, the Guarantors, the Dealers or the Trustee to give any information or to make any representation not contained in this Base Prospectus or any supplement hereto, and, if given or made, such information or representation must not be relied upon as having been authorised.

This Base Prospectus does not, and is not intended to, constitute or contain an offer or invitation to any person to purchase Notes. The distribution of this Base Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Notes come are required by the Issuers, the Guarantors, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. In particular, such persons are required to comply with the restrictions on offers or sales of Notes and on distribution of this Base Prospectus and other information in relation to the Notes set out under "Subscription and Sale" below. The Notes have not been and will not be registered under the United States Securities Act of 1933. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons as defined in Regulations under the United States Securities Act of 1933.

None of the Issuers, the Guarantors, the Dealers or the Trustee makes any comment about the treatment for taxation purposes of payments or receipts in respect of any Notes. Each investor contemplating acquiring Notes under the Programme must seek such tax or other professional advice as it considers necessary for the purpose.

Application has been made to the Financial Services Authority in its capacity as the competent authority under the FSMA (in such capacity the "UK Listing Authority") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market (the "Regulated Market"). References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of Directive 93/22/EEC (the "Investment Services Directive"). Notice of the aggregate nominal amount of, interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein which are applicable to, each tranche of Notes will be set forth in a Final Terms (the "Final Terms") which, with respect to Notes to be admitted to the Official List and to be admitted to trading by the London Stock Exchange, will be delivered to the UK Listing Authority and to the London Stock Exchange on or before the date of issue of the Notes of such tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer, the Guarantors and the relevant Dealer(s) in relation to each issue and specified in the relevant Final Terms. The Issuers may also issue unlisted Notes.

Each of the Issuers and the Guarantors will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in this Base Prospectus is necessary for the purpose of

allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of itself and the rights attaching to the Notes, prepare a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

In this Base Prospectus references to "U.S. dollars" and "U.S.$" are to the currency of the United States of America, references to "Roubles" and "RUR" are to Russian Roubles, references to "Tenge" are to the currency of Kazakhstan, references to "Sterling" and "£" are to the currency of the United Kingdom, references to "Japanese Yen", "Yen" and "¥" are to the currency of Japan, references to "CYP" and to "Cyprus Pounds" are to the currency of Cyprus and references to "euro", "EUR" and "€" are to the single currency of participating member states of the European Union, as contemplated by the Treaty establishing the European Community, as amended.

In this Base Prospectus, references to a "branch" shall mean a separate location from which any of the entities within Alfa Banking Group carry out banking activities.

The financial information set out in this Base Prospectus with respect to ABH Financial, Alfa Banking Group and Alfa Bank has, except where expressly stated otherwise, been derived from the consolidated financial statements of ABH Financial. Certain figures included in this Base Prospectus have been subject to rounding adjustments, accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Managers") (or persons acting on behalf of any Stabilising Manager(s) in the applicable Final Terms) may over allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on the Regulated Market of the London Stock Exchange, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a higher level than that which might otherwise prevail. However, there is no assurance that the Stabilising Managers (or persons acting on behalf of a Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

FOR A DISCUSSION OF RISKS AND OTHER FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH ANY INVESTMENT IN THE NOTES, SEE "CERTAIN RISK FACTORS" BEGINNING ON PAGE 15. THIS BASE PROSPECTUS DOES NOT DESCRIBE ALL OF THE RISKS OF AN INVESTMENT IN THE NOTES.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference").

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DOCUMENTS INCORPORATED BY REFERENCE

The (A) auditors' reports and financial information set out on pages F-1 to F-88 of the Offering Circular dated 6 June 2005 of the Alfa MTN Issuance Limited, Alfa MTN Markets Limited and Alfa MTN Invest Limited U.S.$1,000,000,000 Euro Medium Term Note Programme unconditionally and irrevocably guaranteed by ABH Financial Limited and Open Joint-Stock Company "Alfa-Bank" (the "Offering Circular") filed with the UK Listing Authority and (B) audited consolidated financial statements, together with the accompanying notes and auditors' reports of ZAO PricewaterhouseCoopers Audit, of ABH Financial for the year ended 31 December 2003 and the six month period ended 30 June 2005 each of which has been filed with the UK Listing Authority in connection with this Base Prospectus, shall be deemed to be incorporated in, and to form part of, this Base Prospectus save that any information contained in any such document which is incorporated by reference in and which forms part of this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that information contained in this Base Prospectus modifies, supersedes or conflicts with such information.

The financial information referred to in this section of Alfa Issuance, Alfa Markets, ABH Financial and Alfa Bank has been extracted without material adjustment from the audited financial statements.

(A) The table below sets out the relevant page references in the Offering Circular of the information incorporated by reference herein:

Alfa Issuance	**Page Reference**
Financial Information for the period ended 31 December 2004	
Auditors' Report	F-2
Balance Sheet	F-5
Statement of Operations	F-6
Statement of Cash Flows	F-7
Statement of Changes in Shareholders' Deficit	F-8
Notes to the Financial Statements	F-9

Alfa Markets	**Page Reference**
Financial Information for the period ended 31 December 2004	
Auditors' Report	F-15
Statement of Operations	F-18
Balance Sheet	F-19
Statement of Changes in Shareholders' Deficit	F-20
Cash Flow Statement	F-21
Notes to the Financial Statements	F-22

ABH Financial	**Page Reference**
Consolidated Financial Information for the two years ended 31 December 2004	
Auditors' Report	F-30
Consolidated Balance Sheet	F-32
Consolidated Statement of Income	F-33
Consolidated Statement of Cash Flows	F-34
Consolidated Statements of Changes in Shareholders' Equity	F-35
Notes to the Consolidated Financial Statements	F-36

Alfa Bank	Page Reference
Financial Statements for the year ended 31 December 2004	
Auditors' Report	F-75
Balance Sheet	F-78
Profit and Loss Statement	F-79
Information on the Level of Capital Adequacy, Amounts of Provisions for Doubtful Loans and Other Assets	F-80
Financial Statements for the year ended 31 December 2003	
Auditors' Report	F-81
Balance Sheet	F-85
Income Statement	F-86
Statement of Cash Flows	F-87
Information on the Level of Capital Adequacy, Amounts of Provisions for Doubtful Loans and Other Assets	F-88

(B) The table below sets out the relevant page references in the consolidated financial statements of ABH Financial for the year ended 31 December 2003 and the six month period ended 30 June 2005 and related auditors' reports of the information incorporated by reference herein:

ABH Financial

Consolidated Financial Statements for the year ended 31 December 2003	
Auditors' Report	–
Consolidated Balance Sheet	1
Consolidated Statement of Income	2
Consolidated Statement of Cash Flows	3
Consolidated Statements of Changes in Shareholder's Equity	4
Interim Consolidated Financial Statements for the six month period ended 30 June 2005	
Auditors' Report	–
Interim Consolidated Balance Sheet	1
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KEY FEATURES

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Base Prospectus and the financial statements, including the notes thereto, incorporated by reference herein.

ALFA ISSUANCE

Alfa Issuance is a wholly owned subsidiary of ABH Financial and was incorporated on 14 January 2004 under the laws of Cyprus as a private company with limited liability and unlimited duration. Alfa Issuance's corporate domicile is in Nicosia, Cyprus.

Alfa Issuance is a finance vehicle through which ABH Financial and its subsidiaries raise funds in the international bank and capital markets.

ALFA MARKETS

Alfa Markets is a wholly owned subsidiary of ABH Financial, and was incorporated on 13 January 2004 under the laws of Cyprus as a private company with limited liability and unlimited duration. Alfa Markets' corporate domicile is in Nicosia, Cyprus.

Alfa Markets is a finance vehicle through which ABH Financial and its subsidiaries raise funds in the international bank and capital markets.

ALFA INVEST

Alfa Invest is a wholly owned subsidiary of ABH Financial and was incorporated on 5 May 2005 under the laws of Cyprus as a private company with limited liability and unlimited duration. Alfa Invest's corporate domicile is in Nicosia, Cyprus.

Alfa Invest is a finance vehicle through which ABH Financial and its subsidiaries raise funds in the international bank and capital markets.

ALFA PROJECTS

Alfa Projects is a wholly-owned subsidiary of ABH Financial and was incorporated on 25 August 2005 under the laws of Cyprus as a private company with limited liability and unlimited duration. Alfa Project's corporate domicile is in Nicosia, Cyprus.

Alfa Projects is a finance vehicle through which ABH Financial and its subsidiaries raise funds in the international bank and capital markets.

ALFA BANKING GROUP

ABH Financial is the parent company of Alfa Banking Group. Alfa Bank is a wholly owned indirect subsidiary of ABH Financial.

Alfa Banking Group's business is comprised of two main divisions: (i) commercial banking which is operated principally through Alfa Bank and its subsidiaries in Ukraine, Kazakhstan and The Netherlands and (ii) investment banking and asset management which is conducted by Alfa Bank and its subsidiary in the United States of America as well as through Alfa Capital Holdings (Cyprus) Limited ("Alfa Capital") in Cyprus and the United Kingdom and its subsidiaries in Cyprus and the Cayman Islands.

Alfa Banking Group is one of Russia's largest banking groups in terms of equity, assets, branches, retail deposits and funds under management among private banks (according to data published on the RosBusiness Consulting website: www.rbc.ru. Alfa Banking Group is also one of the largest VISA branded debit card issuers in Russia in terms of market share (according to Visa International).

Alfa Banking Group offers a full range of products and operates in all sectors of the financial markets including lending, interbank and retail deposits, foreign exchange operations, debt, bond and equity trading, project finance, leasing and asset management. Alfa Banking Group is seeking to develop its branch network throughout Russia and the CIS.

ALFA BANK

Alfa Bank is registered in Russia to carry out banking and foreign exchange activities, has operated under a general banking licence issued by the CBR since January 1991 and obtained a licence to deal in precious metals in 1994. Alfa Bank has 121 offices (including subsidiary branches, regional branches and outlets) throughout Moscow, St. Petersburg and other key cities in Russia (including subsidiary banks in Ufa and Kazan, regional branches and outlets).

Alfa Bank and its subsidiaries operate Alfa Banking Group's commercial banking business. This business generated total revenues of U.S.$625.9 million for the year ended 31 December 2004 and U.S.$346.8 million in the six month period ended 30 June 2005. As at 30 September 2005, Alfa Bank had a total corporate customer base of over 47,000 clients and a retail customer base of over 1,600,000 clients. Alfa Bank's project finance department engages in project finance, export import finance and guarantee, and leasing operations. Alfa Leasing was established in 1999 and is a wholly owned subsidiary of Alfa Bank. Through Alfa Leasing, Alfa Bank acquires capital assets and leases them to Russian enterprises involved in a variety of different industries. Alfa Bank also conducts precious metal trading and correspondent banking operations.

CREDIT RATINGS OF ALFA BANK AND THE PROGRAMME

Alfa Bank is rated by three rating agencies: Fitch Ratings LTD. ("Fitch"), Moody's Investor Services, Inc. ("Moody's") and Standard and Poor's Rating Services, a division of The McGraw Hill Companies Inc. ("Standard & Poor's"). These ratings have been prepared by the rating agencies based on ABH Financial's audited consolidated International Financial Reporting Standards ("**IFRS**") financial statements and not on financial statements for Alfa Bank prepared on a stand alone basis.

Alfa Bank has received a long term credit rating of B+ (outlook stable) from Fitch, Ba2 (outlook positive) from Moody's and BB- (outlook stable) from Standard and Poor's. The Programme is rated Ba2 (outlook positive) by Moody's, BB- by Standard & Poor's and B- by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation.

GENERAL DESCRIPTION OF THE PROGRAMME

Issuers:	Alfa MTN Issuance Limited Alfa MTN Markets Limited Alfa MTN Invest Limited Alfa MTN Projects Limited
Guarantors:	ABH Financial Limited Open Joint-Stock Company "ALFA BANK"
Joint Arrangers:	Merrill Lynch International UBS Limited
Dealers:	Barclays Bank PLC J.P. Morgan Securities Ltd. Merrill Lynch International UBS Limited
Trustee:	J.P. Morgan Corporate Trustee Services Ltd.
Issue and Principal Paying Agent:	JPMorgan Chase Bank, N.A.
Programme Amount:	The aggregate principal amount of Notes outstanding at any time will not exceed U.S.$1,000,000,000 or its equivalent in alternative currencies (the "Programme Amount"). The Programme Amount may be increased from time to time in accordance with the Programme Agreement.
Distribution:	Notes may be distributed by way of private or, subject to applicable selling restrictions, public placement and in each case on a syndicated or non syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the relevant Issuer, the Guarantors and the relevant Dealer including but not limited to Euro, U.S. Dollars, Yen and Sterling. Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time.
Denominations:	Notes will be in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable laws and regulations, save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a base prospectus under the Prospectus Directive will be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes). However for so long as the Notes are represented by a Global Note, and Euroclear Bank S.A./N.V. as operator of the Euroclear System and Clearstream Banking, société anonyme so permit, the Notes shall be tradable in minimum nominal amounts of €50,000 and integral multiples of the Tradeable Amount specified in the relevant Final Terms.

	If definitive Notes are required to be issued they will only be printed in denominations of €50,000 (or its equivalent in any other currency as at the date of issue of the Notes). Consequently a Noteholder who holds Notes in the relevant clearing system in amounts that are not integral multiples of the minimum denomination may need to purchase or sell, prior to Exchange Date, a principal amount of Notes such that its holding is an integral multiple of the minimum denomination. Under no circumstances will definitive Notes be printed in respect of an amount of Notes which is less than the minimum denomination and any Noteholder which on the Exchange Date holds Notes having a nominal amount which cannot be represented by a definitive Note in the minimum denomination will not be entitled to receive a definitive Note in respect of such Notes or to receive payments of interest or principal in respect of such Notes. Each issue of Notes will initially be represented by a Temporary Global Note, without interest coupons, which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for interests in a Permanent Global Note, without interest coupons, on or after a date which is expected to be 40 days after the date of issue of such Notes, upon certification as to non-U.S. beneficial ownership. Each Permanent Global Note will only be exchangeable for Notes in definitive form in limited circumstances. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the relevant Issuer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. If so, the wording of the redenomination clause will be set out in full in the applicable Final Terms.
Issuance:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations. Each Tranche will be the subject of a Final Terms which, for the purposes of that Tranche only, supplements the Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any

	particular Tranche of Notes are the Conditions of the Notes as supplemented, amended and/or replaced by the relevant Final Terms.
Notes which have a maturity of less than one year:	Notes which have a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in any other currency or another applicable exemption from section 19 of the FSMA is available. See "Subscription and Sale".
Maturity of the Notes:	Such maturities as may be agreed between the relevant Issuer, the Guarantors and the relevant Dealer and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer, the Guarantors or the relevant specified currency.
Issue Price:	Notes may be issued at par or at a discount to, or premium over, par and may be issued on a fully paid or a partly paid basis.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer, the Guarantors and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined either: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the relevant Issuer, the Guarantors and the relevant Dealer, as indicated in the applicable Final Terms. The Margin (if any) relating to such Floating Rate Notes will be agreed between the relevant Issuer, the Guarantors and the relevant Dealer for each Series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both (as indicated in the applicable Final Terms). Interest on Floating Rate Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer, the Guarantors and the relevant Dealer(s), will be payable on the first day of the next Interest Period and will be calculated in accordance with the relevant Day Count Fraction or as otherwise indicated in the applicable Final Terms.

Interest Periods for Floating Rate Notes:	Such period(s) as the relevant Issuer, the Guarantors and the relevant Dealer may agree (as indicated in the applicable Final Terms).
Indexed Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Indexed Notes will be calculated by reference to such index and/or formula as the relevant Issuer, the Guarantors and the relevant Dealer may agree (as indicated in the applicable Final Terms).
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer, the Guarantors and the relevant Dealer may agree (as indicated in the applicable Final Terms).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.
Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will at all times rank pari passu among themselves and equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding, other than obligations preferred by mandatory provisions of law.
Status of the Guarantees:	The payment obligations of the Guarantors under the Trust Deed and the ABH Financial and Alfa Bank Guarantees will constitute direct, unconditional and unsecured obligations of each Guarantor and will rank pari passu and equally with all other unsecured obligations (other than subordinated obligations, if any) of either Guarantor from time to time outstanding, other than obligations preferred by mandatory provisions of law.
Cross Default:	The Notes will contain a cross default in respect of Indebtedness of the relevant Issuer, the Guarantors or any of their respective Subsidiaries (as set out in Condition 13.3).
Negative Pledge:	So long as any Note remains outstanding neither of the Issuers shall and each Issuer shall not permit any of its Subsidiaries to, and shall procure that neither Guarantor nor any of its Subsidiaries shall, directly or indirectly, create, incur or suffer to exist any Lien, other than a Permitted Lien, on any of its assets, now owned or hereafter acquired, securing any Indebtedness unless (i) the Notes are secured equally and rateably with such other Indebtedness or (ii) such other security for the Notes as may be approved by the Trustee or an Extraordinary Resolution of the Noteholders, is provided.
Taxation:	All payments under any Notes will be made without deduction or withholding for or on account of any present or future taxes

	imposed by Cyprus, the British Virgin Islands or the Russian Federation, except as stated in the Notes.
Form of the Notes:	Unless otherwise specified in the Final Terms, each Tranche of Notes will initially be represented by a temporary global Note ("Temporary Global Note") which will be deposited on the relevant Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg. Interests in each Temporary Global Note will be exchanged either for interests in a permanent global Note ("Permanent Global Note") or definitive Notes (as indicated in the applicable Final Terms) in either case not earlier than 40 days after the Issue Date upon certification of non U.S. beneficial ownership as required by U.S. Treasury regulations. Each Permanent Global Note will be exchangeable, unless otherwise specified in the applicable Final Terms, in whole but not in part for definitive Notes in accordance with its terms. Any interest in a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and for any other agreed clearance system as appropriate.
Delivery:	Global Notes will be deposited with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), Clearstream Banking, société anonyme ("Clearstream, Luxembourg") or any other recognised clearing system. Definitive Notes, if issued, will be available in London at the specified office of the Principal Paying Agent for collection or for delivery to Euroclear, Clearstream, Luxembourg or any other recognised clearing system.
Rating:	The Programme is rated Ba2 (with a positive outlook) by Moody's and BB- by Standard & Poor's and B- by Fitch. Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Listing:	Application has been made for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Regulated Market. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer(s) in relation to each series of Notes. Unlisted Notes may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s). This Base Prospectus and any supplement will only be valid for listing Notes on the Official List and admitting Notes to trading on the Regulated Market in respect of Notes having a denomination of

	at least €50,000 (or its equivalent in any other currency as at the date of issue of the Notes) during a period of 12 months from the date of this Base Prospectus.
Use of Proceeds:	The net proceeds from each issue of Notes will be on lent by the relevant Issuer to one or both of the Guarantors for their general corporate purposes.
Purchases:	The relevant Issuer, either Guarantor or any of its respective subsidiaries may at any time purchase Notes in any manner and at any price.
Selling Restrictions:	The offering and sale of Notes is subject to all applicable selling restrictions including, without limitation, those of the European Economic Area, Cyprus, the Russian Federation, Italy, Japan, the Netherlands, the United Kingdom and the United States of America (see "Selling Restrictions" below).
Governing Law:	The Notes will be governed by, and shall be construed in accordance with, English law.
Certain Risk Factors:	For a discussion of certain investment considerations relating to the Issuers, the Guarantors and the Notes that prospective investors should carefully consider prior to an investment in the Notes (see "Certain Risk Factors").

CERTAIN RISK FACTORS

Investments in Notes involve a high degree of risk. Investors may lose the value of their entire investment or part of it, as the case may be. Potential investors should carefully review this entire Base Prospectus and in particular, should consider all the risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest. These risk factors, individually or together, could have a material adverse effect on the Issuers' and/or the Guarantors' respective businesses, operations and financial conditions and/or the rights under the Notes of the holders of the Notes.

RISKS RELATING TO THE RUSSIAN FEDERATION

Set out below is a description of some of the risks incurred by investing in Russia, although the list is not an exhaustive one.

Political and social risks

Russia has been undergoing a substantial political transformation from a centrally controlled command economy under communist rule to a pluralist market oriented democracy. A significant number of changes were undertaken during these years but there can still be no assurance that the political and economic reforms necessary to complete such a transformation will continue. In its current relatively nascent stage, the Russian political system is vulnerable to the population's dissatisfaction with reforms, social and ethnic unrest and changes in governmental policies, any of which could have a material adverse effect on Alfa Banking Group and its ability to meet its obligations under the Deeds of Guarantee.

During this transformation, legislation has been enacted to protect private property against expropriation and nationalisation. However, due to the lack of experience in enforcing these provisions in the short time they have been in effect, and due to potential political changes in the future, there can be no assurance that such provisions would be enforced in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of any substantial assets of Alfa Bank, potentially without adequate compensation, would have a material adverse effect on Alfa Banking Group.

The Russian Government has been highly unstable, having experienced seven changes in prime minister since March 1998, as well as the resignation of former President Yeltsin on 31 December 1999 and the subsequent election of President Putin on 26 March 2000. Although political stability has improved significantly since Mr Putin's election, the various government institutions and the relations between them, as well as the Russian Government's policies and the political leaders who formulate and implement them, are subject to rapid change especially in view of the December 2003 elections to the State Duma and the March 2004 Presidential elections. The latest State Duma elections resulted in the defeat of the opposition parties (the social democratic Yabloko and the pro business Union of Right Forces). The majority of the seats in the new State Duma were distributed between pro presidential and nationalist parties (United Russia, Liberal Democrats, Motherland). Some experts believe that this allocation of the State Duma seats will result in a lack of strong opposition to the President and render impossible the blocking of any governmental initiatives by the State Duma. Any major changes in, or rejection of, current policies favouring political and economic reform by the Russian Government may have a material adverse effect on Alfa Banking Group's business, financial condition, results of operations and prospects.

Russia is a federative state consisting of 89 constituent entities of different status (republics, krais, oblasts, cities of federal importance, autonomous districts and an autonomous region). There has been a tendency for the Russian Government to reduce the number and reconsider the composition of constituent entities. In accordance with the results of referenda held in 2003, the Federal Constitutional Law of 25 March 2004 provides that Permskaya Oblast and Komi Perm autonomous region will be merged into a unified Permsky krai from 1 December 2005. Following the referenda held on 17 April 2005, each of Krasnoyarsky krai, the Taimyrsky and Evenkiysky autonomous regions will be merged into one (Krasnoyarsky krai) from 1 January 2007. The division of powers between the Russian Federation and its constituent entities is based on a three fold system of competence set out in the Constitution of the Russian Federation: the competence of the Russian Federation, the joint competence of the Russian Federation and its constituent entities, and

the competence of the constituent entities. The distribution of powers between the Russian Federation and certain constituent entities has been further adjusted in bilateral agreements on the transfer of powers, and treaties on the delineation of powers. The system of constituent entities is supplemented by the system of seven federal districts (federalny okrug) supervised by representatives of the President. Tensions between the federal and local authorities are not unusual in Russia. There has been a move towards centralisation of the country's governance by reducing the independence of local government. On 11 December 2004, legislation was amended to provide for Russia's 89 regional governors to be appointed by the President of the Russian Federation, rather than elected as was previously the case. This reform has provoked fears of further "usurpation of power" by the President and of a threat to democratic principles. Lack of consensus between local and regional authorities and the Russian Government may result in political instability. This lack of consensus may have negative economic effects on Alfa Banking Group, which could have a material adverse effect on its ability to meet its financial obligations.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict. In Chechnya, federal armed forces have carried out several anti terrorist operations since 1992; a substantial number of internal troops still have to remain there to keep law and order. The escalation of violence may entail grave political consequences. In particular, the Federal Constitutional Law "On Emergency" of 2001 allows under certain circumstances the declaration of a state of emergency in the whole territory of the Russian Federation or in any part thereof, which may adversely impact its investment climate. Recent terrorist activity in the Middle East region and elsewhere has had a significant effect on international and domestic financial and commodity markets. In the past few years Russia has suffered a number of terrorist attacks, including suicide bombings, bombings of two domestic airline passenger flights and hostage taking at a school in Beslan, Russia, resulting in significant loss of life and damage to property. In addition, in October 2005, terrorists conducted a co-ordinated series of attacks on police and other government buildings in Nalchik, Kabardino-Balkaria. Any future acts of terrorism or armed conflicts in the Russian Federation or internationally could have an adverse effect on the financial and commodity markets and the global economy in general and on Alfa Bank's financial results in particular.

Economic risks

At the same time as enacting political reforms, the Russian Government has been attempting to implement policies of economic reform and stabilisation. These policies have involved liberalising prices, reducing defence expenditures and subsidies, privatising state owned enterprises and reforming natural monopolies, reforming the tax and bankruptcy systems, and introducing legal structures designed to facilitate private, market based activities, foreign trade and investment.

Despite the reform policies that have been implemented, up to 1999 the Russian economy had been characterised by declining industrial production, significant inflation, an unstable but managed currency, rising unemployment and underemployment, high government debt relative to gross domestic product, high levels of corporate insolvency with little recourse to restructuring or liquidation in bankruptcy proceedings, a weak banking system providing limited liquidity to Russian enterprises, widespread tax evasion, high levels of corruption and the penetration of organised crime into the economy, and the impoverishment of a large portion of the Russian population.

The Russian economy has been subject to abrupt downturns. The events and aftermath of 17 August 1998 — the Russian Government's default on its short term Rouble denominated treasury bills and other Rouble denominated securities, the abandonment by the CBR of the Rouble currency band and efforts to maintain the Rouble/U.S. dollar rate within it and the temporary moratorium on certain hard currency payments to foreign counterparties — led to a severe devaluation of the Rouble, a sharp increase in the rate of inflation, a significant deterioration of the country's banking system, significant defaults on hard currency obligations, a dramatic decline in the prices of Russian debt and equity securities, and an inability to raise funds on the international capital markets. While the Russian economy has improved significantly in a number of respects since 1998, there can be no assurance that recent trends in the Russian economy will continue or will not be reversed.

Although economic conditions in Russia have improved in the last few years, the prospect still exists of widespread insolvency, substantial unemployment and deterioration of certain sectors of the Russian economy. Moreover, there is a lack of consensus as to the scope, content and pace of economic and political reform. No assurance can be given that reform policies will continue to be implemented and, if implemented, will be successful, that Russia will remain receptive to foreign trade and investment, or that the economy in Russia will continue to improve. Any failure of the current policies of economic reform and stabilisation could have a material adverse effect on the operations of Alfa Banking Group.

The ongoing Government investigation of Yukos could have a negative effect on the Russian economy

Since June 2003, representatives of the Russian Government have been conducting investigations into Russia's largest oil company Yukos and its subsidiaries, which culminated in the filing of charges of tax evasion against the company and in the arrest on criminal charges of some of the company's key shareholders (including Yukos's ex Chief Executive Officer, Mikhail Khodorkovsky). On 20 April 2004, S&P downgraded Yukos' long term debt rating from BB– to CCC amid concern that a Russian court order preventing the sale of most of Yukos's assets could potentially lead to the insolvency of Yukos or effective nationalisation of its assets, should it be required to repay tax indebtedness to the state. Despite Yukos' filing for Chapter 11 protection in the U.S., 100% of the voting shares in Yuganskneftegaz (Yukos' main oil extracting subsidiary) were sold at an auction organised by the Russian Federal Property Fund to recover Yukos' debt to the tax authorities. Standard & Poor's downgraded Yukos further to D in December 2004. There has been considerable volatility in the Russian stock market in the context of these events. In May 2005, Mikhail Khodorkovsky was sentenced to nine years in prison by a Russian district court (later commuted to eight years). According to some commentators, these events have called into question the security of property and contractual rights and the independence of the judiciary in Russia, and raise concerns about the revision of tax and mineral resources legislation, the re examination of Russia's privatisations and the re distribution of the assets involved. Some commentators have noted a negative impact of the Yukos affair on the size of investments in the Russian economy, especially in the oil sector. While Alfa Banking Group has no ongoing business relationships with Yukos or its principal shareholders, there can be no assurance that any impact of the Yukos affair on the Russian economy will not have an adverse effect on Alfa Banking Group.

Funding from international organisations; access to the international capital markets

Russia in the past has received substantial financial assistance from several foreign governments and international organisations, including the International Monetary Fund. No assurance can be given that further financial assistance will be provided to Russia, should it be needed.

Moreover, due to previous defaults on certain obligations and other factors, the Russian Government may be unable to raise funds on the international capital markets, which may lead to direct or indirect monetary financing of the budget, putting further pressure on inflation and the value of the Russian Rouble.

The considerable external debt of Russia (U.S.$107.6 billion as at 1 July 2005), as well as the failure to obtain funding from foreign governments and international organisations, or increased rates of inflation or devaluation arising from the need to resort to monetary financing of the budget in the absence of access to the international capital markets, could have a material adverse effect on the Russian economy.

Banking activity risks

Russian companies face significant liquidity problems due to a limited supply of domestic savings, few foreign sources of funds, relatively high taxes, limited lending by the banking sector to the industrial sector and other factors. Some Russian companies cannot make timely payments for goods or services and owe large amounts of overdue federal, regional and local taxes, as well as wages to employees, although this situation continues to improve. A reemergence of liquidity problems that have disrupted the Russian banking sector in the past or deterioration of the Russian banking system could have a material adverse effect on Alfa Banking Group's business, financial condition, results of operations and prospects.

The Russian banking sector remains nascent compared to its Western counterparts. It is unclear how legal and regulatory developments may affect the competitive banking landscape in Russia and whether it will significantly advantage certain banking activities. No assurance can be given that the regulatory environment in which Alfa Bank operates in Russia will not change in a manner that has a material adverse effect on Alfa Banking Group's ability to compete and thus on its business, financial condition, results of operations and prospects.

The Russian banking sector experienced instability and a liquidity deficit in 2004 resulting from actions taken by the CBR and a crisis of confidence among Russian banking customers. During July 2004, the CBR revoked the banking licences of a number of Russian banks, and the resulting uncertainty in the Russian banking system led to the virtual collapse of the interbank lending system and to liquidity pressure for many Russian banks. The collapse of a number of Russian banks caused panic among depositors and even reliable larger banks, such as Alfa Bank, experienced deposit withdrawals. Although the Russian banking market has since stabilised to a significant degree, similar actions taken in the future by the CBR could undermine depositors' trust in the Russian banking system and create overall instability in the markets, which could have a negative effect on Alfa Bank's performance and financial results.

Alfa Bank enters into transactions with derivative instruments, including foreign currency options, and plans to continue to develop risk management tools by utilising financial products or models. However, the Russian regulatory and legal framework relating to derivative instruments is still underdeveloped and court protection of such instruments is limited. Russian law neither specifically prohibits nor authorises derivative transactions as such transactions are unregulated (although a few documents issued by Russian regulators refer to such transactions). There are some doubts as to the enforceability of certain derivative arrangements under Russian law, and this may negatively affect Alfa Bank. Alfa Banking Group's Equities Department derives a significant income from equity derivative operations. The Russian authorities are considering a number of legislative changes such as the lifting of restrictions on foreign persons investing in the shares of certain Russian companies. The lifting of such restrictions could allow foreign persons to invest directly in these Russian companies and it is unclear what impact this might have on this market.

Alfa Banking Group's investment banking activities might be negatively affected by such factors as limited liquidity in the Russian corporate securities market, a relatively small amount of buying or selling activities, unfavourable press coverage, market making and use of practices not permitted in more advanced securities markets.

Legal risks

Risks associated with the Russian legal system include, *inter alia*: (i) the untested nature of the independence of the judiciary and its immunity from economic, political or nationalistic influences; (ii) inconsistencies among laws, Presidential decrees, and Government and ministerial orders and resolutions; (iii) the lack of judicial or administrative guidance on interpreting the applicable laws; (iv) a high degree of discretion on the part of governmental authorities; (v) conflicting local, regional and federal laws and regulations; (vi) the relative inexperience of judges and courts in interpreting new legal norms; and (vii) the unpredictability of enforcement of foreign judgments and foreign arbitral awards.

The laws in Russia regulating ownership, bankruptcy and corporate governance of Russian companies are relatively new and, by and large, have not yet been tested in the courts. Disclosure and reporting requirements do not guarantee that material information will always be available, and anti fraud and insider trading legislation is generally rudimentary. The concept of fiduciary duties on the part of the management or directors to their companies or the shareholders is not well developed.

In addition, substantive amendments to several fundamental Russian laws (including those relating to the tax regime, corporations and licensing) have only recently become effective. The recent nature of much Russian legislation, the lack of consensus about the scope, content and pace of economic and political reform, and the rapid evolution of the Russian legal system in ways that may not always coincide with market developments, may result in ambiguities, inconsistencies and anomalies, the enactment of laws and regulations without a clear constitutional or legislative basis, and ultimately in investment risks that do not exist in more developed legal systems. For example, although the bankruptcy law establishes a procedure

to declare an entity bankrupt and liquidate its assets, relatively few entities have been declared bankrupt in Russia, and many of the bankruptcy proceedings that have occurred have not been conducted in the best interests of creditors. All of these weaknesses could affect Alfa Bank's ability to enforce its rights, or to defend itself against claims by others in respect of its Russian subsidiaries, and could affect enforcement in Russia of any rights of the holders of the Notes against Alfa Bank as a Guarantor. Further, no assurance can be given that the development or implementation or application of legislation (including Government resolutions or Presidential decrees) will not have a material adverse effect on foreign investors (or private investors generally).

These uncertainties also extend to property rights. During Russia's transformation from a centrally planned economy to a market economy, legislation has been enacted to protect private property against expropriation, deprivatisation and nationalisation. However, it is possible that due to the lack of experience in enforcing these provisions and due to potential political changes, these protections would not be enforced in the event of an attempted expropriation or nationalisation. Many Russian companies were privatised in the middle of the 1990s, when privatisation legislation was at times vague, inconsistent and conflicted with other applicable law. To the extent such conflicts exist, including conflicts between federal and local privatisation legislation, most, if not all, privatisations are arguably deficient and therefore vulnerable to challenge at least on formal grounds. At the same time, the Russian Government is taking some steps to provide additional security for investors in the sphere of privatised business. For example, the Government recently reduced the statute of limitations for the invalidation of privatisations from ten to three years. Expropriation, deprivatisation or nationalisation of any of Alfa Banking Group's entities or their assets, potentially without adequate compensation, would have a material adverse effect on Alfa Banking Group.

Many Russian laws are structured in a way that provides for significant administrative discretion in application and enforcement. Reliable texts of laws and regulations at the regional and local levels may not be available, and are not usually updated or catalogued. As a result, the applicable law is often difficult to ascertain and apply. In addition, the laws are subject to different and changing interpretations and administrative applications. As a result of these factors, even the best efforts to comply with the laws may not always result in full compliance.

Russian laws often provide general statements of principles rather than a specific guide to implementation, and Government officials may be delegated or exercise broad authority to determine matters of significance. Such authority may be exercised in an unpredictable way and effective appeal processes may not be available. In addition, breaches of Russian law, especially in the area of currency control, may involve severe penalties and consequences that could be considered as disproportionate to the violation committed.

The independence of the judicial system and its immunity from economic, political and nationalistic influences in Russia remains largely untested. The court system is underdeveloped and underfunded. Judges and courts are generally inexperienced in the areas of business and corporate law. Russia is a civil law jurisdiction and judicial precedents generally have no binding effect on subsequent decisions. Not all Russian legislation and court decisions are readily available to the public or organised in a manner that facilitates understanding. The Russian judicial system can be slow. All of these factors make judicial decisions in Russia difficult to predict and effective redress uncertain. Additionally, court claims are often used to further political aims. Further, court decisions are not always enforced or followed by law enforcement agencies. There is no guarantee that the proposed judicial reform aimed at balancing the rights of private parties and governmental authorities in courts and reducing grounds for re litigation of decided cases will be implemented and succeed in building a reliable and independent judicial system. From 1 September 2002, most of the provisions of the 2002 Arbitration Procedural Code of the Russian Federation regulating the resolution of commercial disputes came into force, thereby replacing the 1995 Arbitration Procedural Code of the Russian Federation. The 2002 Arbitration Procedural Code introduced a number of significant changes in arbitration procedures. However, the Arbitration Procedural Code has not been fully tested in practice and its efficacy in resolving commercial disputes is unclear.

Foreign court judgments and arbitral awards

The Russian Federation is not a party to any multilateral or bilateral treaties with most Western jurisdictions (including the United Kingdom) for the mutual enforcement of court judgments. Consequently, should a judgment be obtained from a court in any such jurisdiction, it is highly unlikely to be given direct effect in Russian courts. However, the Russian Federation (as successor to the Soviet Union) and the United Kingdom are parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the Notes and other transactional documents contain a provision allowing for the arbitration of disputes. A foreign arbitral award obtained in a state which is party to that Convention should be recognised and enforced by a Russian court (subject to the qualifications provided for in the Convention and compliance with Russian civil procedure regulations and other procedures and requirements established by Russian legislation). In practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of a Russian court or other officials, thereby introducing delay and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in the Russian Federation.

Exchange rates, exchange controls and repatriation restrictions

Since 2000, the Rouble has been stable relative to the U.S. dollar, unlike in the period immediately following the crisis of August 1998, when the Rouble experienced significant depreciation relative to the U.S. dollar.

The ability of the Russian Government and the CBR to maintain low volatility of the Rouble, which has been achieved in recent years, will depend on many political and economic factors, including their ability to control inflation and the availability of foreign currency.

The Rouble is not convertible outside Russia. A market exists within Russia for the conversion of Roubles into other currencies, but it is limited in size and is subject to rules limiting the purposes for which conversion may be effected. There can be no assurance that such a market will continue indefinitely. Currently, 10% of foreign currency revenues from export sales must be converted into Roubles. The relative stability of the exchange rate of the Rouble against the U.S. dollar since 2000 has mitigated the risks associated with a forced conversion, but no assurance can be given that such stability will continue. Moreover, the banking system in Russia is not as developed as its Western counterparts, and considerable delays may occur in the transfer of funds within, and the remittance of funds out of, Russia.

While the current policy of the Russian Government is to allow the repatriation by foreign investors of profits earned in Roubles, there may be restrictions on such repatriation. The restrictions on its ability to convert its Rouble revenues into foreign currencies, or to reconvert the Roubles it obtains pursuant to the mandatory repatriation and conversion requirements, could have a material adverse effect on Alfa Banking Group's business, financial condition and results of operations.

Risks relating to the changes in the currency control legislation

On 10 December 2003, President Putin signed a Federal Law "On Currency Regulation and Currency Control" (the "New Currency Control Law") which has replaced the former Federal Law "On Currency Regulation and Currency Control" of 1992. Most of the provisions of the New Currency Control Law came into force on 18 June 2004. The New Currency Control Law is generally aimed at the gradual liberalisation of Russian currency control regulations, but at the same time it introduces new forms of currency control (such as the deposit of reserve amounts into non interest bearing accounts and the use of special accounts). In particular, Russian borrowers, including banks, may be required to reserve up to 20% of the amount of foreign currency loans received from foreign lenders for a period of up to one year, while Russian lenders may be required to reserve up to 100% of the amount of their foreign currency loans extended to foreign borrowers, for a period of up to two months. At the same time, under the New Currency Control Law, Russian banks may be required by the CBR to reserve at the CBR the Rouble equivalent of either up to 100% of the total amount of their non banking transactions for a period of up to 60 days, or up to 20% of the amount of such transactions for a period of up to one year. Under Directive No. 1425-U dated 28 April 2004, the CBR established a list of banking and non banking transactions between authorised Russian banks that are exempt from all currency control restrictions and provided that

other currency operations by authorised banks shall be subject to the general currency control regime applicable to Russian resident legal entities, unless otherwise determined by the CBR (see "The Banking Sector and Banking Regulation in the Russian Federation — Banking and Other Relevant Reforms").

The reserve requirements are intended to give the CBR additional tools to combat asset price and currency instability by curbing the inflow of short term speculative funds into, and preventing the outflow of funds from, Russia. The implementation of these new requirements may make certain foreign currency operations burdensome and financially unattractive for Russian banks and their clients. However, until the Russian Government and the CBR have enacted and implemented regulations imposing currency control restrictions on banks under the New Currency Control Law, it is not clear whether and to what extent the New Currency Control Law will affect Alfa Bank's business and the businesses of its clients. There is a risk that the new regulation may hamper Alfa Bank's ability to receive foreign funding and make loans to foreign borrowers as well as Alfa Bank's ability to engage in securities operations.

The legislative framework governing bankruptcy in the Russian Federation differs substantially from that of the United States or Western European countries, which could adversely affect the value of the Notes in the event of Alfa Bank's insolvency

Russian bankruptcy law often differs from comparable law in the United States or Western European countries and is subject to varying interpretations. There is little precedent to predict how claims on behalf of the Noteholders against Alfa Bank would be resolved in the case of its bankruptcy. Weaknesses relating to the Russian legal system and Russian legislation create an uncertain environment for investment and business activity and thus could have a material adverse effect on an investment in the Notes.

In addition, under Russian law, Alfa Bank's obligations under the Notes would be subordinated to the following obligations:

- costs related to bankruptcy litigation;
- claims of retail depositors and relevant agencies under the system for mandatory insurance of retail deposits;
- personal injury and "moral harm" obligations;
- severance pay, employment related obligations and copyright royalty obligations;
- secured obligations; and
- tax and other payment obligations to the government.

In the event of Alfa Bank's insolvency, this subordination may substantially decrease the amounts available for repayment of the Notes.

Lack of reliable official data

Official statistics and other data published by the CBR, the Russian federal, regional and local governments, and federal agencies are substantially less complete or reliable than those of Western countries, and there can be no assurance that the official sources from which certain of the information set forth herein has been drawn are reliable or complete. Official statistics may also be produced on different bases than those used in Western countries. Any discussion of matters relating to Russia herein must therefore be subject to uncertainty due to concerns about the completeness or reliability of the available official and public information.

Taxation

Taxes payable by Russian companies are substantial and include value added tax, excise duties, profit tax, payroll related taxes, property taxes and other taxes.

Russia's tax laws and regulations are subject to frequent change, varying interpretations and inconsistent enforcement. In some instances, even though unconstitutional, Russian tax authorities have applied certain taxes retroactively, issued tax claims for periods which, under the statute of limitations, have expired and reviewed the same tax periods multiple times. In addition to the usual tax burden imposed on the Russian taxpayers, these conditions complicate tax planning and related business decisions. On 14 July 2005 the Russian Constitutional Court issued a decision that allows the statute of limitations for tax liabilities to be extended beyond the three year term set forth in the tax laws if a court determines that the tax payer has obstructed or hindered a tax inspection. Because none of the relevant terms are defined, the tax authorities may have broad discretion to argue that a tax payer has "obstructed or hindered" an inspection and ultimately seek penalties beyond the three year term. In addition, tax laws are unclear with respect to the deductibility of certain expenses. This uncertainty could possibly expose Alfa Bank to significant fines and penalties and to enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden.

Moreover, transfer pricing legislation became effective in Russia on 1 January 1999. This legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controlled transactions, provided that the transaction price differs from the market price by more than 20%, including all transactions involving the trading of securities and derivatives. Controlled transactions include transactions with related parties, barter transactions, external trade transactions and transactions with unrelated parties if the price differs on similar transactions with two different counterparties by more than 20% within a short period of time. To date, there has been no formal guidance (although some court practice is already available) as to how these rules will be applied. If the tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse effect on Alfa Banking Group.

Russian tax legislation has principally been based on the formal manner in which transactions are documented and the underlying accounting treatment as prescribed by Russian Accounting Regulations ("**RAR**"). Accordingly, there have been opportunities for banks, including Alfa Banking Group, to structure transactions to take advantage of opportunities in the Russian tax legislation to restructure income and expenses in order to reduce the overall effective tax rate. Alfa Banking Group's results of operations have historically benefited significantly from the use of on shore and off shore tax reduction mechanisms. Alfa Banking Group believes that it has complied and complies with all applicable tax legislation and its management believes that this ongoing restructuring of taxable income and deductible expenses is unlikely to result in additional tax liabilities. Accordingly, no provision for a potential tax liability, with regard to these transactions, has been recorded in the consolidated financial statements. However, because Russian tax legislation is subject to varying interpretation and inconsistent enforcement at federal, regional and local levels, there can be no assurance that such mechanisms and restructuring of taxable income will not be challenged.

Alfa Banking Group occasionally conducts intercompany transactions at off market rates. The form of the transactions and their accompanying documentation would generally meet the literal requirements of current tax legislation and as such have not been challenged in the past. However, it is possible with the evolution of the interpretation of tax laws in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transactions could be challenged in the future. The impact of any such challenge can not be estimated and it may be significant.

Whilst certain reductions in the rates, such as for corporate income tax, have been effected, it is expected that Russian tax legislation will become more sophisticated and introduce additional revenue raising measures for the federal budget. Although it is unclear how these provisions will operate, the introduction of these provisions may affect Alfa Banking Group's overall tax efficiency and may result in significant additional taxes becoming payable. Although Alfa Banking Group will continue to undertake to minimise such exposures with effective tax planning, Alfa Banking Group cannot offer any assurances that the effective tax burden will not increase while the Notes are outstanding. Additional tax exposure could cause Alfa Banking Group's financial results to suffer. Alfa Banking Group's effective tax rate, based on IFRS, for the years ended 31 December 2003 and 31 December 2004 was 9.4% and 17.1%, respectively, and 17.5% for the six month period ended 30 June 2005.

Each entity in Alfa Banking Group pays its applicable taxes and may not offset its profit or loss against the loss or profit of another entity in Alfa Banking Group.

Corporate governance and disclosure

The corporate affairs of Alfa Bank and other Russian companies in Alfa Banking Group are regulated by the laws governing companies incorporated in Russia and by their charters. The rights of shareholders and the responsibilities of members of the Board of Directors and Executive Board under Russian law are different from, and may be subject to certain requirements not generally applicable to, corporations organised in the United States, the United Kingdom and other jurisdictions.

A principal objective of the securities laws of the United States and the United Kingdom and other countries is to promote the full and fair disclosure of all material corporate information to the public. Alfa Bank and other Russian companies in Alfa Banking Group are subject to Russian law requirements which oblige them to publish, *inter alia*, annual financial statements and information on material events relating to the relevant company (such as major acquisitions and increases in charter capital). However, there is less publicly available or other information about Alfa Bank and its other Russian subsidiaries than the information regularly published by or about listed companies in the United States, the United Kingdom or certain other jurisdictions.

RISKS RELATING TO ALFA BANKING GROUP

Competition

The markets for financial and banking services are highly competitive, with 1,215 banks (including Russian banks and Russian subsidiaries of foreign banks) operating in Russia as at 1 October 2005, according to the CBR. Alfa Bank is one of a small number of Moscow based banks which dominate the Russian banking industry (in terms of assets according to rankings published on the RosBusiness Consulting website: www.rbc.ru) including one of Alfa Banking Group's main competitors, Sberbank in the retail sector, which is majority owned by the CBR. Sberbank has the advantage of having inherited an extensive retail branch network from the State. Alfa Banking Group faces strong competition in each of its market segments from Sberbank and other leading domestic banks and increasingly from Western banks and financial institutions. Increased competition has led to falling margins, which is likely to reduce Alfa Banking Group's revenues and possibly impact adversely on the financial performance of each of its business divisions.

Alfa Banking Group aims to consolidate its position as one of the largest private banks in Russia. It plans to do this by increasing its market share in the corporate and retail sector in Russia by continuing to expand its range of corporate and personal banking services. It also plans to distinguish itself from other Russian banks by offering a full range of banking services to its customers. In the corporate sector it aims to focus in particular on developing small and medium sized corporate clients, diversifying its customer base and continuing to reduce its exposure to the Alfa Consortium. Alfa Banking Group plans to continue to expand its branch network in Russia and the CIS and invest in information technology (see "Alfa Banking Group — Strategy" and "Description of Alfa Banking Group's Business — Branch Operations"). However, there is no certainty that, in an increasingly competitive environment, Alfa Banking Group will succeed in achieving these strategies of target growth and expansion rates.

Relationship with the Alfa Consortium

In terms of both funding and revenues, Alfa Banking Group has historically been reliant on the Alfa Consortium (as defined below), although management have successfully reduced this reliance significantly over recent years (see "Related Party Transactions"). Alfa Banking Group has two types of exposure to the Alfa Consortium, namely, the loans it makes to members of the Alfa Consortium and the guarantees and other credit related commitments it assumes on behalf of members of the Alfa Consortium. The vast majority of credit extended to members of the Alfa Consortium is made on an "arm's length" basis and is no more favourable than those offered to third parties.

The management's stated objective is to continue to reduce its exposure to related parties and members of the Alfa Consortium (see "Alfa Banking Group Strategy" and "Related Party Transactions"). Alfa Banking Group's management imposes internal limits on Alfa Banking Group's exposure to related parties. While Alfa Banking Group has a number of commercial relationships with members of the Alfa Consortium, Alfa Banking Group is within its self imposed limits in terms of its exposure to related parties, including members of the Alfa Consortium. The management of Alfa Banking Group periodically reviews its limits on related party transactions. As at 30 June 2005, Alfa Banking Group's loan exposure to related parties represented 2.3% and 1.4% of gross loans to customers and total assets respectively, compared to 2.1% and 1.3% as at 31 December 2004. As at 30 June 2005, Alfa Bank's total limit on lending and credit related commitments to TNK BP ("TNK") was U.S.$150 million and the total limit on lending and credit related commitments to all related parties was 40% of Alfa Banking Group's equity, being, for example, U.S.$776.1 million as at 30 June 2005. Alfa Bank is currently in full compliance with these limits. The amount of customer accounts maintained by Alfa Banking Group with respect to related parties totalled U.S.$798.7 million as at 30 June 2005, which is 17.0% of the total customer accounts of Alfa Banking Group (see note 28 to the audited interim consolidated financial statements for the six month period ended 30 June 2005 for a description of Alfa Banking Group's related party transactions).

Relatively high industry, borrower and depositor concentrations in Alfa Banking Group

Alfa Banking Group's loan portfolio shows relatively high industry, individual borrower and depositor concentration. As of 30 June 2005, the manufacturing and construction sector and the energy and oil related sector accounted for 46% and 22%, respectively, of Alfa Banking Group's loans to customers. Furthermore, as of such date, loans to Alfa Banking Group's 24 largest borrowers amounted to U.S.$2,421.1 million representing 47.3% of the Alfa Banking Group's total gross loans to customers, with loan exposure to Alfa Banking Group's single largest borrower being U.S.$309.4 million, constituting 6.0% of total gross loans to customers. Similarly as of 30 June 2005, Alfa Banking Group's top seven depositors accounted for 39.7% of its total customer accounts (compared to six customers accounting for 41% of the same as at 31 December 2004). To minimise the risk related to loan portfolio concentration, Alfa Banking Group has taken measures to diversify its portfolio and to restrict its involvement with sectors and customers that could increase credit risk.

Interest rate, liquidity and exchange rate risks, which are inherent in Alfa Banking Group's business, cannot be eliminated completely

Like other Russian commercial banks, Alfa Banking Group is exposed to risks resulting from mismatches during the repricing periods of its interest bearing liabilities and interest earning assets. While Alfa Banking Group tries to minimise these risks by monitoring pricing on the basis of fluctuating interest rates on a large and representative portion of its assets and liabilities, material adverse interest rate movements may have a material adverse effect on the business, financial condition, results of operations and prospects of Alfa Banking Group.

Alfa Banking Group also monitors maturity mismatches between its assets and liabilities in order to minimise its liquidity risk. Although management believes that Alfa Banking Group's access to domestic and international interbank markets will continue to allow it to meet its short term liquidity needs, maturity mismatches may have a material adverse effect on the business, financial condition, results of operations and prospects of Alfa Banking Group (see "Asset and Liability Management").

Alfa Banking Group trades currency on behalf of its customers and for its own account and maintains open currency positions that result in foreign exchange risk. Although Alfa Banking Group is subject to limits on its open positions pursuant to CBR regulations and Alfa Banking Group's own internal policies, future changes in currency exchange rates and the volatility of the Rouble may have a material adverse effect on the business, financial condition, results of operations and prospects of Alfa Banking Group.

Financial position and financial statements of Alfa Bank

In September 2005 Alfa Bank produced its first set of annual IFRS financial statements for the year ended 31 December 2004 in addition to its financial statements prepared under RAR. Such IFRS financial statements were produced in Russian in a format prescribed by, and for the purpose of submission to, the CBR. Historically, Alfa Bank prepared its annual financial statements only in accordance with RAR. Accounting and reporting regulations in Russia are not comparable to those in Western countries and Russian financial statements have historically been prepared largely to comply with regulatory and tax requirements rather than to reflect fairly the financial position of a company or its results of operations. Russian accounting legislation is in its early stages of development and has been subject to change on a regular basis in recent years.

Potential investors should not solely rely on the financial statements of Alfa Bank prepared in accordance with RAR and reporting regulations when considering whether to invest in the Notes. Among other things, Russian financial statements, including those of Alfa Bank, are prepared on a cash rather than an accrual basis, are not restated to reflect inflation and do not recognise contingent liabilities or future tax liabilities. Russian financial statements are not consolidated. An aggregation is carried out which may not exclude all intra group transactions and may not include some wholly owned subsidiaries. Russian accounting legislation has also required, from time to time, the revaluation of fixed assets to reflect increases in inflation. Depreciation of fixed assets is charged on recorded values on a straight line basis at rates established by the Russian Government. The statutory rates applied may differ from those based on the useful life or production capacity of the assets. The distributable profit of Alfa Bank may not reflect distributable profit as would be the case under IFRS (see "Summary of Certain Differences between IFRS and RAR").

Banking reform and impact on business of Russian banks

On 5 April 2005, the Government and the CBR issued their joint *Strategy for the Development of the Banking Sector of the Russian Federation until 2008* (the "Strategy"). The Strategy replaces the five year Strategy for the Development of the Banking Sector in the Russian Federation issued in December 2001, and sets out an action plan for the facilitation of the development of the Russian banking sector in the medium term (2005-2008) (see "The Banking Sector and Banking Regulation in the Russian Federation").

As part of the Russian banking reform, the Law on the Insurance of Individuals' Bank Deposits in the Russian Federation (the "New Deposit Law") came into force in December 2003 introducing a system of mandatory insurance of deposits held by individuals in Russian banks (the "System").

The New Deposit Law, with its ensuing CBR regulations (the "New Deposit Regime"), has introduced new requirements for banks in Russia wishing to participate in the System.

In particular, under the New Deposit Regime, banks are required to meet certain standards on the accuracy of banks' financial reports, compliance with the CBR prudential requirements and financial stability. The adequacy of a bank's financial stability is assessed on, *inter alia*, certain transparency criteria, such as the transparency of a bank's shareholding structure, the transparency of the parties exercising a material influence (direct or indirect) on the management of a bank, and the significance of the influence of off shore entities on the management of a bank.

With the aim of ensuring that it satisfies the new transparency requirements, Alfa Bank, following consultation with the CBR, replaced 11 of its shareholders with a single entity, OJSC AB Holding (OJSC AB Holding was registered on 10 February 2004). Further, Alfa Finance Holdings S.A. was replaced in its capacity as the shareholder of the Alfa Banking Group with a newly established company, ABH Holdings Corp, in June 2004. ABH Holdings Corp was incorporated in the British Virgin Islands and is wholly owned by individuals who are currently the ultimate beneficial owners of Alfa Finance Holdings S.A. Alfa Finance Holdings S.A. transferred its ownership of ABH Financial Limited to ABH Holdings Corp on 21 June 2004.

All banks wishing to continue to accept individuals' deposits in Russia and participate in the System were required to apply to the CBR for a certificate confirming compliance with the New Deposit Regime. Alfa Bank was accepted into the System on 15 December 2004. Being a member of the System, Alfa Bank should

comply with the relevant applicable requirements on an on going basis. Failure to meet these requirements may in certain instances lead to the expulsion of Alfa Bank from the System and revocation of its retail banking licence. This would cause Alfa Bank to lose its current individual client base and would have an adverse effect on its business (see "Alfa Banking Group" and "The Banking Sector and Banking Regulation in the Russian Federation").

The adoption of IFRS by all Russian banks and changes to banking regulation could also adversely impact the overall legal structure, including the tax structure, of Alfa Banking Group and, in particular, Alfa Bank. As required by the CBR, to date Alfa Bank has only prepared financial statements in accordance with IFRS for the year ended 31 December 2004 in a format required by, and for the purposes of submission, to the CBR. Russian banks are not yet required by the CBR to comply with the guidelines regarding solvency and capitalisation adopted by the Basel Committee on Banking Regulations and the Supervision Practices of the Bank for International Settlements as provided in such Committee's paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as updated to April 1998 (the "BIS Guidelines"). There is no guarantee that Alfa Bank's capital adequacy, based on IFRS statements, would satisfy the BIS Guidelines, without appropriate remedial action.

In April 2005, the CBR revised its system of mandatory economic ratios that Russian banks are required to observe. One of these ratios — current liquidity ratio N3 — requires that the liquid assets of a bank (including any financial assets realisable or receivable within 30 days) should be no less than 50% of the aggregate amount of such bank's liabilities to its customers on demand. Although this requirement is aimed at guarding against the lack of short term liquidity in the Russian banking market, it also restricts the income generating capacity of banks operating in Russia.

Although such changes are generally viewed as beneficial reforms to the Russian banking system and are considered by the management of Alfa Banking Group to be beneficial for Alfa Banking Group, it is uncertain whether such reforms may also adversely impact Russian banks, including Alfa Banking Group, and their approach to business. Without a clearer understanding of what legislative steps and structural changes are to be implemented as part of the CBR's banking reform package, it is difficult to identify or estimate how such reforms might adversely impact Alfa Banking Group and its business, financial condition, results of operations or prospects.

Revocation of Alfa Bank's existing banking licence by the CBR would have a material adverse effect on its business

Currently, all banking and various related operations performed by banks in Russia require a banking licence from the CBR. Alfa Bank has obtained the required licence in connection with its banking activities. The CBR is the only body that is authorised to suspend or revoke a banking licence of a credit organisation for breach of any applicable banking regulations or non compliance with mandatory economic ratios and reserve requirements set out by the CBR. If the CBR were to suspend or revoke Alfa Bank's general banking licence, this would result in Alfa Bank's inability to perform any banking operations or in a winding up of its business. However, Alfa Bank has no grounds to believe that its licence will be revoked for any reason.

Differences in standard definitional methodology between those countries adopting BIS Guidelines and Russia

The methods by which capital adequacy is calculated and provision for loan impairment and other provisions are determined for Russian banks differ in some significant respects from the methods used in those countries which have adopted the BIS Guidelines. Alfa Bank is required to comply with the capital adequacy requirements of the CBR. For the purposes of calculating Alfa Bank's capital adequacy ratio in accordance with the CBR requirements, the principal component of Alfa Bank's share capital and Alfa Bank's assets are divided into five categories with different risk weightings. The minimum capital adequacy ratio required by the CBR is currently 10% for banks whose capital is EUR5 million or more, and 11% for banks whose capital is less than EUR5 million. Alfa Bank's capital adequacy ratio calculated on the basis of the audited financial statements of Alfa Bank adjusted for post balance sheet events as prescribed by the Instructions of the Central Bank of the Russian Federation No. 1530 U Procedures for the Compilation of

Annual Report of a Credit Organisation of 17 December 2004 was 12.4% as at 1 January 2005. As at 1 January 2003 and 1 January 2004, the corresponding figures were 15.4% and 13.7% respectively. Alfa Banking Group had Tier I and Total Capital ratios of 9.8% and 9.9% as at 30 June 2005 calculated under the BIS Guidelines, which is an indication of its capital adequacy position on a consolidated basis. As an unregulated bank holding company, ABH Financial currently does not have an obligation to meet specific international or Russian regulatory capital ratios.

Changes in customer focus

Alfa Banking Group's strategy in the immediate future is, amongst other things, to (i) focus on growing its medium sized and smaller corporate client base and (ii) grow its retail customer base significantly. In order to achieve this, Alfa Banking Group will seek to offer new lines of business, implement an aggressive branch network expansion programme within Russia and other regions of the CIS and, via the implementation of its Mercury retail, Mars corporate and related OMEGA IT projects, introduce widespread modernisation of Alfa Banking Group's information technology and management systems at all levels within its business divisions. Budgeted capital expenditure required in respect of the introduction of new lines of business, expansion of the branch network and modernisation of Alfa Banking Group's information technology is substantial. During the year ended 31 December 2004, Alfa Banking Group invested approximately U.S.$35 million in information technology, compared with approximately U.S.$17 million and U.S.$19 million, for the years ended 31 December 2003 and 2002, respectively (see "Alfa Banking Group — Information Technology"). There is a risk that budgeted capital expenditure will be too low in order for Alfa Banking Group to achieve its stated strategies. Further, there is a risk that, despite significant amounts being spent, Alfa Banking Group might fail to attract additional medium sized and smaller corporate clients and significant numbers of retail customers. This could have an adverse impact on the business, financial condition, results of operations and prospects of Alfa Banking Group.

In addition, although increased lending to medium sized and smaller corporate clients, as well as retail customers, diversifies the Alfa Banking Group loan portfolio, it may also increase the credit risk exposure in the loan portfolio. Medium and small sized companies and retail customers typically have less financial strength, and negative developments in the Russian economy could affect these borrowers more significantly than large companies. As a result, lending to these segments represents a relatively higher degree of risk than lending to other groups, which may result in higher levels of past due amounts. This in turn could result in higher levels of provisions for loan impairment. Further, lending to these new target segments has required the implementation and application of credit policies and provisioning procedures which differ from those used for large corporate borrowers. The ability of Alfa Banking Group to grow its customer base and expand its loan portfolio will depend on continuing to successfully implement its credit policies and provisioning procedures, as well as capital growth in order to maintain its capital adequacy requirements. Finally, this change in customer focus is likely to result in an increase in the operating costs of Alfa Banking Group given that working with medium sized and smaller corporate clients and retail customers is generally more costly than working with larger corporate customers.

It is difficult to assess the future profitability of Alfa Banking Group's foreign operations and the impact of Alfa Banking Group's proposed international expansion

Certain existing investments of Alfa Banking Group are in high risk and volatile markets outside of Russia, such as Ukraine and Kazakhstan, which may be susceptible to significant adverse developments similar to those which occurred in Russia in 1998. With plans for the further expansion of the branch network and operations in other parts of the CIS in coming years, the exposure of Alfa Banking Group to high risk and volatile markets is likely to increase. International expansion, particularly into markets that remain in the relatively early stages of development which are more susceptible to fiscal and economic crises, may expose Alfa Banking Group to additional risks.

The implementation of Alfa Banking Group's information technology projects may result in unexpected delays, costs and technical difficulties

Alfa Banking Group has commenced the implementation of the GEMINI and OMEGA IT projects across its branch network, starting with branches in Moscow (see "Alfa Banking Group — Branch Operations" and "Alfa Banking Group — Information Technology"). The implementation of the new IT systems will involve significant changes across a wide range of Alfa Banking Group's operating activities and will require the retraining of a significant number of Alfa Banking Group's employees. As is the case with many similar complex projects, it is possible that Alfa Banking Group will experience delays, unexpected costs, and technical difficulties in the implementation of these and related projects.

Failure to manage rapid growth, including through the integration of new branches, could have material adverse effects

Alfa Banking Group has experienced rapid growth and development, particularly in the size of its overall loan portfolio and in its branch network, in a relatively short period of time and may continue to do so to meet its strategic objectives. Expansion of Alfa Banking Group's branch network entails significant investment, as well as increased operating costs. Alfa Banking Group may also acquire regional banks as part of its domestic expansion. Overall growth in Alfa Banking Group's business also requires greater allocation of management resources away from daily operations. In addition, the management of such growth will require, among other things, continued development of Alfa Banking Group's financial and information management control systems, the ability to integrate new branches or newly acquired businesses with the existing operations, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and the maintenance of consistency of customer services. Failure to manage this growth, while at the same time maintaining adequate focus on Alfa Banking Group's existing business divisions, could have a material adverse effect on the business, financial condition, results of operations and prospects of Alfa Banking Group.

Liability for the obligations of Russian subsidiaries

The Russian Civil Code and the Federal Law on Joint Stock Companies generally provide that shareholders in a Russian joint stock company are not liable for the obligations of the joint stock company and bear only the risk of loss of their investment. This may not be the case, however, when one company (the parent) is capable of determining decisions made by another company (the subsidiary). The parent company bears joint and several liability for transactions concluded by the subsidiary in carrying out these decisions if (i) this decision making capability arises from prevailing participation in the charter capital of the subsidiary or it is provided in a contract between the companies or arises due to certain other reasons, and (ii) the parent company gives obligatory directions to the subsidiary by virtue of provisions in the subsidiary's charter or an agreement between the parent company and the subsidiary.

In addition, the parent company is secondarily liable for the debts of the subsidiary if the subsidiary becomes insolvent or bankrupt resulting from the action or inaction of the parent company. This is the case when the parent company's ability to influence or determine decisions of the subsidiary arises from its right to give obligatory directions described above. In these instances, other shareholders of the subsidiary may claim compensation for the subsidiary's losses from the parent company which caused the subsidiary to take action(s) or fail to take action(s) knowing that such action(s) or failure to take action(s) would result in losses. Accordingly, Alfa Bank may be liable for transactions concluded, and debts incurred, by its Russian subsidiaries.

Corporate securities market risks

Due, among other reasons, to the limited liquidity of the Russian corporate securities market and the relative lack of effective regulation, the prices of Russian corporate securities may be significantly affected by a relatively small amount of buying or selling activity or favourable or unfavourable press commentary. Since regulation of insider trading and market making is not fully developed, the prices of Russian corporate

securities may be affected by practices that are not permitted in other markets. This may affect Alfa Banking Group's investment banking activities.

Banking market risks

During the summer of 2004, the uncertainty in the Russian banking sector led to a reduction in interbank lending which caused liquidity problems for many Russian banks, including Alfa Bank, and resulted in a temporary reduction in Alfa Bank's retail and corporate lending levels. It is impossible to predict whether similar liquidity problems will recur, and how any such recurrence may affect the Russian banking sector and Alfa Bank. Equally, it is too early to assess whether the 2004 summer's events will have an impact on Alfa Bank's long term development.

Significant reliance on investment banking operations

In recent years, the Alfa Banking Group has generated a significant portion of its operating profit from its investment banking activities which contributed 80% of Alfa Banking Group's operating profit (before unallocated costs) in 2004. As at 30 June 2005, investment banking activities accounted for 17.2% of Alfa Banking Group's profit from operations (before unallocated costs) as compared to 8.2% for the period ended 30 June 2004. Investment banking transactions tend to be completed in the second half of the year. The income Alfa Bank derives from its diversified investment banking activities, including equity brokerage, fixed income trading, investment banking and M&A advisory work, is generally subject to greater variation than Alfa Bank's commercial banking operations and is highly susceptible to conditions in the global markets and international and Russian economic conditions. As a result there can be no assurance that the Alfa Banking Group's investment banking segment will continue to generate the same level of revenues or profits as it has historically.

Ability to continue to attract and retain high calibre management and employees

Alfa Banking Group is dependent on key members of its senior management for the implementation of its strategy and the operation of its day to day activities. In addition, the personal connections and relationships of certain members of senior management are important to the conduct of its business. No assurance can be given that those members of senior management will remain with Alfa Banking Group.

Alfa Banking Group places significant importance to its success in the global market on recruiting high calibre Western and Russian management and employees with qualifications and relevant experience derived from the West. However, its ability to continue to attract and retain such people is in large part dependent on the continued growth of the Russian economy and the Russian banking system. Further volatility in the Russian economy or the banking system may adversely impact its ability to continue to recruit and retrain high calibre staff at all levels.

In addition, the emergence of other Russian banks and Western banks and financial institutions in Russia and the other regions in which Alfa Banking Group operates not only represents an increase in competition for business but an increased competition in the specialised financial services employment markets. There is a risk that current Alfa Banking Group employees will be recruited by other employers in coming years. The loss of managers or key staff of Alfa Banking Group or the inability of Alfa Banking Group to attract and retain other qualified personnel could have a material adverse effect on the business, financial condition, results of operations and prospects of Alfa Banking Group.

Divestiture of non core assets

In the course of Alfa Banking Group's reorganisation, various non core assets were sold by Alfa Banking Group to third parties or to other companies within the Alfa Consortium. Certain non core assets, however, remain, and as part of Alfa Banking Group's planned further reorganisation, it intends to sell off a substantial part of these non core assets over the next few years, conditions permitting. Alfa Banking Group's non core asset portfolio, which consists of various television, investment and manufacturing companies, is carried in Alfa Banking Group's consolidated balance sheet at a value of U.S.$130.0 million

as at 30 June 2005. However, there can be no assurance that Alfa Banking Group will be successful in making all such dispositions or of the level of total proceeds that will be generated thereby.

RISKS RELATING TO NOTES

Taxation

In general, interest or other income payments on borrowed funds made by a Russian entity to a non resident are subject to Russian withholding tax at a rate of 20% for legal entities and 30% for individuals, unless they are reduced or eliminated pursuant to the terms of an applicable tax treaty. If payments under the ABH Financial and Alfa Bank Guarantees are subject to any withholding, the relevant Guarantor is obliged to increase the amounts payable as may be necessary to ensure that the Noteholders receive a net amount that will not be less than the amount they would have received in the absence of such withholding. In addition, payments by each Issuer in respect of Notes issued by it will, except in certain limited circumstances, be made without deduction or withholding for or on account of Cypriot taxes, except as required by law and if payments under the Notes are subject to any withholding (subject as provided in the Notes), the relevant Issuer will be required to pay additional amounts. If the relevant Issuer fails or is unable to make the required payment of additional amounts, the Guarantors will be obliged to increase the amounts payable so as to enable the Noteholders to receive a net amount not less than the gross amount that would have been payable in the absence of the withholding.

Under the Russian Tax Code, each person must pay taxes established by law individually, whereas grossing up provisions (whether in relation to Russian taxes which may be required to be withheld by Alfa Bank or British Virgin Island taxes which may be required to be withheld by ABH Financial or Cypriot taxes which may be required to be withheld by Alfa Invest, Alfa Issuance, Alfa Markets and Alfa Projects) can be interpreted as requiring Alfa Bank to pay the tax liabilities of Alfa Invest, Alfa Issuance, Alfa Markets, Alfa Projects, ABH Financial and the Noteholders. Accordingly, there is some doubt as to whether the gross up provisions Alfa Bank has entered into under the Alfa Bank Guarantee are enforceable under Russian law.

Structural subordination

A significant amount of Alfa Banking Group's assets are held, and revenue generated, by subsidiary companies in Alfa Banking Group other than ABH Financial and Alfa Bank. In general, claims of a subsidiary's creditors, including secured and unsecured creditors, for indebtedness incurred, and against any guarantee issued, by such subsidiary, will have priority with respect to the assets of that subsidiary over the claims of creditors of its parent company, except to the extent that such parent company is also a valid creditor of that subsidiary under the laws of the relevant jurisdiction. Similarly, a Noteholder's right to receive payment of any amounts which at any time become due and payable in respect of the Notes from the Guarantors under the Deeds of Guarantee will be structurally subordinated to the prior ranking claims of creditors (secured or unsecured) of subsidiaries of the Guarantors, except to the extent that the relevant Guarantor is a valid creditor of such subsidiary.

No existing market/market volatility

Application has been made for Notes to be admitted to the Official List and to be admitted to trading on the Regulated Market. However, there can be no assurance that an active trading market for Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for Notes does not develop or is not maintained, the market price and liquidity of Notes may be adversely affected.

The market for securities issued by Russian issuers is influenced by economic and market conditions in other Eastern European countries and other emerging markets. Although international markets have stabilised since the Asian crisis in 1997 and the devaluation of the Russian Rouble in August 1998, there can be no assurance as to the development or liquidity of any market for Notes.

Credit rating

Outstanding Eurobonds of the Russian Federation are rated "Baa2" (outlook stable) by Moody's, "BBB-" (outlook stable) by Standard & Poor's and "BB" (outlook stable) by Fitch. Moody's, Standard & Poor's and Fitch have raised Russia's sovereign rating to Baa2 (outlook positive), BB+ and BBB- (outlook stable) respectively in recent months, which highlights their positive expectations in respect of Russia's medium to long term performance. Alfa Bank has received a long term credit rating of B+ (outlook stable) from Fitch, Ba2 (outlook positive) from Moody's and BB- (outlook stable) from Standard & Poor's. This rating has been prepared by the ratings agencies based on ABH Financials audited consolidated IFRS financial statements and not on financial statements prepared for Alfa Bank on a stand alone basis. Any change in the credit rating of either Alfa Bank or the Russian Federation could adversely affect the trading price for the Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation.

Trading in the Clearing Systems

So long as the Notes are represented by the Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable in minimum principal amounts of €50,000 per Note and integral multiples of the Tradeable Amount specified in the relevant Final Terms in excess thereof. Should definitive Notes be required to be issued, a holder who does not have an integral multiple of €50,000 in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of €50,000.

FORM OF FINAL TERMS

Final Terms dated [ ]

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme. Text appearing in italics does not form part of the form of the final terms but denotes directions for completing the final terms.

**[ALFA MTN ISSUANCE LIMITED/ALFA MTN MARKETS LIMITED/
ALFA MTN INVEST LIMITED/ALFA MTN PROJECTS LIMITED][1]**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$1,000,000,000
Euro Medium Term Note Programme unconditionally and irrevocably guaranteed by
ABH Financial Limited and Open Joint Stock Company "ALFA BANK"**

Part A – Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 29 November, 2005 [and the supplemental Base Prospectus dated [ ] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at the specified offices of the Principal Paying Agent, the registered office of Alfa Bank and www.londonstockexchange.com/rns and copies may be obtained from the specified offices of the Principal Paying Agent and the registered office of Alfa Bank.]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated 29 November, 2005 [and the supplemental Base Prospectuses dated [ ]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read in conjunction with the Base Prospectuses dated 29 November, 2005 [and the supplemental Base Prospectus dated [ ], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectuses dated 29 November, 2005 [and the supplemental Base Prospectus dated [ ] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 29 November, 2005 and[current date] [and the supplemental Base Prospectuses dated [ ] and [ ]. The Base Prospectus [and the supplemental Base Prospectuses] are available for viewing at the specified offices of the Principal Paying Agent, the registered office of Alfa Bank and www.londonstockexchange.com/rns and copies may be obtained from the specified offices of the Principal Paying Agent and the registered office of Alfa Bank.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub paragraphs. Italics denote guidance for completing Final Terms.*]

[*When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*]

1. [(i) Issuer: [ ]

1 Delete as appropriate

	[[(ii) Guarantor:	[ ]]
2.	[(i)] Series Number:	[ ]
	[(ii)] Tranche Number:	[ ]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	
3.	Specified Currency or Currencies	[ ]
4.	Aggregate Nominal Amount of Notes admitted to trading:	[ ]
	(i) Series:	[ ]
	(ii) Tranche:	[ ]
5.	(i) Issue price of Tranche:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	(ii) Net proceeds:	[ ] (*Required only for listed issues*)
6.	Specified Denominations:	[ ] (*Subject as provided below in respect of Notes of which the issue proceeds are to be accepted in the United Kingdom the Specified Denomination must be a minimum denomination of €50,000 (or its equivalent in other currencies). For so long as the Notes are represented by a Global Note, and Euroclear Bank S.A./N.V. as operator of the Euroclear System and Clearsteam Banking, société anonyme so permit, the Notes shall be tradeable in minimum nominal amounts of €50,000 and integral multiples of the Tradeable Amount specified in the relevant Final Terms. Notes in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of s 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).*
7.	[(i)] Issue Date:	[ ]
	[(ii)] Interest Commencement Date:	[ ]
8.	Maturity Date:	[*Fixed rate – specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	Interest Basis:	[ ] per cent. Fixed Rate] [LIBOR/EURIBOR] [[*specify reference rate*] +/– • [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [Other (specify)] (further particulars specified below)

10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12.	Put/Call Options:[2]	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	[(i)] Status of the Notes:	[Senior/Subordinated]
	[(ii)] Status of the Guarantee:	[Senior/Subordinated]
	[(iii)] [Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[ ] [and [ ], respectively]](N.B *Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)]
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable](*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[ ] per [ ] in nominal amount
	(iv) Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate*]
	(v) Day Count Fraction:	[30/360 / Actual/Actual ([ICMA] /ISDA) / other]
	(vi) Determination Dates:	[ ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA])*)
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16.	**Floating Rate Note Provisions**	[Applicable/Not Applicable]

2 For the avoidance of doubt, unless specifically disapplied in this Final Terms, the final paragraph of Condition 10.5 shall apply to the Notes.

		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Period(s):	[ ]
(ii)	Specified Interest Payment Dates:	[ ]
(iii)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
(iv)	Business Centre(s):	[ ]
(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[ ]
(vii)	Screen Rate Determination:	[ ]
	– Reference Rate:	*(Either LIBOR, EURIBOR or other although additional information is required if other- including fallback provisions in the Agency Agreement)*
	– Interest Determination Date(s):	*(Second day on which commercial banks are open for general business (including dealing with foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	– Relevant Screen Page:	*(In the case of EURIBOR, if not Telerate 248 ensure it is a page which shows a composite rate of amend the fallback provisions appropriately)*
(viii)	ISDA Determination:	[ ]
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
(ix)	Margin(s):	[+/-][ ] per cent. per annum
(x)	Minimum Rate of Interest:	[ ] per cent. per annum
(xi)	Maximum Rate of Interest:	[ ] per cent. per annum
(xii)	Day Count Fraction:	Actual/365 Actual/365 (Fixed) Actual/360 30/360 30E/360 Other

		(*See Condition 7 for alternatives*)
	(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable](*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) [Amortisation/Accrual] Yield:	[ ] per cent. per annum
	(ii) Reference Price:	[ ]
	(iii) Any other formula/basis of determining amount payable:	*(Consider applicable day count fraction if not U.S. dollar denominated)*
	(iv) Day Count Fraction in relation to Redemption Amounts and late payment:	[Condition 10.7 applies/specify other]
18.	**Index-Linked Interest Note/other variable-linked interest Note Provisions**	[Applicable/Not Applicable](*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Index/Formula/other variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the principal and/or interest due:	[ ]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[ ]
	(iv) Determination Date(s):	[ ]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
	(vi) Interest or calculation period(s):	[ ]
	(vii) Specified Interest Payment Dates:	[ ]

(viii)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(ix)	Business Centre(s):	[ ]
(x)	Minimum Rate/Amount of Interest:	[ ] per cent. per annum
(xi)	Maximum Rate/Amount of Interest:	[ ] per cent. per annum
(xii)	Day Count Fraction:	[ ]

19.	Dual Currency Note Provisions	[Applicable/Not Applicable](*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Rate of exchange/method of calculating rate of exchange:	[*give details*]
(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]
(iii)	Provisions applicable where calculation by reference to rate of exchange impossible or impracticable:	
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	Call Option	[Applicable/Not Applicable](*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ]specified denomination
(iii)	If redeemable in part:	[ ]
(a)	Minimum Redemption Amount:	[ ]
(b)	Maximum Redemption Amount:	[ ]

	(iv) Notice period (if other than as set out in the Conditions):	*(NB If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
21.	Put Option:	None (except on the occurrence of a Put Event as provided for in the second paragraph of Condition 10.5 with the Optional Redemption Date as specified in the Relevant Put Option Notice).
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
	(iii) Notice period (if other than as set out in the Conditions):	*(NB If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
22.	Final Redemption Amount of each Note. In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	[[ ] per Note of [ ] specified denomination /other/see Appendix]
	(i) Index/Formula/variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[ ]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[ ]
	(iv) Determination Date(s):	[ ]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]

(vi)	Payment Date:	[ ]
(vii)	Minimum Final Redemption Amount:	[ ]
(viii)	Maximum Final Redemption Amount:	[ ]

23. **Early Redemption Amount:**

Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on [60] days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on or after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes on [60] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
25.	Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15 (ii), 16(iv) and 18(ix) relates*]
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*] *NB. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid Issues.*
28.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]

29.	Redenomination, renominalisation and reconventioning provisions:	Redenomination [not] applicable (*if Redenomination is applicable, specify the terms of the redenomination in Annex to the Final Terms*)
30.	Consolidation provisions:	[Not Applicable/The provisions [in Condition [ ]] apply]
31.	Other final terms:	[Not Applicable/*give details](When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)
32.	Governing law:	English law

DISTRIBUTION

33.	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
34.	If non-syndicated, name of Dealer:		[Not Applicable/*give name*]
35.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:		[TEFRA D/TEFRA C/TEFRA not applicable]
36.	Additional selling restrictions:		[Not Applicable/*give details*]

LISTING APPLICATION

This Final Terms comprises the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.$1,000,000,000 Euro Medium Term Note Programme of Alfa MTN Issuance Limited, Alfa MTN Markets Limited, Alfa MTN Invest Limited and Alfa MTN Projects Limited.

RESPONSIBILITY

The Issuer and the Guarantors accept responsibility for the information contained in this Final Terms.

Signed on behalf of:
[ALFA MTN ISSUANCE LIMITED/ALFA MTN MARKETS LIMITED/ALFA MTN INVEST LIMITED/ALFA MTN PROJECTS LIMITED]

By: .....
(*Duly authorised*)

Signed on behalf of:
ABH FINANCIAL LIMITED

By: .....
(*Duly authorised*)

Signed on behalf of:
OPEN JOINT STOCK COMPANY "ALFA BANK"

By: .....
(*Duly authorised*)

By: .....
(*Chief Accountant*)

If any applicable Final Terms specifies any modification to the Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only Conditions 3, 6, 7, 8, 10, 11, 12 (except Condition 10.2(b)), 15, 16, 17 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 18, they will not necessitate the preparation of a supplement to the Base Prospectus. If the Conditions of the Notes of any Series are to be modified in any other respect, a supplemental to the Base Prospectus will be prepared, if appropriate.

Part B – Other Information

1. LISTING

(i)	Listing:	[London/other (*specify*)/None]
(ii)	Admission to trading:	[Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ].] [Not Applicable.]
(iii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	The Notes to be issued have been rated: [S & P: [ ]] [Moody's: [ ]] [Fitch: [[ ]] [[Other]: [ ]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

[3. NOTIFICATION

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

[4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"[Save as disclosed in ["Subscription and Sale"]], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)	Reasons for the offer:	[ ] (*See ["Use of Proceeds"] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*]
[(ii)]	Estimated net proceeds:	[ ]

(*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)

[(iii)] Estimated total expenses: [ ] [*Include breakdown of expenses.*]

[**6.** ***Fixed Rate Notes only*** – *YIELD*

Indication of yield: [ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

[**7.** ***Index-Linked or other variable-linked Notes only*** **– PERFORMANCE OF INDEX/FORMULA/ OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

[**8.** ***Dual Currency Notes only*** **– PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

9. OPERATIONAL INFORMATION

ISIN Code:	[ ]
Common Code:	[ ]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Societe Anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[ ]

10. GENERAL

Tradeable Amount:	[ ]
Applicable TEFRA exemption:	[C Rules/D Rules/Not applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, as supplemented, amended and/or replaced by the provisions of Part A of the relevant Final Terms, will be endorsed on each Definitive Note and attached to or incorporated by reference into each Global Note. The Terms and Conditions of the Notes applicable to Global Notes will differ from those which would apply to a Definitive Note to the extent described under "Forms of Notes".

1. INTRODUCTION

Alfa MTN Issuance Limited ("Alfa Issuance"), Alfa MTN Markets Limited ("Alfa Markets"), Alfa MTN Invest Limited ("Alfa Invest") and Alfa MTN Projects Limited ("Alfa Projects") have established a Euro Medium Term Note Programme (the "Programme") for the issuance of up to U.S.$1,000,000,000 in aggregate principal amount of notes (the "Notes") guaranteed on a joint and several basis by ABH Financial Limited ("ABH Financial") and Open Joint Stock Company "ALFA BANK" ("Alfa Bank" and, together with ABH Financial, the "Guarantors").

Notes issued under the Programme are issued in series (each a "Series") and each Series may comprise one or more tranches (each a "Tranche") of Notes. Each Tranche is the subject of a Final Terms (the "Final Terms") which supplements these terms and conditions (the "Conditions"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by Part A of the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

The Notes are the subject of a trust deed dated 22 June 2004 as amended and restated on 6 June 2005 and as further amended and restated on dated 29 November 2005 (the "Trust Deed") between Alfa Issuance, Alfa Markets, Alfa Invest, Alfa Projects, ABH Financial, Alfa Bank and J.P. Morgan Corporate Trustee Services Ltd. as trustee (the "Trustee", which expression includes all persons for the time being appointed as trustee or trustees under the Trust Deed).

The Notes are the subject of a paying agency agreement dated 22 June 2004 as amended on 6 June 2005 and as amended and restated on 29 November, 2005 (the "Agency Agreement") between Alfa Issuance, Alfa Markets, Alfa Invest, Alfa Projects, the Guarantors, JPMorgan Chase Bank, N.A. as principal paying agent (the "Principal Paying Agent"), which expression includes any successor Principal Paying Agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Principal Paying Agent, the "Paying Agents" which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

The Notes are the subject of a deed of guarantee given by ABH Financial in Clause 5 of the Trust Deed (the "ABH Financial Guarantee") and by Alfa Bank pursuant to a deed of guarantee dated 22 June 2004 as amended and restated on 29 November 2005 entered into by Alfa Bank (together, the "Alfa Bank Guarantee", and, together with the ABH Financial Guarantee, the "ABH Financial and Alfa Bank Guarantees"). The original Alfa Bank Guarantee is held by the Trustee on behalf of the Noteholders and Couponholders.

All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.

Certain provisions of these Conditions are summaries of the Trust Deed, the ABH Financial and Alfa Bank Guarantees or the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "Noteholders") and the holders of the related interest coupons (the "Couponholders" and the "Coupons", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the ABH Financial and Alfa Bank Guarantees applicable to them. Copies of the Trust Deed, the Agency Agreement and the Alfa Bank Guarantee are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of

each of the Paying Agents, the initial Specified Offices of which are set out below. Copies are also available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Trinity Tower, 9 Thomas More Street, London E1W 1YT.

References in these Conditions to the "Issuer" are, save where the context requires otherwise, to Alfa Issuance, Alfa Markets, Alfa Invest or Alfa Projects as so specified in the Final Terms.

2. INTERPRETATION

2.1 In these Conditions the following expressions have the following meanings:

"Accrual Yield" has the meaning given in the relevant Final Terms;

"Business Centre(s)" means the city or cities specified as such in the relevant Final Terms;

"Financial Centre(s)" means the city or cities specified as such in the relevant Final Terms;

"Affiliate" of any specified Person means (a) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person (which shall include the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise), (b) any other Person who is a director or officer (i) of such specified Person, (ii) of any subsidiary of such specified Person or (iii), or of any Person described in (a) above;

"Board of Directors" means, as to any Person, the board of directors (or comparable governing body under applicable law) of such Person or any committee thereof duly authorised to act on behalf of such board;

"Business Day" means:

(i) with respect to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Business Centre; and

(ii) with respect to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Business Centre;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "Following Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "Modified Following Business Day Convention" or "Modified Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "Preceding Business Day Convention" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "FRN Convention", "Floating Rate Convention" or "Eurodollar Convention" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "No Adjustment" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

A "Change of Control" shall be deemed to have occurred at each time (whether or not approved by the Board of Directors of ABH Financial) that any Person or any Persons acting in concert, or any Persons acting on behalf of any such Person(s), at any time is/are or become(s) interested in or acquires an interest in (a) more than 50% of the issued or allotted ordinary share capital of ABH Financial or (b) shares in the capital of ABH Financial carrying more than 50% of the voting rights normally exercisable at a general meeting of the shareholders of ABH Financial;

"Coupon Sheet" means, in respect of a Note, a coupon sheet relating to the Note;

"Day Count Fraction" means (subject as provided in Condition 6), in respect of the calculation of an amount of interest for any Interest Period:

(i) if "Actual/365" or "Actual/Actual (ISDA)" is specified in the relevant Final Terms, means the actual number of days in the Interest Period divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/360" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months (unless (A) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other London than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30 day month, or (B) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)); and

(v) if "30E/360" or "Eurobond Basis" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the date of final maturity is

the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month);

"Domestic Bank Debt" means loans from banks or financial institutions domiciled in, or incorporated under any of the laws of any state forming part of the Commonwealth of Independent States or any territory thereof which are not subsidiaries of Persons domiciled in or incorporated under the laws of any territory outside any such state;

"Early Redemption Amount (Tax)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Early Termination Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"Extraordinary Resolution" has the meaning given in the Trust Deed;

"Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms;

"Group" means ABH Financial and its Subsidiaries taken as a whole;

"Guarantee" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

"IFRS" means International Financial Reporting Standards, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board;

"Indebtedness" means any present or future indebtedness, in respect of any Person for, or in respect of, moneys borrowed or raised; any present or future amount raised by acceptance under any acceptance credit facility; any present or future amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; any present or future amount of money raised pursuant to any issue of shares which are expressed to be redeemable; any present or future amount raised under any other transaction having the commercial effect of a borrowing; and the amount of any present or future liability in respect of any guarantee or indemnity for any of the items referred to above;

"Independent Appraiser" means an investment banking, accountancy or appraisal firm of international standing selected by Alfa Bank (with the prior written consent of the Trustee), provided it is not an Affiliate of the Issuer, Guarantor or any Material Subsidiary;

"Instalment Amount" has the meaning given in the relevant Final Terms;

"Instalment Date" has the meaning given in the relevant Final Terms;

"Instalment Note" means a Note specified as such in the relevant Final Terms;

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"Interest Determination Date" has the meaning given in the relevant Final Terms;

"Interest Payment Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2000 ISDA Definitions (as supplemented by the Annex to the 2000 ISDA Definitions and as further amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms)) as published by the International Swaps and Derivatives Association, Inc.;

"Issue Date" has the meaning given in the relevant Final Terms;

"Lien" means any mortgage, pledge, security interest, encumbrance, easement, restriction, covenant, right of way, servitude, lien or charge securing any obligation of any Person or adverse claim or any preferential arrangement of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof, including a Sale/Leaseback Transaction) having a similar effect to the foregoing;

"Lowest Rating" means, in respect of any Rated Security or any corporate rating of the Issuer or either Guarantor, the lowest rating assigned by a Rating Agency (or, where more than one Rating Agency has assigned an equivalent rating to such Rated Security or any corporate rating of the Issuer or either Guarantor, the relevant Rating Agencies) and existing on the Business Day immediately preceding the commencement of the Relevant Period, as compared with the ratings of such Rated Security or such corporate rating assigned by any other Rating Agency and existing on such date;

"Maximum Rate of Interest" has the meaning given in the relevant Final Terms;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Margin" has the meaning given in the relevant Final Terms;

"Material Adverse Effect" means a material adverse effect on the business, operations, property, condition (financial or otherwise) or prospects of ABH Financial and its Subsidiaries taken as a whole or on either Guarantor's ability to perform or comply with its obligations under the Trust Deed and/or the ABH Financial and Alfa Bank Guarantees or on the validity or enforceability of the ABH Financial and Alfa Bank Guarantees, the Trust Deed or any document related to them or on the rights and remedies of any person thereunder;

"Material Subsidiary" means, at any particular time, a Subsidiary of ABH Financial (a) whose total assets exceed 5% of the consolidated IFRS total assets of ABH Financial or (b) whose net profit before taxation exceeds 5% of the consolidated IFRS net profit before taxation of ABH Financial, for which purpose:

(i) all calculations shall be determined in accordance with generally accepted accounting principles from (a) the then latest annual consolidated audited accounts of the relevant Subsidiary (in the case of a Subsidiary which prepares consolidated accounts) or the then latest annual non consolidated audited accounts of the relevant Subsidiary (in the case of a Subsidiary which only prepares non consolidated accounts) or if the relevant Subsidiary does not prepare audited accounts, the then latest annual consolidated unaudited accounts of the relevant Subsidiary (in the case of a Subsidiary which prepares consolidated accounts) or the latest annual non consolidated unaudited accounts of the relevant Subsidiary (in the case of a Subsidiary which only prepares non consolidated accounts) and (b) the then latest audited consolidated IFRS financial statements of ABH Financial;

(ii) upon a Material Subsidiary transferring all or substantially all of its assets or business to another Subsidiary of ABH Financial the transferor shall cease to be a Material Subsidiary and any such transferee which is not already a Material Subsidiary shall thereupon be deemed to be a Material Subsidiary until the next audited consolidated IFRS financial statements of ABH Financial are prepared after which whether it is or is not a Material Subsidiary shall be determined in accordance with (i) above; and

(iii) subject to (ii) above, if as a result of any transfer, reconstruction, amalgamation, reorganisation, merger or consolidation of a Material Subsidiary which immediately before such transfer, reconstruction, amalgamation, reorganisation, merger or consolidation satisfied either of the tests referred to in (i) or (ii) above, but immediately after such transfer, reconstruction, amalgamation, reorganisation, merger or consolidation does not satisfy any of such tests, shall cease to be a Material Subsidiary for the purposes of this definition.

Within 10 Moscow Business Days of a request therefor, Alfa Bank or ABH Financial shall provide a certificate (in the English language if so requested by the relevant party) signed by a director of ABH Financial and accompanied by a report by an Independent Appraiser addressed to the directors of ABH Financial as to the proper extraction of the figures used in determining a Material Subsidiary and the mathematical accuracy of the calculations shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantors and the Noteholders.

"Maturity Date" has the meaning given in the relevant Final Terms;

"Minimum Rate of Interest" has the meaning given in the relevant Final Terms;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

"Moscow Business Day" means a day on which commercial banks and foreign exchange markets settle payments generally in Moscow;

A "Negative Ratings Event" shall be deemed to have occurred:

(i) if, at any time upon or following the announcement or (in the absence of such an announcement) the occurrence of a Reorganisation (as defined in Condition 5.8) or a Change of Control, until:

(a) the date which is six weeks after the date of such an announcement or occurrence, as the case may be, of the relevant Reorganisation or Change of Control, the Lowest Rating shall be placed on "credit watch" or formal review (or equivalent) with negative implications or a negative outlook; or

(b) the date which is six months after the date of such an announcement or occurrence, as the case may be, of the relevant Reorganisation or Change of Control (such period, the "Relevant Period"), the Lowest Rating shall be downgraded or withdrawn; or

(ii) if at any time during the Relevant Period, any rating of any Rated Security or any corporate rating of the Issuer, ABH Financial or Alfa Bank assigned by any other Rating Agency and existing on the Business Day immediately preceding the commencement of the Relevant Period,

shall be downgraded to a rating below the Lowest Rating or withdrawn by such Rating Agency;

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"Partly Paid Note" means a Note (other than a partly paid note which is a Zero Coupon Note) on which interest accrues on the paid up principal amount of such Note and otherwise as specified as such in the applicable Final Terms;

"Payment Business Day" means:

(i) if the currency of payment is euro, any day which is:

(a) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(b) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Financial Centre; or

(ii) if the currency of payment is not euro, any day which is:

(a) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(b) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Financial Centre;

"Permitted Disposal" means the sale, lease, transfer or other disposition of any of the assets of the Group referred to in note 9 (Investments) to the audited consolidated annual financial statements of ABH Financial for the year ended 31 December 2004;

"Permitted Lien" means any:

(i) Lien securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with either of the Guarantors or any Subsidiary; provided that such Lien was not created in contemplation of such merger or consolidation and does not extend to any, other assets, income or property of either of the Guarantors or any Subsidiary;

(ii) Lien on assets or property acquired by a Guarantor or a Subsidiary; provided that such Lien was not created in contemplation of such acquisition and does not extend to any other assets or property (other than proceeds of such acquired assets or property);

(iii) Lien incurred, or pledge and deposit in connection with workers' compensation, unemployment insurance and other social security benefits, and leases, appeal bonds and other obligations of like nature in the ordinary course of business;

(iv) Lien imposed by law, including, without limitation, a mechanics', carriers', warehousemen's, materialmen's, suppliers' and vendors' Lien in the ordinary course of business;

(v) Lien for *ad valorem*, income or property taxes or assessments and similar charges which either is not delinquent or is being contested in good faith by appropriate proceedings for which the

Guarantors have set aside on its books reserves to the extent required by International Financial Reporting Standards or Russian Accounting Standards (as applicable);

(vi) easement, right of way, restriction (including zoning restriction), reservation, permit, servitude, minor defect or irregularity in title and other similar charge or encumbrance, and any Lien arising under leases or subleases granted to others, in each case not interfering in any material respect with the business of the Guarantors or any of the Subsidiaries and existing, arising or incurred in the ordinary course, of business;

(vii) (a) bankers' Lien in respect of deposit accounts, (b) statutory landlords' Lien, (c) deposit to secure the performance of bids, trade contracts, government contracts, leases, statutory obligations, surety and appeal bonds, performance and return of money bonds or liabilities to insurance carriers under insurance or self insurance arrangements and other obligations of like nature (so long as, in each case with respect to items described in subclauses (a), (b) and (c) above of this clause (vii), such Lien (A) does not secure obligations constituting Indebtedness for borrowed money and (B) is incurred in the ordinary course of business), and (d) Lien arising from any judgment, decree or other order which does not constitute an Event of Default;

(viii) any renewal of or substitution for any Lien permitted by any of the preceding paragraphs (i) through (vii); provided, however, that, with respect to any Lien incurred pursuant to this paragraph the principal amount secured has not increased and such Lien has not been extended to any additional property (other than proceeds of the property in question);

(ix) any Lien created in respect of or in connection with a Securitisation Transaction;

(x) any Lien arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (i) in connection with Alfa Bank's proprietary trading activities (and not for the purpose of raising credit or funds not related to the securities transaction itself) and/or (ii) in connection with any Repos solely related to the financing of the securities the subject of such agreement or any Repo of securities acquired through Alfa Bank as broker; and

(xi) any other Lien not otherwise described in sub paragraphs (i) through (x) above provided that the aggregate amount of Indebtedness secured thereby shall not exceed U.S.$50 million;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Potential Event of Default" means an event which, with the passage of time or the giving of notice or both, would constitute an Event of Default;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Put Event" means the occurrence of a Change of Control and a Negative Ratings Event in respect of that Change of Control;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms";

"Rated Securities" means the Notes so long as they shall have an effective rating from any Rating Agency and, if there is no such rating, all unsecured and unsubordinated debt of the Issuer or either Guarantor having an initial maturity of one year or more which is rated by any of the Rating Agencies;

"Rating Agency" means Standard & Poor's Rating Services, a division of The McGraw Hill Companies Inc., Inc., Moody's Investors Services, Inc. or Fitch Ratings Ltd., or any of their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Issuer, Alfa Bank or ABH Financial, as the case may be, from time to time with the prior written approval of the Trustee;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" has the meaning given in the relevant Final Terms;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, the Reuters Markets 3000 Money Rates Service and Telerate) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Time" has the meaning given in the relevant Final Terms;

"Repo" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for the purposes of this definition, the term "securities" means any capital stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any private or public company, any government or agency or instrumentality thereof or any supranational, international or multinational organisation;

"Reserved Matter" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes

or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"Sale/Leaseback Transaction" means an arrangement with any lender or investor whereby that lender or investor leases to ABH Financial or one of the Material Subsidiaries any property or assets that have been sold by ABH Financial or one of the Material Subsidiaries to that lender or investor or to another person to whom that lender or investor has advanced funds on the security of the leased property or assets;

"Securitisation Transaction" means any transaction or series of related transactions (in each case, including, but not limited to, securitisation transactions and other forms of structured finance transactions) involving the incurrence of indebtedness directly or indirectly backed by all or any portion of the Group's current or future assets or property (and revenues or rights arising therefrom) (including, but not limited to, (a) credit card receivables, debit card receivables, cheque receivables, cash remittance receivables, workers' remittances receivables, trade receivables and/or payment rights receivables (including, but not limited to, under and/or in relation to SWIFT MT100-Series and SWIFT MT200-Series payment orders (and any successors thereto) and any other similar payment orders (such as any delivered via telex, the internet or any other manner)), (b) any other class of receivables whatsoever (whether payment rights, remittances, claims or otherwise), (c) loan assets and/or (d) assets which have the benefit of collateral (including, but not limited to, mortgage-backed assets) and/or (e) the rights of any member of the Group to receive and/or retain any or all payments (and related proceeds) made in connection with any of (a) to (d) above (including, but not limited to, any claims against any banks, financial institutions or credit institutions obliged to make, receive or collect such payments or involved with the making, collection or reception of such payments)) whatsoever (including, but not limited to, where such backing is achieved by means of the grant of security over any such assets or the sale of any such assets) and any such transaction or series of related transactions may include and make provision for rights of recourse (in addition to and distinct from any rights relating to the assets which are subject to the relevant transaction and which arise from any grant of security or sale, as aforementioned) against any member of the Group (including, but not limited to, rights of recourse which (a) arise upon any failure to perform or default by underlying obligors under any assets which are subject to the relevant transaction or (b) are triggered by any breach of any provision of or any failure to satisfy any condition or test contained in the transaction documentation, where such provision, condition or test relates to any assets which are subject to the relevant transaction) provided that the aggregate outstanding principal amount of such indebtedness does not at the time of its incurrence exceed 15% of the consolidated total assets of the Group (as determined by reference to the latest audited consolidated IFRS financial statements of ABH Financial), save that where the outstanding principal amount of indebtedness under any existing Securitisation Transaction is to be fully or partially repaid or refinanced with the proceeds of a transaction or series of transactions which itself or themselves will constitute a Securitisation Transaction then the existing outstanding principal amount of indebtedness to be repaid will not be taken into account for the purpose of the foregoing determination;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Signing Date" means 29 November 2005;

"Specified Currency" has the meaning given in the relevant Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and provided that in the case of Notes which are to be admitted to trading on a regulated market within the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €50,000 (or its equivalent in any other currency as at the date of the issue of the relevant Notes);

"Specified Interest Payment Date" has the meaning given in the relevant Final Terms;

"Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Final Terms;

"Subsidiary" of any person means any corporation, association, partnership or other business entity of which more than 50% of the total voting rights of its share capital is at the time owned or controlled directly by such Person, such Person and one or more Subsidiaries of such Person or one or more Subsidiaries of such Person;

"Talon" means a talon for further Coupons;

"TARGET Settlement Day" means any day on which the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) System is open; and

"Zero Coupon Note" means a Note specified as such in the relevant Final Terms.

2.2 In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 8, any premium payable in respect of a Note, in relation to Notes redeemable in instalments, the Instalment Amounts and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 8 and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement; and

(vii) if an expression is stated in Condition 2.1 to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes.

3. FORM, DENOMINATION AND TITLE

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.

The applicable Final Terms may provide that certain Notes may be redenominated in euro. The provisions relating to such redenomination will be contained in the applicable Final Terms.

Notes may be issued on a fully paid or partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.

So long as the Notes are represented by the Temporary Global Note or the Permanent Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of €50,000 and integral multiples of the Tradeable Amount specified in the relevant Final Terms in excess thereof.

4. STATUS AND THE ABH FINANCIAL AND ALFA BANK GUARANTEES

4.1 The Notes and Coupons constitute direct, unconditional and (subject as provided in Condition 5) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future outstanding unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

4.2 The Guarantors have in the ABH Financial and Alfa Bank Guarantees unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed and in respect of the Notes and Coupons and agreed to be bound by the covenants set out herein. The ABH Financial and Alfa Bank Guarantees constitute direct, general and unconditional obligations of the Guarantors which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. NEGATIVE PLEDGE AND COVENANTS

5.1 *Negative Pledge:* So long as any Note remains outstanding the Issuer shall not and shall not permit any of its Subsidiaries (if any) to, and shall procure that neither Guarantor nor any of its Subsidiaries shall, directly or indirectly, create, incur or suffer to exist any Lien, other than a Permitted Lien, on any of its assets, now owned or hereafter acquired, securing any Indebtedness unless (i) the Notes are secured equally and rateably with such other Indebtedness or (ii) such other security for the Notes as may be approved by the Trustee or an Extraordinary Resolution of the Noteholders, is provided.

5.2 *Limitation on Affiliate Transactions:* Neither Guarantor shall, and each Guarantor shall procure that no Material Subsidiary shall, directly, or indirectly, conduct any business, permit to exist or enter into any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property, the rendering of any service, the making of any loan or guarantee or the creation of any other contingent obligation, whether directly or indirectly) with or for the benefit of any of its respective Affiliates (each an "Affiliate Transaction") unless (i) in the case of an Affiliate Transaction with any Affiliate who is not a member of the Group (a) the terms of such Affiliate Transaction are no less favourable to the relevant Guarantor or Material Subsidiary than those that would be obtained in a comparable arms length transaction with a person that is not an Affiliate of such Person, (b) the fair market value of all Affiliate Transactions does not at any time exceed 35% of ABH Financial's consolidated total assets, determined in accordance with IFRS from the latest published annual consolidated audited accounts of ABH Financial and (c) such Affiliate Transaction or series of related Affiliate Transactions has been approved by a resolution of the Board of Directors of the relevant Guarantor or Material Subsidiary, as the case may be, resolving that the Affiliate Transaction or series of related Affiliate Transactions complies with the requirements of this Condition and such resolution has been adopted by a majority of the disinterested members of such Board of Directors or, if there are insufficient disinterested members, by a majority of such Board of Directors acting in good faith or, in the case of Alfa Bank, approved by any relevant managing body of Alfa Bank, adopted in good faith and in accordance with the relevant requirements of the laws of the Russian Federation and Alfa Bank's constitutive documents and that a copy (in English) of such resolution has been delivered to the Trustee, provided in any case that if the fair market value as determined by the Board of Directors of the relevant Guarantor or Material Subsidiary, as the case may be, of an Affiliate Transaction is in excess of 5% of ABH Financial's consolidated shareholders' equity, determined in accordance with IFRS from the latest published annual consolidated audited

accounts of ABH Financial, such Board of Directors shall have also received a written opinion from an Independent Appraiser (a copy of which opinion shall be provided to the Trustee) that such Affiliate Transaction is fair to the relevant Guarantor or Material Subsidiary, as the case may be, from a financial point of view; such written opinion of an Independent Appraiser may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall be conclusive and binding on all parties, or (ii) in the case of an Affiliate Transaction with any Affiliate who is a member of the Group the terms of such Affiliate Transaction are no less favourable to the relevant Guarantor or Material Subsidiary than those that would be obtained in a comparable arms length transaction with a person that is not an Affiliate of such Person as determined in the reasonable opinion of the relevant Guarantor or Material Subsidiary, as the case may be.

Any assessment of fair market value by a Board of Directors, as contemplated by this Condition, shall be made by the relevant Board of Directors acting in good faith. In addition, each Guarantor shall procure that the level of Affiliate Transactions should not at any time exceed the annual limits set by the Board of Directors of either Guarantor or any Material Subsidiary, as the case may be. For the purposes of these Conditions, whether or not a member of a Board of Directors is disinterested or acting in good faith with respect to any particular resolution shall be determined in accordance with the laws of the jurisdiction in which the relevant Person is incorporated (or otherwise existing) and such Person's constitutive (or equivalent) documents.

This Condition 5.2 does not apply to compensation or employee benefit arrangements with any officer or director of either Guarantor or a Material Subsidiary, as the case may be, arising as a result of their employment contract.

5.3 *Limitation on Restricted Payments:*

(i) Subject to sub paragraph (ii) below, ABH Financial will not, and will not permit any Material Subsidiary to, directly or indirectly:

(a) declare or pay any dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital other than dividends of distributions payable to either Guarantor; or

(b) voluntarily purchase, redeem or otherwise retire for value any capital stock or subordinated debt of either Guarantor, other than capital stock owned by either Guarantor or subordinated debt payable to either Guarantor,

any such action being referred to herein as a "Restricted Payment".

(ii) Notwithstanding sub paragraph 5.3(i) above, ABH Financial may make a Restricted Payment if at the time of such payment no Potential Event of Default has occurred or would result therefrom and the aggregate amount of all Restricted Payments in any annual accounting period does not exceed 50% of ABH Financial's consolidated net profit for the immediately preceding accounting period determined by reference to the latest consolidated financial statements of ABH Financial, prepared in accordance with International Accounting Standards.

5.4 *Maintenance of Capital Adequacy:*

(i) ABH Financial shall not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basle Committee on Banking Regulations and Supervisory Practices to fall below 8%, such recommendations to be as provided in such Committee's paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended in November 1991, and such calculation to be made by reference to the latest annual consolidated audited accounts of ABH Financial.

(ii) Alfa Bank shall not, and ABH Financial shall ensure that each other Material Subsidiary which carries on a banking business shall not, permit its total capital ratio to fall below the minimum total capital ratio required by, in the case of Alfa Bank, the Central Bank of Russia and, in the

case of each other such Material Subsidiary, the relevant banking authority responsible for setting and/or supervising capital adequacy requirements for financial institutions in the jurisdiction in which such other Material Subsidiary carries on its banking business, such calculation to be made by reference to, in the case of Alfa Bank, the latest annual non consolidated audited accounts of Alfa Bank and, in the case of each other such Material Subsidiary, the latest annual non consolidated audited accounts of such Material Subsidiary or if such Material Subsidiary does not prepare audited accounts, the latest annual non consolidated unaudited accounts of such Material Subsidiary provided that, should Alfa Bank or any other Material Subsidiary carry on a banking business in more than one jurisdiction, it shall not permit its total capital ratio to fall below the minimum ratio required by the relevant banking authority responsible for setting and/or supervising capital adequacy requirements for financial institutions in each such jurisdiction.

5.5 *Maintenance of authorisations:* Alfa Bank and ABH Financial shall ensure that each other Material Subsidiary shall take all action which may be necessary or desirable to (i) ensure the obtaining and continuance of, all consents, licences, approvals and authorisations required in or by the laws of the Russian Federation or any relevant jurisdiction or regulatory authority thereof or having regulatory authority therein and (ii) make or cause to be made all registrations, recordings and filings which may at any time be required to be obtained or made in the Russian Federation or any relevant jurisdiction or regulatory authority thereof or having regulatory authority therein.

5.6 *Limitation on change of business:* Alfa Bank and ABH Financial shall not, and ABH Financial shall procure that no other Material Subsidiary shall, make any material change to the general nature or scope of its business from that carried on as of the Signing Date.

5.7 *Limitation on sale of assets:* Alfa Bank and ABH Financial shall not and ABH Financial shall ensure that no other Material Subsidiary shall, in any financial year, sell, lease, transfer or otherwise dispose of, by one or more transactions or series of transactions (whether related or not but not including Permitted Disposals), the whole or any part of its assets which results in a decrease in excess of 5% in the consolidated total assets of the Group (as determined by reference to the latest audited consolidated IFRS financial statements of ABH Financial) to any person other than ABH Financial or a Material Subsidiary unless such transaction (i) is on an arm's length basis and on commercially reasonable terms and (ii) has been approved by a resolution of the Board of Directors of the relevant company resolving that the transaction complies with the requirements of this Condition and such resolution has been adopted by a majority of the disinterested members of such Board of Directors or, if there are insufficient disinterested members, by a majority of such Board of Directors acting in good faith or, in the case of Alfa Bank or any of its Material Subsidiaries incorporated in Russia, approved by any relevant managing body of Alfa Bank, adopted in good faith and in accordance with the relevant requirements of the laws of the Russian Federation and Alfa Bank's constitutive documents and that a copy (in English) of such resolution has been delivered to the Trustee.

5.8 *Limitation on merger and consolidation:* Alfa Bank and ABH Financial shall not and ABH Financial shall procure that no other Material Subsidiary shall, without the prior consent of the Trustee, enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms may be construed in accordance with applicable laws or participate in any other type of corporation reconstruction (each such reorganisation or reconstruction a "Reorganisation")) unless such Reorganisation would not or does not result in (i) a Material Adverse Effect as certified in an opinion of an Independent Appraiser provided to the Trustee or (ii) a Negative Ratings Event arising solely as a result of, or in connection with, such Reorganisation as specified by the relevant Rating Agency in connection with such Negative Ratings Event.

5.9 *Limitation on restrictions on distributions from Material Subsidiaries:* Alfa Bank and ABH Financial will not, and ABH Financial will not permit any other Material Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Material Subsidiary to (i) pay dividends or make any other distributions on its share capital; (ii) make any loans or advances or pay any Indebtedness owed to either Guarantor; or (iii) transfer any of its property or assets to either Guarantor other than encumbrances or restrictions

existing under the Notes, the Trust Deed and any other agreement in effect prior to the Signing Date and advised in writing to the Trustee.

6. FIXED RATE NOTE PROVISIONS

6.1 This Condition 6 is applicable to the Notes only if the relevant Final Terms specifies the Fixed Rate Note Provisions as being applicable.

6.2 The Notes bear interest on the outstanding principal amount (or, if it is a Partly Paid Note, the amount paid up) from the Interest Commencement Date at the rate(s) per annum equal to Rate(s) of Interest payable in arrear on each Interest Payment Date in each year and on the Maturity Date if that does not fall on Interest Payment Date, subject as provided in Condition 11. Unless otherwise specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount(s) so specified.

6.3 If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. In these Conditions "sub unit" means, with respect of any currency other than the euro, the lowest amount of such currency that is available as legal tender in the country of such currency, and with respect to euro means one cent.

6.4 For the purposes of these Conditions, "Day Count Fraction" means:

(i) if Actual/Actual (ICMA) is specified in the relevant Final Terms:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

the most recent Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or, as the case may be, first) scheduled Interest Payment Date or (y) in the case of Notes where interest is scheduled to be paid other than only by means of regular annual payments, the product of the number of days in the period from (and including) the most recent Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next scheduled Interest Payment Date and the number of Interest Payment Dates that would end in one year assuming interest was to be calculated in respect of the whole of that year; and

(ii) if "30/360" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 days (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months).

"Determination Period" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

7. FLOATING RATE NOTE AND INDEX LINKED INTEREST NOTE PROVISIONS

7.1 This Condition 7 is applicable to the Notes only if the relevant Final Terms specifies the Floating Rate Note Provisions or the Index Linked Interest Note Provisions as being applicable.

7.2 The Notes bear interest on the outstanding principal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) (each, an "Interest Payment Date") in each year specified in the relevant Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each, an "Interest Payment Date") which falls in the number of months or other period specified as the Specified Period in the relevant Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date after the Interest Commencement Date, subject to adjustment in accordance with the applicable Business Day Convention.

Such interest will be payable in respect of each Interest Period (which expression shall in these Conditions, mean the period from (and including) an Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

7.3 The Rate of Interest payable from time to time in respect of the Floating Rate Notes will be determined in the manner specified in the relevant Final Terms.

(i) Where "Screen Rate Determination" is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be either:

(a) the offered quotation; or

(b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 am (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (a) above, no such offered quotation appears or, in the case of (b) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(ii) Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(a) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(b) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(c) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

7.4 If the Index Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in any relevant Base Prospectus supplement or Final Terms.

7.5 If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

7.6 The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, determine the Rate of Interest for the relevant Interest Period and calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.

7.7 If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in any relevant Base Prospectus supplement or Final Terms.

7.8 The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have than been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

7.9 All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non exercise by it of its powers, duties and discretions for such purposes.

8. ZERO COUPON NOTE PROVISIONS

8.1 This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

8.2 If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. DUAL CURRENCY NOTE PROVISIONS

9.1 This Condition 9 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

9.2 If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. REDEMPTION AND PURCHASE

10.1 Unless previously redeemed, or purchased and cancelled, each Note will be redeemed at its Final Redemption Amount, on the Maturity Date, subject as provided in Condition 11.

10.2. The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions or the Index Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(a) (A) the Issuer satisfies the Trustee immediately before the giving of notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 12 as a result of any change in, or amendment to, the laws or regulations of Cyprus or any political subdivision or any authority thereof or therein having power to tax therein, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) (A) both Guarantors satisfy the Trustee immediately before the giving of notice that they have or (if a demand was made under each of the ABH Financial and Alfa Bank Guarantees) they would become obliged to pay additional amounts as provided or referred to in Condition 12 as a result of any change in, or amendment to, the laws or regulations of (in the case of ABH Financial), the British Virgin Islands and/or (in the case of Alfa Bank), the Russian Federation or any political subdivision or any authority thereof or therein having power to tax therein, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (B) such obligation cannot be avoided by the Guarantors taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(x) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the ABH Financial and Alfa Bank Guarantees were then made; or

(y) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the relevant Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the ABH Financial and Alfa Bank Guarantees were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two directors of the Issuer or ABH Financial (or the equivalent authorised senior officer and the chief accountant of Alfa Bank), as the case may be, stating that the Issuer or, as the case may be, the Guarantors, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer or, as the case may be, the Guarantors, so to redeem have occurred. Upon the expiry of any such notice as is referred to in this Condition 10.2(b), the Issuer or, as the case may be, the Guarantors, shall be bound to redeem the Notes in accordance with this Condition 10.2(b).

10.3 If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

10.4 If the Notes are to be redeemed in part only on any date in accordance with Condition 10.3, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange, and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 10.3 on which the Notes are then listed, and the notice to Noteholders referred to in Condition 10.3 shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

10.5 If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10.5,

the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10.5, may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10.5, the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

In addition to any other Put Option specified in the relevant Final Terms, if a Put Event shall occur while any Note is outstanding, the holder of each such Note will have the option (unless prior to giving the Put Option Notice, the Issuer gives notice under Condition 10.2) to require the Issuer to redeem that Note on the Optional Redemption Date (Put) as its principal amount together with accrued interest (if any) to the Optional Redemption Date (Put).

10.6 The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs 10.1 to 10.5 above.

10.7 Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10.7 or, if none is so specified, a Day Count Fraction of 30E/360.

10.8 The Issuer, the Guarantors or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.

10.9 All Notes which are redeemed pursuant to Conditions 10.1 to 10.6 by the Issuer, the Guarantors or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold. All Notes so cancelled shall be forwarded to the Principal Paying Agent.

10.10 Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates in accordance with the provisions of this Condition 10 and the applicable Final Terms.

10.11 Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 10 and the applicable Final Terms.

11. PAYMENTS

11.1 Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by

cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

11.2 Payments of interest shall, subject to Condition 11.7 below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11.1.

11.3 Payments of principal or interest in U.S. Dollars may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents with Specified Offices outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at such Specified Offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) such payment is permitted by applicable United States law.

11.4 All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

11.5 If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(a) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "Relevant Coupons") being equal to the amount of principal due for payment; provided, however, that where this sub paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(b) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (i) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

11.6 If the relevant Final Terms specifies that this Condition 11.6 is applicable or that the Floating Rate Note Provisions or the Index Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Conditions 10.2, 10.3, 10.4 or 10.4, all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

11.7 If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

11.8 Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11.3 above).

11.9 If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

11.10 On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14. Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. TAXATION

12.1 All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantors shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Cyprus or in the case of ABH Financial, the British Virgin Islands or in the case of Alfa Bank, the Russian Federation or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantors shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with Cyprus, the British Virgin Islands or the Russian Federation, other than the mere holding of such Note or Coupon; or

(ii) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days; or

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the EU Directive 2003/48/EC which came into force on 1 July 2005, or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union.

12.2 If the Issuer or either of the Guarantors becomes subject at any time to any taxing jurisdiction other than Cyprus or in the case of ABH Financial, the British Virgin Islands or in the case of Alfa Bank, the Russian Federation respectively, references in these Conditions to Cyprus or in the case of ABH Financial, the British Virgin Islands or in the case of Alfa Bank, the Russian Federation shall be construed as references to Cyprus or (as the case may be) in the case of ABH Financial, the British Virgin Islands or in the case of Alfa Bank, the Russian Federation and/or such other jurisdiction.

13. EVENTS OF DEFAULT

The Trustee may at its discretion, and if so requested in writing by the holders of at least one fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to be indemnified to its satisfaction) (but in the case of the happening of any of the events mentioned in Condition 13.2 and, so far as they relate to a Material Subsidiary other than Alfa Bank, Conditions 13.5, 13.6, 13.7, 13.8, 13.9, 13.10, 13.11, 13.13, 13.14, 13.15, 13.16 and 13.17 below, only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly thereupon immediately become, due and repayable at their Early Termination Amount, together with accrued interest as provided in the Trust Deed, if any of the following events (each, an "Event of Default") shall occur:

13.1 *Non Payment:* default is made for more than seven days in the payment on the due date of interest or principal in respect of any of the Notes; or

13.2 *Breach of Other Obligations:* the Issuer or either Guarantor fails to perform or comply with any one or more of its obligations under the Notes or in the Trust Deed which default is incapable of remedy or if, in the opinion of the Trustee, capable of remedy, is not to the satisfaction of the Trustee remedied within 15 days after notice of such default shall have been given to the Issuer or the relevant Guarantor, as the case may be, by the Trustee; or

13.3 *Cross Default:* (i) any Indebtedness of the Issuer, either Guarantor or any of their respective Subsidiaries becomes or any Indebtedness of the Issuer, either Guarantor or any Material Subsidiary (other than Domestic Bank Debt) becomes capable of being declared due and payable prior to its stated maturity otherwise than at the option of the Issuer, either Guarantor or such Subsidiary, as the case may be, or (ii) any Indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer, either Guarantor or any Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness provided that the aggregate amount of the relevant Indebtedness in respect of which one or more of the events mentioned above in this Condition 13.3 have occurred equals or exceeds U.S.$20,000,000 or its equivalent in another currency or other currencies (as reasonably determined by the Trustee); or

13.4 *Judgment:* a final judgement or order or arbitration award for the payment of an aggregate amount in excess of U.S.$20,000,000 (or its equivalent in any other currency or currencies) is recorded or granted against the Issuer, ABH Financial or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days (or such longer period as the Trustee may allow) after the date thereof or, if later, the date therein specified for payment; or

13.5 *Security Enforced:* an encumbrancer takes possession, or an administrative or other receiver, manager or other similar officer is appointed, of the whole or a substantial part (in the opinion of the Trustee) of the undertaking or assets of the Issuer, ABH Financial or any Material Subsidiary; or

13.6 *Insolvency:* any of the Issuer, ABH Financial or any Material Subsidiary (i) stops payment of all or (in the opinion of the Trustee) a substantial part of its debts or (ii) otherwise than for the purposes of such a consolidation, amalgamation, merger, reconstruction or voluntary solvent winding up or dissolution as is referred to in Conditions 13.7 or 13.8 ceases or through an official action of the Board of Directors of the Issuer, ABH Financial or such Material Subsidiary (as the case may be) threatens not to carry on business; or

13.7 *Winding up of Issuer or a Guarantor:* an effective resolution is passed or an order of a court of competent jurisdiction is made that the Issuer or a Guarantor be wound up, liquidated or dissolved other than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction on terms approved by an Extraordinary Resolution; or

13.8 *Winding up of Material Subsidiary:* an effective resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any Material Subsidiary except

(a) for the purposes of or pursuant to and followed by a consolidation, amalgamation with or merger into the Issuer or either Guarantor or any Subsidiary of ABH Financial, provided that the new entity formed or coming into existence as a result of such consolidation, amalgamation, merger or reconstruction of any such Material Subsidiary with or into a Subsidiary of ABH Financial, shall be a Material Subsidiary, (b) for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction (other than a described in (a) above) the terms of which shall have previously been approved in writing by an Extraordinary Resolution or (c) by way of a voluntary winding up or dissolution as a result of which there are surplus assets of such Material Subsidiary attributable to ABH Financial which are distributed to ABH Financial, provided in each case that any Reorganisation in relation to which such resolution or order is passed or made would not breach Condition 5.8; or

13.9 *Insolvency Proceedings Initiated by a Third Party:* proceedings shall have been initiated against either the Issuer, ABH Financial or any Material Subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 90 days or the Issuer, ABH Financial or any Material Subsidiary is declared insolvent or bankrupt by a competent court or judiciary; or

13.10 *Other Insolvency Proceedings:* the Issuer, ABH Financial or any Material Subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law (including, in the case of the Issuer, a petition for suspension of payment) or make a general assignment for the benefit of, or enter into a general composition or arrangement with or for the benefit of, its creditors; or

13.11 *Moratorium:* a moratorium is agreed or declared in respect of any indebtedness of the Issuer, ABH Financial or any Material Subsidiary or any governmental authority or agency condemns, seizes, compulsorily purchases, transfers or expropriates all or (in the opinion of the Trustee) a material part of the assets, licences or shares of the Issuer, ABH Financial or any Material Subsidiary and such seizure, compulsory purchase, transfer or expropriation by such governmental authority or agency is not reversed, ceased or terminated and the relevant assets, licences or shares (or part thereof) returned or transferred back to the relevant Person within seven days of the occurrence of such event; or

13.12 *Ownership:* the Issuer or Alfa Bank ceases to be wholly owned and controlled (directly or indirectly) by ABH Financial; or

13.13 *Licences:* any licence, authorisation, exemption, permit or approval required by the Issuer, ABH Financial or any Material Subsidiary to carry on its respective business or (in the opinion of the Trustee) any material part of its business is revoked or withdrawn or expires and is not renewed or otherwise ceases to apply or be in full force and effect; or

13.14 *Banking Licence/CBR Reorganisation:* (i) either of Alfa Bank's or, in the case of a Material Subsidiary which operates a banking business, such Material Subsidiary's banking licence is revoked, suspended, restricted or withdrawn or expires or is not renewed (on the same or substantially the same terms so far as applicable legislation permits) or otherwise ceases to be in full force and effect or (ii) the Central Bank of Russia initiates a reorganisation or appoints a temporary administrator of Alfa Bank on account of the failure of Alfa Bank to pay its debts when they fall due or to comply with any applicable mandatory economic ratio prescribed by Russian legislation; or

13.15 *Illegality, etc:* any action, condition or thing at any time required to be taken, fulfilled or done in order to (i) enable the Issuer and the Guarantors lawfully to enter into and perform and comply with their respective obligations under and in respect of the Notes, and Trust Deed and the ABH Financial and Alfa Bank Guarantees, (ii) to ensure that those obligations are legal, valid and binding and enforceable and (iii) to make the Notes, the Trust Deed and the ABH Financial and Alfa Bank Guarantees admissible in evidence in the courts of Cyprus, the Russian Federation and the British Virgin Islands is not taken, fulfilled or done; or

13.16 *Analogous Events:* any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or

13.17 *Guarantee:* the Guarantors' respective payment obligations under the Trust Deed and/or the ABH Financial and Alfa Bank Guarantees are not (or are claimed by either Guarantor not to be) in full force and effect.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or either of the Guarantors unless the Trustee having become bound to do so, fails to do so within a reasonable period and such failure is continuing.

14. PRESCRIPTION

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

15. REPLACEMENT OF NOTES AND COUPONS

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority stock exchange or quotation system), subject to all applicable laws and listing authority stock exchange or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

16. AGENTS

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer, the Guarantors and, in certain circumstances, the Trustee. The Paying Agents do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantors, with the prior written approval of the Trustee, reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor Principal Paying Agent or Calculation Agent and additional or successor paying agents; provided, however, that:

16.1 the Issuer and the Guarantors shall at all times maintain a Principal Paying Agent;

16.2 pursuant to the EU Directive 2003/48/EC which came into force on 1 July 2005, the Issuer and the Guarantors shall ensure that they maintain a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive;

16.3 if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantors shall at all times maintain a Calculation Agent; and

16.4 if and for so long as the Notes are admitted to listing, trading and/or quotation, by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantors shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER

17.1 The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee or the Issuer and the Guarantors (acting together) and shall be convened by the Issuer or either of the Guarantors upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

17.2 The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, (ii) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed and (iii) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, provided that such modification, waiver or determination is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

17.3 The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of any other company in place of the Issuer or either of the Guarantors, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

17.4 In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or either of the Guarantors any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

18. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of Notes of other series in certain circumstances where the Trustee so decides.

19. NOTICES

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) of if such publication is not practicable, in a leading English language daily newspaper having general circulation in London. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

Notices to Noteholders shall be published in compliance with the rules and regulations of each listing authority, stock exchange, and/or quotation system on which the Notes are admitted to listing, trading and/or quotation.

20. CURRENCY INDEMNITY

If any sum due from the Issuer or the Guarantors in respect of the Notes or the Coupons or any order or judgement given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgement into another currency (the "second currency") for the purpose of (i) making or filing a claim or proof against the Issuer or the Guarantors, (ii) obtaining an order or judgement in any court or other tribunal or (iii) enforcing any order or judgement given or made in relation to the Notes, the Issuer or the Guarantors shall, to the extent permitted by applicable law, indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (b) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgement, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and the Guarantors and shall give rise to a separate and independent cause of action.

21. ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (ii) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (iii) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (iv) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. ENFORCEMENT

The Trustee may, at its discretion and without further notice, institute such proceedings in the manner contemplated in Condition 24 against the Issuer and/or the Guarantors, as the case may be, as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons; but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one fifth in principal amount of any Notes outstanding at such time, and (b) it shall have been indemnified to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer and/or the Guarantors, as the case may be, unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

23. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

24. GOVERNING LAW, JURISDICTION AND ARBITRATION

24.1 *Governing Law*

The Notes are governed by, and shall be construed in accordance with, English law.

24.2 *Arbitration*

(a) Subject to Condition 22 and notwithstanding Condition 24.2(b), each of the Issuer and the Guarantors has agreed in the Agency Agreement, the Trust Deed and in the case of Alfa Bank, the Alfa Bank Guarantee that the Trustee or any Noteholder may elect by written notice to the Issuer and/or either Guarantor, as the case may be, that, with respect to the Trustee, such Noteholder, as the case may be, any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes (including a claim, dispute or difference regarding the existence, termination or validity of the Notes or the Trust Deed (a "Dispute")) shall be resolved by litigation and not by arbitration (a "Litigation Election"), provided that a Litigation Election may not be made by a Noteholder who has (i) given or received notice of arbitration pursuant to the UNCITRAL Arbitration Rules (the "Rules") with respect to such Dispute and (ii) appointed an arbitrator under the Rules.

(b) Subjection to Conditions 24.2(a) and 24.3, any Dispute between the Issuer and/or, as the case may be, either Guarantor and the Trustee, any Noteholder(s) shall be finally settled by arbitration in accordance with the Rules as at present in force and as modified by this Condition, which Rules shall be deemed incorporated in this Condition. For the purposes of any arbitral proceedings commenced pursuant to this Condition:

(i) the number of arbitrators shall be three;

(ii) the seat of arbitration shall be London, England;

(iii) the language of arbitration shall be English;

(iv) the appointing authority shall be the London Court of International Arbitration (the "LCIA");

(v) where the parties to the Dispute number more than two and such parties have not agreed in writing that the disputant parties can be divided into "claimant" and "respondent" sides for the purposes of the formation of the arbitral tribunal and are unable to agree any other method for the constitution of the arbitral tribunal, the LCIA shall appoint the arbitral tribunal without regard to any party's nomination;

(vi) without prejudice, and subject to Condition 24.2(a), the arbitral tribunal under appropriate circumstances shall have the power to order, upon the application of any of the Issuer, either Guarantor, any Noteholder(s) (whether or not such applicant is an existing party to the arbitral proceedings), the joinder of any of the Issuer, either Guarantor, any Noteholder(s) to the arbitral proceedings; and

(vii) Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(c) In the event that a Litigation Election is made in the manner contemplated in Condition 24.2(a), the arbitration agreement contained in Condition 24.2(b) shall be inoperative in relation to the person making the election and, for the avoidance of doubt, the matters in

respect of which the Litigation Election is made cannot thereafter be referred to arbitration by such person.

24.3 *Jurisdiction*

In the event that a Litigation Election has been made in the manner contemplated in Condition 24.2(a) with respect to any Dispute, each of the Issuer and the Guarantors, for the benefit of the Trustee and/or any Noteholder(s) that make(s) a Litigation Election with respect to any Dispute, irrevocably submits to the jurisdiction of the courts of England. The irrevocable submissions to the jurisdiction of the courts of England are made for the benefit of each of the Trustee and/or the Noteholder(s) and shall not affect the right of any of them to take proceedings ("Proceedings") in relation to a Dispute in any other court of competent jurisdiction nor shall the taking of such Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

24.4 *Appropriate Forum*

Each of the Issuer and the Guarantors hereby irrevocably waive any objection which any of them might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agree not to claim that any such court is not a convenient or appropriate forum.

24.5 *Service of Process*

Each of the Issuer and the Guarantors agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Alfa Capital Holdings (Cyprus) Limited's representative offices (attention: Simon Roache) at City Tower, Level 21, 40 Basinghall Street, London EC2V 5DE or, if different, its registered office in England for the time being or at any address of the Issuer or the Guarantors in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act in 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer and the Guarantors, the Issuer and the Guarantors (acting together) shall, on the written demand of the Trustee, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person by written notice addressed to the Issuer and the Guarantors. Nothing in this paragraph shall affect the right of the Trustee or any of the Noteholders to serve process in any other manner permitted by law.

25. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be on lent by the relevant Issuer to one or both of the Guarantors for their general corporate purposes.

ALFA ISSUANCE

HISTORY

Alfa Issuance, a wholly owned subsidiary of ABH Financial, was incorporated under the laws of Cyprus on 14 January 2004 as a private company with limited liability and unlimited duration. Alfa Issuance's corporate domicile is in Nicosia, Cyprus. The registered office of Alfa Issuance is 5 Themistocles Dervis Street, Elenion Building, 2nd Floor, CY 1066, Nicosia, Cyprus. Alfa Issuance is registered with the Registrar of Companies under No. 144679.

BUSINESS

Alfa Issuance is a finance vehicle through which Alfa Banking Group raises funds in the international bank and capital markets. It is authorised to fund, directly or indirectly, those companies and other enterprises forming part of Alfa Banking Group. It raises funds through borrowing under loan agreements and the issuance of bonds, notes and other debt securities, and on lends those funds to companies in Alfa Banking Group. Alfa Issuance may in the future enter into other financing arrangements for similar purposes.

MANAGEMENT

Alfa Issuance is managed by a Board of Directors whose members are appointed by a general meeting of shareholders and may be suspended or removed from office by the shareholders at any time. At present, Alfa Issuance has the following directors: Pavel Nazarian, Sophia Ioannou and Charalambos Michaelides. Under Alfa Issuance's Articles of Association, the management of the business of the company is vested in the board of directors. The shareholders do not have the power to instruct the board as to financial and economic matters.

Pavel Nazarian is also a director of other Alfa Consortium companies, Charalambos Michaelides is a Principal Director of Abacus Secretarial Limited and Sophia Ioannou is a Director of Abacus Secretarial Limited.

The business address of Mr. Pavel Nazarian is Grand Rue 22, 2nd Floor, L 1661, Luxembourg. The business address of Messrs. Michaelides and Ioannou is 5 Themistocles Dervis Street, Elenion Building, 2nd Floor, CY 1066, Nicosia, Cyprus.

FINANCIAL STATEMENTS

Alfa Issuance was consolidated into ABH Financial's consolidated financial statements with effect from the interim consolidated financial statements for the six month period ended 30 June 2004.

Alfa Issuance prepares audited financial statements for each financial year ended 31 December.

The auditors of Alfa Issuance are PricewaterhouseCoopers Limited, Cyprus, independent auditors.

Alfa Issuance does not intend to publish interim financial statements.

GENERAL INFORMATION

Alfa Issuance has obtained all necessary consents, approvals and authorisations in Cyprus in connection with the issuance of the Notes and the performance of its obligations in relation thereto.

ALFA MARKETS

HISTORY

Alfa Markets, a wholly owned subsidiary of ABH Financial, was incorporated under the laws of Cyprus on 13 January 2004 as a private company with limited liability and unlimited duration. Alfa Markets' corporate domicile is in Nicosia, Cyprus. The registered office of Alfa Markets is 5 Themistocles Dervis Street, Elenion Building, 2nd Floor, CY 1066, Nicosia, Cyprus. Alfa Markets is registered with the Registrar of Companies under No. 144638.

BUSINESS

Alfa Markets is a finance vehicle through which Alfa Banking Group raises funds in the international bank and capital markets. It is authorised to fund, directly or indirectly, those companies and other enterprises forming part of Alfa Banking Group. It raises funds through borrowing under loan agreements and the issuance of bonds, notes and other debt securities, and on lends those funds to companies in Alfa Banking Group. Alfa Markets may in the future enter into other financing arrangements for similar purposes.

MANAGEMENT

Alfa Markets is managed by a Board of Directors whose members are appointed by a general meeting of shareholders and may be suspended or removed from office by the shareholders at any time. At present, Alfa Markets has the following directors: Pavel Nazarian, Sophia Ioannou and Charalambos Michaelides. Under Alfa Markets' Articles of Association, the management of the business of the company is vested in the board of directors. The shareholders do not have the power to instruct the board as to financial and economic matters.

Pavel Nazarian is also a director of other Alfa Consortium companies, Charalambos Michaelides is a Principal Director of Abacus Secretarial Limited and Sophia Ioannou is a Director of Abacus Secretarial Limited.

The business address of Mr. Pavel Nazarian is Grand Rue 22, 2nd Floor, L 1661, Luxembourg. The business address of Messrs. Michaelides and Ioannou is 5 Themistocles Dervis Street, Elenion Building, 2nd Floor, CY 1066, Nicosia, Cyprus.

FINANCIAL STATEMENTS

Alfa Markets was consolidated into ABH Financial's consolidated financial statements with effect from the interim consolidated financial statements for the six month period ended 30 June 2004.

Alfa Markets prepares audited financial statements for each financial year ended 31 December.

The auditors of Alfa Markets are PricewaterhouseCoopers Limited, Cyprus, independent auditors.

Alfa Markets does not intend to publish interim financial statements.

GENERAL INFORMATION

Alfa Markets has obtained all necessary consents, approvals and authorisations in Cyprus in connection with the issuance of the Notes and the performance of its obligations in relation thereto.

ALFA INVEST

HISTORY

Alfa Invest, a wholly owned subsidiary of ABH Financial, was incorporated under the laws of Cyprus on 5 May 2005 as a private company with limited liability and unlimited duration. Alfa Invest's corporate domicile is in Nicosia, Cyprus. The registered office of Alfa Invest is 5 Themistocles Dervis Street, Elenion Building, 2nd Floor, CY 1066, Nicosia, Cyprus. Alfa Invest is registered with the Registrar of Companies under No. 1060408.

BUSINESS

Alfa Invest is a finance vehicle through which Alfa Banking Group raises funds in the international bank and capital markets. It is authorised to fund, directly or indirectly, those companies and other enterprises forming part of Alfa Banking Group. It raises funds through borrowing under loan agreements and the issuance of bonds, notes and other debt securities, and on lends those funds to companies in Alfa Banking Group. Alfa Invest may in the future enter into other financing arrangements for similar purposes.

MANAGEMENT

Alfa Invest is managed by a Board of Directors whose members are appointed by a general meeting of shareholders and may be suspended or removed from office by the shareholders at any time. At present, Alfa Invest has the following directors: Soterakis Koupepides and Despo Antoniou. Under Alfa Invest's Articles of Association, the management of the business of the company is vested in the board of directors. The shareholders do not have the power to instruct the board as to financial and economic matters.

The business address of Messrs. Koupepides and Antoniou is 5 Themistocles Dervis Street, Elenion Building, 2nd Floor, CY 1066, Nicosia, Cyprus.

FINANCIAL STATEMENTS

Alfa Invest was consolidated into ABH Financial's consolidated financial statements with effect from the interim consolidated financial statements for the six month period ended 30 June 2005.

Alfa Invest intends to publish its first financial statements in respect of the year ended 31 December 2005.

Alfa Invest does not intend to publish interim financial statements.

GENERAL INFORMATION

Alfa Invest has obtained all necessary consents, approvals and authorisations in Cyprus in connection with the issuance of the Notes and the performance of its obligations in relation thereto.

ALFA PROJECTS

HISTORY

Alfa Projects, a wholly owned subsidiary of ABH Financial, was incorporated under the laws of Cyprus on 25 August 2005 as a private company with limited liability and unlimited duration. Alfa Projects' corporate domicile is in Nicosia, Cyprus. The registered office of Alfa Projects is 5 Themistocles Dervis Street, Elenion Building, 2nd Floor, CY 1066, Nicosia, Cyprus. Alfa Projects is registered with the Registrar of Companies under No. 164651.

BUSINESS

Alfa Projects is a finance vehicle through which Alfa Banking Group intends to raise funds in the international bank and capital markets. It is authorised to fund, directly or indirectly, those companies and other enterprises forming part of Alfa Banking Group. It will raise funds through borrowing under loan agreements, the issuance of bonds, notes and other debt securities, and will on-lend those funds to companies in Alfa Banking Group. Alfa Projects may in the future enter into other financing arrangements for similar purposes.

MANAGEMENT

Alfa Projects is managed by a Board of Directors whose members are appointed by a general meeting of shareholders and may be suspended or removed from office by the shareholders at any time. At present, Alfa Projects has the following directors: Kyprianos Kyprianou and Annita Leonidou. Under Alfa Projects's Articles of Association, the management of the business of the company is vested in the board of directors. The shareholders do not have the power to instruct the board as to financial and economic matters.

The business address of Messrs. Kyprionou and Leonidou is 5 Themistocles Dervis Street, Elenion Building, 2nd Floor, CY 1066, Nicosia, Cyprus.

FINANCIAL STATEMENTS

Since its date of incorporation, Alfa Projects has not commenced operations and no financial statements of Alfa Projects have been prepared as at the date of this document. Alfa Projects intends to publish its first financial statements in respect of the year ended 31 December 2005.

Alfa Projects will be consolidated into ABH Financial's consolidated financial statements with effect from the consolidated financial statements for the year ended 31 December 2005.

Alfa Projects does not intend to publish interim financial statements.

GENERAL INFORMATION

Alfa Projects has obtained all necessary consents, approvals and authorisations in Cyprus in connection with the issuance of the Notes and the performance of its obligations in relation thereto.

ALFA BANKING GROUP

HISTORY

Alfa Banking Group is part of the Alfa Consortium (as defined below).

Alfa Finance Holdings S.A. is a Luxembourg 1929 holding company with its principal address at 22 Grand Rue, 2nd Floor, L 1660, Luxembourg. Alfa Finance Holdings S.A. was originally incorporated in May 1999. The principal business of Alfa Finance Holdings S.A. was to function as a holding company of the Alfa Finance Group. Alfa Finance Holdings S.A., together with its subsidiaries, is referred to herein as the Alfa Finance Group (the "Alfa Finance Group").

In 2000, Alfa Finance Holdings S.A. completed a multi stage reorganisation (the "Reorganisation") in order to accomplish the following objectives:

- to arrange all of the companies in the Alfa Finance Group into a transparent structure with one parent company to reflect the way in which the business is managed; and
- to create separate holdings for non banking assets.

After the Reorganisation, Alfa Finance Holdings S.A. held four wholly owned sub holding companies, each corresponding to the four main business segments in which the Alfa Finance Group operates: (i) commercial and investment banking; (ii) telecommunications; (iii) oil trading and production; and (iv) insurance (see "The Reorganisation" below). In addition, Alfa Finance Holdings S.A. controls certain wholly owned special purpose entities.

Alfa Finance Holdings S.A. was the sole shareholder of each of ABH Financial (commercial and investment banking), Alfa Telecom Limited (telecommunications), Alfa Petroleum Holdings Limited (oil trading and production), and Alfa Capital Stock Trading Limited (insurance).

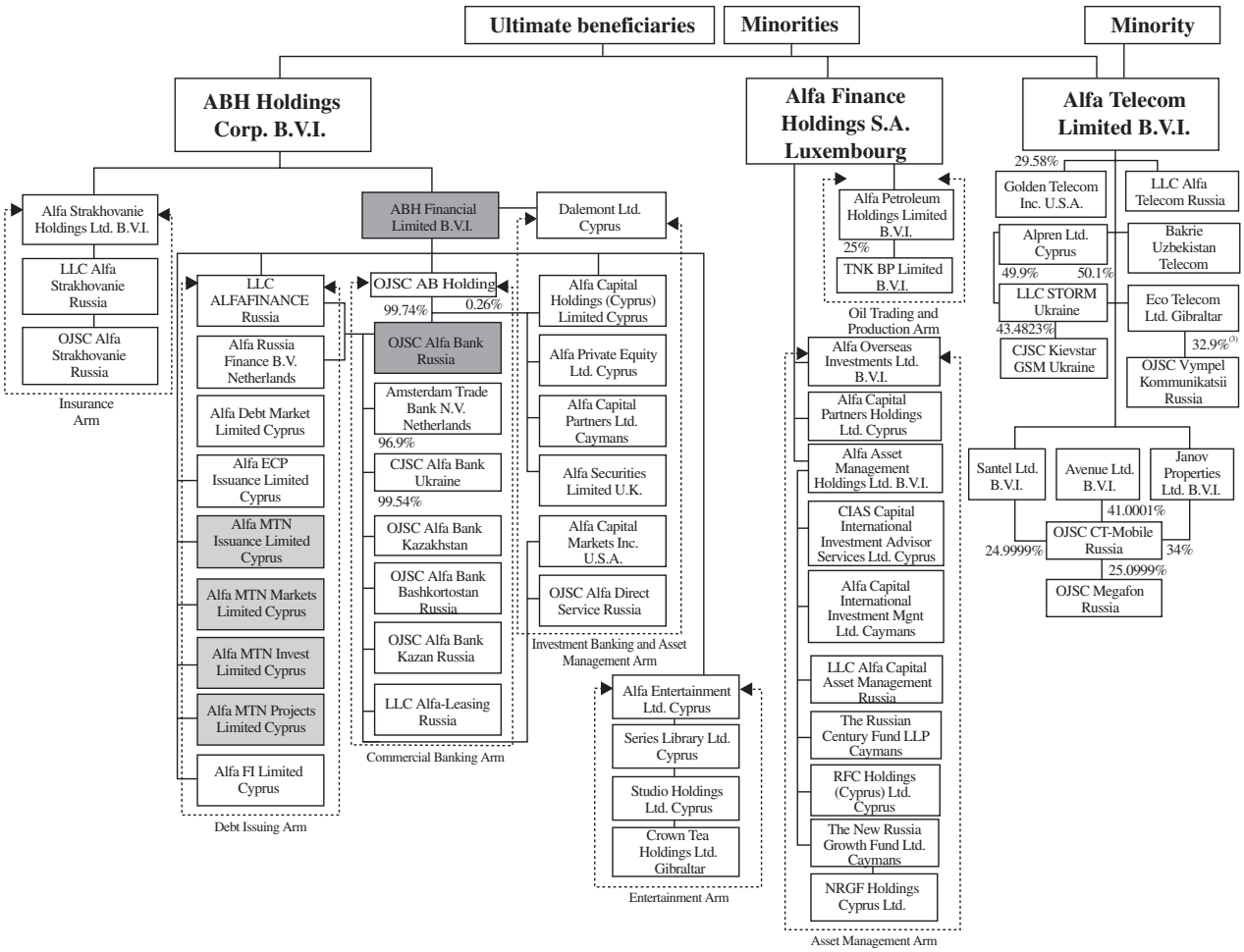
In early 2004, Alfa Bank reformed its shareholding structure. The reform resulted in the merger of the 11 shareholders (holding in aggregate 99.74% of Alfa Bank's charter capital) into one company, OJSC AB Holding. The necessary CBR and anti monopoly authorities' approvals were obtained to undertake the merger, and the issuance of its shares was registered with the Federal Commission for the Securities Market on 16 April 2004. OJSC AB Holding is a wholly owned subsidiary of ABH Financial.

In June 2004, Alfa Finance Holdings S.A. was replaced as a shareholder of ABH Financial with a newly established company, ABH Holdings Corp. ABH Holdings Corp is wholly owned by individuals who are currently the ultimate beneficial shareholders of Alfa Finance Holdings S.A. ABH Holdings Corp was incorporated in the British Virgin Islands on 5 March 2004. The transfer of shares to ABH Holdings Corp. took place on 21 June 2004.

The rationale behind these changes was to make Alfa Bank's ownership structure separate from other Alfa Consortium business segments and sufficiently transparent to allow it to comply with the CBR requirements applicable to banks attracting deposits from individuals (see "Certain Risk Factors" and "The Banking Sector and Banking Regulation in the Russian Federation"). Alfa Telecom Limited was transferred from Alfa Finance Holdings S.A. to the ownership of the same individuals who are the ultimate beneficial shareholders of Alfa Finance Holdings S.A. and ABH Holdings Corp. during 2004.

The insurance arm was transferred from Alfa Finance Holdings S.A. to ABH Holdings Corp on 3 December 2004.

This chart sets out, amongst others, the principal operating subsidiaries of the ABH Holdings Corp. and Alfa Finance Holdings S.A.:



Notes:

(1) Unless otherwise indicated, all shareholdings are 100%.

(2) The light grey boxes signify the Issuers, the dark grey boxes signify the Guarantors.

(3) 32.9% – voting interest; 24.5% – ownership interest.

Although Alfa Bank has several subsidiaries engaged in commercial banking business, Alfa Bank is by far the most significant asset of Alfa Banking Group. Alfa Bank generates a large portion of the fee income and issues a large portion of the loans within Alfa Banking Group.

ABH FINANCIAL

As explained above, the sub holding company responsible for the banking business arm of the Alfa Finance Group is ABH Financial. ABH Financial was incorporated under the laws of the British Virgin Islands on 3 November 1995 as a private company with limited liability and is registered with the Register of Companies of the British Virgin Islands under No. 165196 (originally named Alfa Capital Holdings Limited). The original name Alfa Capital Holdings Limited was changed to Alfa Bank Holdings Limited on 19 January 2001 and on 24 September 2002 to ABH Financial Limited. Subject to certain exceptions, ABH Financial is authorised to engage in any act or activity that is not prohibited under the laws of the British Virgin Islands.

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

THE REORGANISATION

The Reorganisation was effected between December 1999 and September 2000 and as a result of which, ABH Financial became the parent company of Alfa Banking Group. In the course of the Reorganisation, the most significant non core assets were transferred outside Alfa Banking Group to other companies within the Alfa Finance Group. Alfa Banking Group has continued to divest its non core business assets which comprise interests in media and manufacturing businesses, principally in Russia, so as to focus on its core business segments, although as at 30 June 2005 it continued to hold investments with a carrying value of approximately U.S.$130.0 million which are considered to be non core assets.

The Reorganisation was an essential prerequisite to Alfa Banking Group achieving its objective of becoming a universal bank with the broadest range of product lines possible. Alfa Banking Group is now well placed to be able to distinguish itself from other Russian banks and to compete with the Western banks that are active in the Russian banking market. To improve the profitability of each segment of its business, Alfa Banking Group will continue to implement its combined strategies of continued growth (both within Russia and in Ukraine and Kazakhstan), cost control and investment in information technology and high calibre personnel.

OVERVIEW AND BUSINESS OF ALFA BANKING GROUP

Alfa Banking Group's business is comprised of two main divisions (i) commercial banking which is operated principally through Alfa Bank and its subsidiaries in Ukraine, Kazakhstan and The Netherlands and (ii) investment banking and asset management which is conducted by Alfa Bank and its subsidiary in the United States of America as well as through Alfa Capital in Cyprus and its subsidiaries in Cyprus, Cayman Islands and the United Kingdom.

According to "Finance" magazine No. 39; 24.10.2005 Alfa Bank is one of Russia's largest banks in terms of equity, assets, branches, retail deposits and assets under management among private banks. Alfa Banking Group offers a wide range of products and operates in all sectors of the financial markets including lending, interbank and retail deposits, foreign exchange operations, debt, bond and equity trading, project finance and leasing. As at 1 October 2005, Alfa Bank had 121 offices (including subsidiary branches, regional branches and outlets) throughout Moscow, St. Petersburg and other key cities in Russia (including subsidiary banks in Ufa and Kazan, regional branches and outlets). Alfa Banking Group is actively developing its branch network throughout Russia and the CIS.

Alfa Banking Group is one of the largest VISA branded debit card issuers in Russia (in terms of market share) ranking in sixth place (according to Visa International), with a 4.45% share of the Russian Visa Card market. Alfa Bank has the seventh largest share (1.33%) of the retail banking market in Russia behind Sberbank, Vneshtorgbank, Bank of Moscow, Gazprombank and Rosbank (according to information shown on the CBR website www.cbr.ru). Sberbank is majority owned by the CBR and dominates the Russian retail banking market having a market share of around 50% of all retail deposits as at 30 October 2005.

As at 30 June 2005 Alfa Banking Group had total assets of approximately U.S.$8,150.9 million and total equity of approximately U.S.$776.1 million. For the six month period ended 30 June 2005, Alfa Banking Group generated operating income of U.S.$269.2 million, compared with U.S.$201.3 million for the six month period ended 30 June 2004 and net profit of U.S.$87.3 million, compared with U.S.$53.2 million for the six month period ended 30 June 2004.

RELATIONSHIP WITH ALFA CONSORTIUM

The Alfa Banking Group is part of a wider group of companies commonly referred to as the "Alfa Consortium" (the "Alfa Consortium") which includes the Alfa Finance Group. The majority shareholders of Alfa Banking Group are also the majority shareholders of the companies in the Alfa Consortium. In addition to those companies operating in banking, insurance, telecommunications and oil and gas referred to in the chart on page 78, there are other companies in the Alfa Consortium engaged in investment and retail trade business.

Alfa Banking Group has traditionally had significant related party assets and liabilities. As at 30 June 2005, Alfa Banking Group's gross exposure comprising loans and guarantees to related parties was U.S.$245.3 million, compared to U.S.$187.3 million as at 31 December 2004. A list of the exposures of Alfa Banking Group to related parties is set out under "Related Party Transactions".

STRATEGY

Alfa Banking Group's future strategy is guided by the following major aims.

Focused growth on medium sized and smaller corporate client business

Alfa Banking Group aims to consolidate its position as one of the largest private banks in Russia in terms of equity, assets, branches, retail deposits and assets under management (according to the CBR), as well as making up ground on the significantly larger state owned banks. It plans to increase its market share in the corporate and retail sector in Russia by continuing to expand its range of corporate and personal banking services. In the corporate sector, it aims to reduce its reliance on large corporate clients, further diversify its loan portfolio and develop its strategy to focus more on medium sized and small corporate clients. Alfa Banking Group currently serves its small and medium sized clients through its retail banking division. Both of these market segments offer the potential for greater participation of banks and Alfa Banking Group endeavours to capitalise on the potential of this market.

Alfa Banking Group offers a "one stop shop" service for medium sized and smaller corporate customers based on a thorough knowledge of the segment's needs, the use of its broad branch network, strong brand and expertise. Both Alfa Banking Group's medium sized and smaller corporate clients benefit from Alfa Banking Group's information technology initiative (see "Alfa Banking Group — Information Technology") and its related advantages of improved efficiency, faster transaction times and greater accessibility to Alfa Bank and its services through internet banking. Alfa Bank has already applied its expertise in this area by developing individually tailored services to meet client requirements. Smaller corporate clients are also targeted by offering them a wide variety of services designed to meet their needs.

Expansion of investment banking operations

Alfa Banking Group plans to further develop its investment banking business both in Russia and overseas. Areas of future focus include increasing the level of fee commission from brokerage operations, in particular, from its on line equity brokerage service – Alfa Direct. In its fixed income operations, Alfa Banking Group plans to increase its trading activity in the Russian corporate bond sector. Alfa Banking Group also plans to further develop its M&A practice in Russia and Ukraine and its equity capital markets activities particularly in relation to initial public offerings. The Group also plans to expand its role as arranger in the local and international debt capital markets and to arrange further CLN issues under its U.S.$10,000,000,000 Global Repackaging Programme.

Creating a modern retail brand

Alfa Banking Group will continue to focus on growing its retail customer base by offering retail customers a complete banking service based on the following competitive advantages: new service standards, integrated product range, fast and efficient services, wide branch network (currently standing at over 121 offices) and remote access channels. The new business model, which is now operating under the "Alfa Bank Express" brand, is largely based on improved economies of scale and offers standardised products, service and a retail environment aimed at bringing the new retail business closer to the customer by making it accessible and transparent. This enables Alfa Banking Group to sustain a consistent quality of service and make the new model scalable, which is crucial in such a large country as Russia. The multi channel service for retail customers includes 24 hour highly automated and user-friendly branches, which are quite different from the branches of any of its Russian competitors (such as Sberbank), a fully operational call centre, a field sales force which contacts new customers, an ATM network (including ATMs with drop boxes) and remote access channels — internet banking and telephone banking. Alfa Bank has been able to offer its customers such services as a result of Alfa Bank's information technology initiatives (including the on going

OMEGA Project) (see "Commercial Banking Division — Information Technology"). Every new customer is provided with a single key to the whole banking package — a VISA Electron card, which allows customers to make withdrawals from ATMs and make payments at points of sale. Alfa Bank has thus become the first bank in Russia to issue this card with every account, giving customers access to their funds and freeing up staff to ensure better service and offer a wider range of products.

The product portfolio offered by Alfa Bank to private individuals and medium sized and smaller corporate customers includes current accounts, savings, credit cards and overdraft facilities as well as a number of products in high demand such as instant cash transfers, pre paid cards and individual strong boxes. Alfa Bank offers four different tariff plans with a variety of different features including discounts, family cards and euro, rouble and dollar accounts. Alfa Bank also offers a VIP programme. Alfa Bank aims to increase the proportion of "demand" accounts in its portfolio as it believes that customers with "demand" accounts are more loyal than holders of term deposits. In response to client demand Alfa Bank has started to offer personal loans and plans to enter the auto and mortgage loan market in the 2006.

Now that Alfa Bank has successfully launched the "Alfa Bank Express" concept in Moscow, it plans to apply aspects of the model in the regions of Russia which it believes have higher retail growth potential than Moscow. As at 1 October 2005, Alfa Bank had 30 branches operating under the "Alfa Bank Express" brand name, including one in Krasnodar. Alfa Bank will also focus on gradually converting its existing retail network into the new format and enhancing the range of products and services available to its retail customers.

Consumer finance

Alfa Bank will continue to focus on the consumer finance business by leveraging off the existing Alfa Bank brand, distribution channels, high profile management team and advanced technology platform. In the last 6 months Alfa Bank has expanded its consumer finance business out of Moscow into 23 regions of Russia. The number of consumer loans more than doubled since the beginning of 2005 to reach 89 thousand in September. Alfa Bank plans to further improve distribution by expanding partnerships with fast moving consumer goods (FMCG) retailers.

Expansion of commercial banking operations in the CIS

Alfa Banking Group has expanded its commercial banking operations into the CIS, both in Ukraine and, on a smaller scale, in Kazakhstan. Currently, Alfa Bank has a subsidiary bank in Kiev, having three branches, including its head office, and three regional branches in Ukraine. Alfa Banking Group takes a more conservative approach to Kazakhstan, where it currently has one subsidiary in Almaty with branches in Astana, Karaganda and Ust Kamenogorsk.

Improving the funding base

Recognising the need to provide medium and longer term financing to clients, Alfa Banking Group intends to improve its funding base by increasing its medium-term funding from the capital and bank finance markets. Alfa Banking Group believes that such funding will enable it to gain access to new lines of business, such as project finance lending. It will also allow Alfa Banking Group to compete more effectively with its main competitors (see "Overview and Business of Alfa Banking Group) and with Western banks entering the Russian market. As the Russian retail banking market develops, Alfa Banking Group expects to be able to attract retail customers and deposits by offering high quality and accessible banking services and competitive lending and deposit rates. In addition, the Programme and other note issuances will give the Alfa Banking Group a readily accessible source of funding in the international and domestic capital markets.

Focus on banking business

Conditions permitting, Alfa Banking Group intends to continue to divest its portfolio of non-core assets so as to be able to focus on its commercial and investment banking businesses (see "Alfa Banking Group — Planned divestiture of non-core assets").

Continued employment of high calibre staff

Alfa Banking Group's employment strategy is to attract and retain high calibre employees at all levels, many of whom have either Western professional experience or Western qualifications. Alfa Bank has introduced incentivisation schemes to minimise staff turnover and encourage staff to be results driven. The continued implementation of this strategy is fundamental to Alfa Banking Group continuing to remain (as evidenced by RosBusiness Consulting reports) a leading commercial and investment banking group in Russia (see "Management").

lnformation technology

Alfa Bank views information technology as an integral part of its daily operations and is committed to continued investment in information technology in order to support the growth of its operations in the future. This commitment is evident from the importance placed on the implementation of the information technology projects (see "Description of Alfa Banking Group's Business — Information Technology", the "Mars Project", the "Mercury Project" and the "Gemini Project").

COMPETITION

According to the CBR, as at 1 October 2005, there were 1,215 banks operating in Russia, with the five largest banks accounting for 44% of total bank assets. A small number of Moscow based banks dominate the Russian banking industry. Alfa Banking Group's main competitors are Sberbank (in the retail sector), which has the advantage of having inherited a retail branch network of approximately 20,000 branches from the State, Vneshtorgbank (Bank for Foreign Trade), Gazprombank, Bank of Moscow, MDM Bank and Western banks operating in Russia. Alfa Banking Group faces strong competition in different market segments, but few of its competitors appear to be planning to develop into a bank offering such a wide range of services and broad regional network (see "Strategy").

Faced with increased competition as a result of recent and proposed banking reform in Russia and with the continuing entry of Western banks into the Russian market, Alfa Banking Group believes that it could be advantageous to consider the possibility of a strategic partnership with a large Western financial institution in the future. Such a partnership would make it possible to combine Alfa Bank's experience of working in the Russian markets, its local knowledge and strong client base, with the benefits that a large Western bank could bring to Alfa Banking Group's businesses.

RECENT DEVELOPMENTS

Alfa Banking Group's balance sheet grew 24% between 31 December 2004 to 31 August 2005 according to its management accounts. This increase was driven by an increase in loans and cash (up to 35% and 18% respectively over the same period). The growth in loans is observed across all segments of Alfa Bank's businesses (commercial, consumer finance, and retail). However, the main driver of growth continues to be the Bank's strategy of diversifying commercial loan portfolio within the large and medium-sized business sector.

While total loan growth continues to keep pace with overall market growth, Alfa Banking Group reduced its effective provisioning level to 4.5% of the loan portfolio by the end of June 2005 compared to 4.6% for 2004. This continues Alfa Banking Group's policy over the last few years of slowly reducing loan/loss coverage ratio as its commercial portfolio continues to diversify across many industrial/service sectors while showing minimal losses. As Alfa Banking Group continues to grow its retail and consumer finance portfolios, management anticipates an increase in bad and irrecoverable debts in line with the expansion of the Bank's retail business. However, management believes this increase should be offset by the higher margins and fees in the retail banking sector.

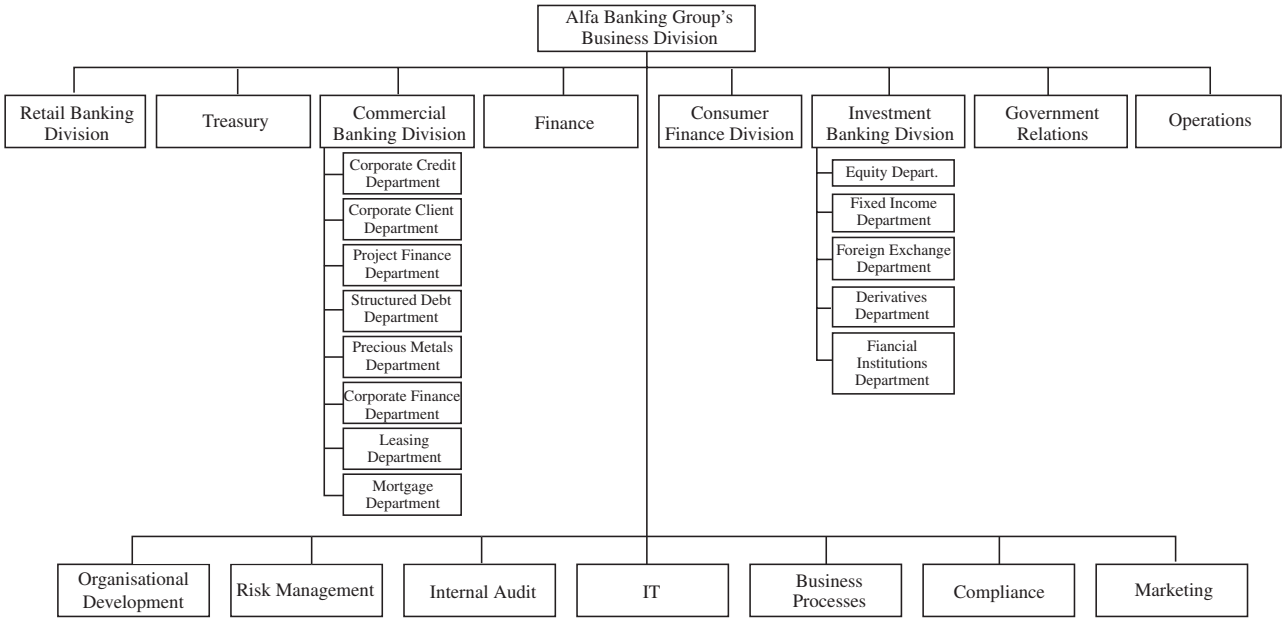
Key drivers of net profit growth are net interest income and cost control. Net interest income is positively impacted by stable commercial interest rates and lower funding rates.

While Alfa Banking Group's net profit has been largely driven in the past by large, one off, profitable investment banking deals, Alfa's results for 2005 have been driven by recurring interest margin, commissions and on-going business-related activities. Excluding foreign exchange translation gains/losses, corporate finance, merchant banking, and debt programmes, Alfa Bank's recurring income accounted for 89% of the total by the end of June 2005. As Alfa Bank continues to reduce its exposure to merchant banking deals, management believes recurring margin/commission income will remain the main driver overall of operating profit.

DESCRIPTION OF ALFA BANKING GROUP'S BUSINESS

Business Divisions of Alfa Banking Group

The following table depicts Alfa Banking Group's internal business divisions:



Commercial Banking Division

Alfa Bank was established on 20 December 1990 as LLP CIB Alfa Bank, a partnership with limited liability, and obtained its general banking licence from the CBR in January 1991. During 1996, Alfa Bank was converted from a limited liability partnership (*Tovarischestvo s Ogranichennoi Otvetstvennost'u*) to a limited liability company (*Obschestvo s Ogranichennoi Otvetsvennost'u*) in line with Russian legislation on the status of such companies. In January 1998, LLC CIB Alfa Bank was reorganised as an open joint stock company, to increase the transparency and flexibility of the legal structure. Alfa Bank is registered with the CBR under No. 1326 and with Moscow Registration Chamber under No. 001.937. Alfa Bank's registered office is at 27 Kalanchyovskaya Str., Moscow 107078, Russian Federation.

Alfa Bank is registered in Russia to carry out banking and foreign exchange activities, has operated under a general CBR banking licence since 1991 and obtained a licence to deal in precious metals in 1994. Alfa Bank operates in all sectors of the Russian financial markets. It is committed to expanding its range of corporate and banking services to its customers through its commercial banking business and is investing significantly in the expansion of its various businesses and branches.

Alfa Bank has established a network of branches across Moscow, as well as in certain other major cities in the Russian Federation. Alfa Bank opened a fully owned subsidiary in Almaty in Kazakhstan in December 1994, the first Russian bank to do so. Alfa Bank also has subsidiaries engaged in commercial and investment banking in Ukraine, The Netherlands and Bashkortostan — the first two were acquired in 2000 and 2001 and the latter in 1997. In March 2003, a subsidiary bank in the Republic of Tatarstan started to operate.

Alfa Bank is regulated and supervised by the CBR. Alfa Bank has been a member of SWIFT since 1994 and a member of Euroclear since May 1996. In addition, Alfa Bank is a member of the Moscow InterBank Currency Exchange ("MICEX"), the National Association of Security Markets Participants and of the Russian Trading System ("RTS"), a remote electronic stock trading system. Alfa Bank is also a member shareholder of the InterBank Credit Union, a clearing institution connected to the Depositary and Clearing Company. These institutions are the principal constituents of the developing infrastructure for safe custody and settlements in the Russian capital markets. Alfa Bank was also one of the 16 banks which the CBR originally selected in August 1996 to open "S" accounts. This gave Alfa Bank the authority to open special accounts on behalf of international counterparties and investors in order to participate in the domestic treasury and government debt markets.

Alfa Bank has recently won numerous Russian and International awards — being awarded "Super Brand of the Year Award" by Superbrands International in July 2005, "Elite Quality Recognition Award" by JPMorgan Chase in June 2005 for the second year running, "Best Forex Bank in Russia" by Global Finance in March 2005 and the "Operational Risk Achievement Award 2005" for operational risk framework at an institution based in an emerging market and named "Best M&A House in Russia" in July 2004 by Euromoney, "Best Trade Finance Bank in Russia and the CIS" and "Best Correspondent Bank in Russia and the CIS" in April 2004 by Emerging Markets, "Overall Best Bank in an Emerging Market" in March 2004 by Operational Risk, "Best Trade Finance Bank" and "Best Foreign Exchange Provider in Russia", "Best Retail Bank" and "Best M&A Adviser" by Global Finance in February 2004, "Best Financial Consultant at Russian Investment and Banking Services Market" by Russiadeal in January 2004, "Best Overall Bank in Russia", "Best M&A Adviser" and "Best Trade Finance Bank" by Global Finance in February 2003, "Best Bank in Russia 2002" in July 2002 by Euromoney, "Best Trade Finance Bank in Russia 2002" in April 2002 by Global Finance and "Best Russian Bank" in March 2002 by Global Finance. In September 2003 and October 2002, JPMorgan Chase Bank presented Alfa Bank with its "Quality Recognition Award". In addition, Russia's Financial Press Club awarded Alfa Bank its Gold Diploma for openness of information and Peter Aven, President of Alfa Bank, was named as Russia's most admired executive in the field of financial services in October 2004. In April 2005, Peter Aven was awarded the Order of Honour by decree of the President of the Russian Federation for his excellent achievements at work. Alexander Gafin was awarded a medal of the Order "For Merit before the Motherland" of the Second Grade in April 2005 for his achievements in the field of art and culture.

Alfa Bank is one of the few banks in post Soviet Russia to have successfully developed its own distinct brand. Alfa Bank prides itself on its brand and has achieved high recognition for it. An independent survey conducted in June 2005 by ANALYTICS Market Research Corporation found that there was a 99% awareness rate of Alfa Bank among persons with an average monthly wage of RUR 9,000 (approx U.S.$ 315) and above. Similarly, an independent survey conducted by IPSOS/F Squared in September 2003 found that Alfa Bank has 98% awareness among heads of large and medium sized companies in Moscow, St. Petersburg and four regional cities. Alfa Bank's management believes that the Alfa Bank brand is synonymous with reliability and stability, as demonstrated during the summer 2004 banking liquidity squeeze by the support of Alfa Bank's shareholders for Alfa Bank — two factors which are critically important to most Russians since the 1998 banking crisis — and with leadership.

During the July 2004 liquidity squeeze, Alfa Bank's shareholders and a company under their control, placed approximately U.S.$800 million in total aggregate amount as (i) on demand deposits with Alfa Bank and (ii) deposits with Amsterdam Trade Bank N.V., with terms ranging from three to six months, which were transferred to Alfa Bank in the form of interbank loans (the "Facility"). The Facility's average interest rate weighted by amount and term to actual/contractual repayment date was 3.8% per annum. At the same time, Alfa Bank extended its opening hours and stocked its ATMs with additional cash to satisfy increased demand. The aggregate amount withdrawn by depositors from Alfa Bank during July 2004 was approximately U.S.$650 million, with U.S.$250 million withdrawn by individuals and U.S.$400 million withdrawn by corporates. As at 30 June 2005, all Alfa Bank's indebtedness under these arrangements had been repaid.

On 20 July 2004 Alfa Bank assigned loan receivables under certain credit agreements (the "Loans") with three large corporate customers (the "Borrowers") to a large state-owned Russian bank (the "Transferee

Bank") in the amount of U.S.$230 million (the "Assignment"). Initiated by the Borrowers, the Assignment was aimed at refinancing the Loans with the Transferee Bank, and was made at the face value and on arm's length terms. By 9 August 2004 Alfa Bank had applied the proceeds of the Assignment to new credit agreements with a number of smaller customers and on higher average interest rates, reflecting the change in market conditions.

Alfa Bank has built its brand primarily through the high level of working relationships and its reputation — which was enhanced in 1998 when, in contrast to other Russian banks, it continued to honour its obligations to clients. Other factors that have contributed to the brand are the continuing expansion of the branch network across Russia and abroad, well-targeted PR communications, advertising and sponsorship of popular cultural events and support for charities.

Alfa Bank and its subsidiaries operate Alfa Banking Group's commercial banking business. Commercial banking generated total revenues of U.S.$346.8 million for the six month period ended 30 June 2005, compared to U.S.$298.2 million for the six month period ended 30 June 2004.

The commercial banking business at Alfa Bank and its regional branches is broadly split into the Corporate Banking Division that caters to large and medium sized corporate clients and the Retail Banking Division servicing small businesses and private individuals. The range of services to customers of both the corporate and retail departments include trade and project finance, lending, plastic cards and precious metals trading. Banking services are offered to clients in Roubles, U.S. dollars, Euros and other foreign currencies.

A 100% shareholding in Amsterdam Trade Bank N.V. ("ATB") was purchased by Alfa Bank in March 2001, as a result of which Alfa Bank became the first private Russian commercial bank with an affiliate bank holding a full banking licence in the European Union.

Branch Operations

The development of the branch network has been key to expanding Alfa Banking Group's client base and offering an all round service to existing and new clients. The rapid development of the branch network has also been dictated by increasing demand for payment services and in response to government programmes to finance Russia's financial and agricultural sectors.

As at 1 October 2005, the total number of Alfa Banking Group offices within Russia and the CIS was 121 (including subsidiary banks, regional branches and outlets), compared with 103 as at 1 November 2004. The branch network comprises branches in Russia located in Moscow and other cities such as St. Petersburg, Nizhny Novgorod, Vladivostok, Omsk, Perm and Orenburg and a subsidiary in Kazakhstan and Alfa Bank Ukraine. Most branches in Moscow are located on major streets near subway stations and parking facilities. Some savings branches are also located in residential satellite areas away from the centre of Moscow.

As at 1 October 2005, Alfa Bank had 520 automated teller machines (ATMs) across its branch network.

Mercury Project — Alfa Bank Express

Through the Mercury Project which was established to consider ways of establishing an innovative and cost effective banking product, Alfa Banking Group has developed "Alfa Bank Express".

In creating and developing the "Alfa Bank Express" brand, Alfa Bank has sought to enhance its existing retail business operations through increased efficiency and cost effectiveness. Alfa Bank has further planned to develop its new business model first in Moscow and then throughout the regions of Russia.

In developing its "Alfa Bank Express" platform, Alfa Bank's key objectives are to:

- expand the potential for acquiring new customers;
- increase Alfa Banking Group's market share of banking business generated by private individuals and small businesses;

- increase Alfa Banking Group's market share of individual deposits and further diversify funding sources; and
- increase the overall profitability of Alfa Banking Group's retail business.

As a result of the implementation of this project, Alfa Banking Group's retail customers have access to top tier retail banking products and services through a wide range of distribution and service channels such as internet banking, telephone banking, GSM and SMS — banking and Alfa Bank's branch network.

Information Technology

Part of Alfa Banking Group's strategy is to be the most technologically advanced and efficient banking group in Russia. To achieve this, Alfa Banking Group has implemented the OMEGA programme which will result in a highly automated business — in its back, middle and front office, its central management and throughout the branch network.

The OMEGA programme reduces the time it takes to roll out new financial products and to adapt to changes in market conditions. It provides management information in key areas such as risk and profit across all product and department lines. The OMEGA programme also enables Alfa Banking Group to increase the number of clients, accounts and transactions without limits, and reduces costs and risk. It has provided the platform upon which Alfa Banking Group has launched its new modern retail network.

The OMEGA programme is designed not only to ensure that Alfa Banking Group remains a leader in Russia, but also to maintain Alfa Banking Group's competitiveness as large Western banks enter the domestic market.

The OMEGA programme is leading to the construction of a technically advanced banking supermarket geared entirely to electronic transactions. This will facilitate Alfa Banking Group's plans to provide clients with a 24 hour on line service for most products. Alfa Banking Group is already the market leader for many high technology products. The Electronic Business Centre successfully uses advanced technology, and Alfa Direct, Alfa Banking Group's internet broker service, is widely used by both professional and private investors.

The centrepiece of the OMEGA programme is software technology developed by an international leader in banking technology, Misys. In 2003, Alfa Banking Group successfully implemented the core part of the software package, called Equation.

Gemini Project – Defining a New Business Strategy for Retail Clients (2005-2006)

Alfa Bank has launched another strategic programme for the retail part of its banking operations called the Gemini Project. The key objectives of the Gemini Project are to identify sustainable long term competitive advantages to capitalise on to allow it to maintain its market leadership, grow its business and introduce a cost effective infrastructure and IT model. The Gemini Project consists of advanced technology front ends and end customer applications, such as internet banking, Java/GSM, IVR, Call Centre etc. It is based on innovative core Business Process Management software engine (BPM) which helps Alfa Bank to optimise its business process on a rolling and continual basis for consumer finance, credit cards and other products.

Large and Medium-Sized Corporate Client Department

Unless stated otherwise in this paragraph, all figures in this paragraph are calculated in accordance with and extracted from Alfa Bank's RAR Accounts. Alfa Bank has a large and medium-sized corporate customer base of over 18,000 clients and as at 30 June 2005, its net corporate loan portfolio amounted to U.S.$4,902 million. Alfa Bank's Corporate Department plans to expand its presence in the medium-sized corporate segment with the aim to significantly grow the loan portfolio of these customers, thus reducing the share of large corporate clients. During the six month period ended 30 June 2005, the share of medium sized clients in Alfa Bank's corporate loan portfolio increased by 3% to 35%. At the same time Alfa Bank plans to reduce the concentration of large corporate clients in its loan portfolio (see "Customer Concentration").

Depending on the circumstances, Alfa Bank aims to obtain collateral and/or guarantees to reduce credit risk (see "Selected Statistical and Other Information — Collateral"). Historically, a significant proportion of Alfa Bank's corporate lending has been to related parties in the Alfa Consortium. However, Alfa Bank has sought to diversify its customer base and loan portfolio and the level of its related party exposure has continued to decrease through 2004 (see "Related Party Transactions").

Alfa Bank's prudent credit policy has resulted in a very low rate of overdue loans, which stands at 0.94% of the total gross loans and advances to customers as at 30 June 2005, none of which is believed by Alfa Bank to be irrecoverable. Alfa Bank is committed to further improving its credit policy by implementing stringent risk management requirements, which include reducing credit limits for new customers to a ratio of loan to capital (calculated based on consolidated IFRS financial statements) of 24–24.5% for 2005–2006. Although the CBR's N6 ratio requirement is for such a ratio to be 25%, the lower percentage achieved for Alfa Bank reflects its prudent approach. Alfa Bank is also committed to diversifying its loan portfolio, reducing its exposure to large companies in oil and gas industries and developing its business in emerging sectors, such as defence, metallurgy, food, retail and construction.

Mars Project — Defining Business Strategy for Corporate Clients (2004–2008)

Alfa Bank has launched another strategic programme for the corporate part of its commercial banking operations called the "Mars Project".

The key objectives of the Mars Project are to:

- identify sustainable long term competitive advantages to capitalise on to maintain market leadership and grow the business;
- develop an effective and optimum organisational and management model to meet the established objectives; and
- develop a cost effective infrastructure and IT model.

Retail Banking Division

Retail banking is a traditional priority for Alfa Bank and the it continues to dynamically develop its retail business and consolidate its regional presence in cities of over one million. With a 1.33% share of the Russian retail banking market as at 30 June 2005 (according to CBR figures shown on www.cbr.ru) and more than 1,600,000 customers as at 30 September 2005, Alfa Bank has the seventh largest share of the Russian retail banking market (according to CBR figures shown on www.cbr.ru).

Retail banking generated total revenues of U.S.$37.8 million for the six month period ended 30 June 2005 compared with U.S.$17.6 million for the same period in 2004.

Alfa Bank Express

As mentioned above, Alfa Bank's retail banking business is spearheaded by its network of "Alfa Bank Express" branches.

The "Alfa Bank Express" platform was launched in 2003 following extensive market research, with the aim of providing an easy-to-understand, convenient and efficient service to individuals and small and medium-sized enterprises.

"Alfa Bank Express" offers customers 24 hour a day access to their accounts through telephone, internet and self-service channels. Alfa Bank has placed a strong emphasis on delivering a combination of high customer service and a product portfolio tailored to the needs of modern living. In addition to offering customers a range of current and savings accounts (rouble, dollar and euro), credit cards, overdraft facilities and instant cash transfers, pre-paid cards and individual safe deposit boxes, "Alfa Bank Express" also offers customers a range of four different tariff plans. Each tariff plan has a variety of different features, including discounts and family cards.

Alfa Bank has established a number of partnerships with retailers to allow it to offer "Alfa Bank Express" customers discounted and/or privileged access to a range of travel, insurance, car-rental, dining, fashion and beauty services as well as enhanced terms with outlets of household goods, mobile handsets and digital goods.

"Alfa Bank Express" has established a pilot VIP programme. The pilot VIP programme offers clients a qualified personal account manager, segregated VIP areas and a priority service in other branches of "Alfa Bank Express".

Since July 2005, "Alfa Bank Express" has offered a range of personal loans in the amount of RUR 22,500 to RUR 450,000 for terms between one and three years. Alfa Bank also offers a wide range of credit cards to customers. Such credit cards can be issued to customers on the basis of express assessment technology, which allows credit decisions to be made quickly following the presentation by the customer of certain documents.

Having established a strong presence and branch identity in Moscow ("Alfa Bank Express" had over 290,000 customers as at 30 September 2005), Alfa Bank has now started to roll out the "Alfa Bank Express" model in the Russian regions.

Alfa Bank believes that the "Alfa Bank Express" model is now sufficiently developed to allow it to intensify its efforts to grow its share of the retail market through, in particular, direct and telephone sales. Similarly, Alfa Bank is now ready to roll out the "Alfa Bank Express" brand in the developing regions of Russia.

On 29 July 2004 the Federal Law "On the Payment by the CBR on Individual Deposits in Insolvent Banks that are not Part of the System of Mandatory Insurance of Deposits held by Individuals in Russian Banks" (the "CBR Deposit Insurance Law") came into force. The CBR Deposit Insurance Law guarantees individuals' bank deposits up to RUR100,000 in banks that become insolvent prior to being admitted to the system of mandatory insurance of individuals' bank deposits (the "System").

The System was introduced by the "Law on the Insurance of Individuals' Bank Deposits in the Russian Federation" (enacted on 23 December 2003) and required all banks wishing to continue to accept individuals' deposits to apply to the CBR for participation in the System. Alfa Bank was accepted into the System on 15 December 2004, allowing it to further develop its retail banking business. Alfa Bank's regional subsidiary, Alfa Bank Bashkortostan, was accepted into the System on 10 November 2004.

Financial Institutions Department

One of Alfa Bank's priorities is to provide flexible domestic and international clearing for its corporate and interbank customers. Domestic clearing is carried out through SWIFT, a facility for interbank transactions, which Alfa Bank joined in 1994. Alfa Bank has established itself as one of the leading banks operating in the Russian and CIS clearing business. As at 1 October 2005, Alfa Bank had a global correspondent network of around 450 institutions and around 45 "nostro" accounts with leading banks from the CIS, the United States and Eastern and Western Europe. Building on the confidence and trust of its foreign partners in the past years, Alfa Bank has been able to increase the scope of its operations in domestic and foreign settlements, money market and trade finance activities.

Project Finance Department

Alfa Bank established a project finance department in 2000 by merging three departments — project finance, export import finance and guarantees and leasing operations. The department offers a wide range of services to clients including financing import contracts with monetary funds, letters of credit and guarantees, export lending, financing investment projects and capital construction. With the backing of foreign financial institutions and national export credit agencies, Alfa Bank is able to finance investment projects at low interest rates and with longer maturities.

LLC Alfa Leasing, established in 1999 is a wholly owned subsidiary of Alfa Bank, acquires capital assets and leases them to Russian enterprises involved in a variety of different industries. Alfa Bank provides clients with assistance in establishing cost effective leasing schemes based on minimising tax exposure and

maximising depreciation. The company's clients are Russian Railways, NOVATEK, Izavto, GAZ, KAMAZ, Ravioli, SMARTS, Polimetal, KrasAir and others. The company works together with the largest foreign manufacturers of vehicles and equipment, including Caterpillar (USA), Leibher (Germany), Claas (Germany), Marubeni (Japan), Komatsu (Japan), Tetra Pak (Russia), Berstoff (Germany), Bruckner Maschinenbau (Germany), ThyssenKrupp (Germany), Hitachi (Japan), CFS Bakel B.V. (Holland), DURR KOREA Inc. (South Korea), KIA MOTORS (South Korea), AZOVMASH (Ukraine), Uralvagonzavod (Russia) and others.

Precious Metals Trading Department

The precious metals department was established in 2000 and has developed a small business trading gold, silver, platinum and palladium in the Russian market. The precious metals department is also involved in precious metals consulting, hedging strategies, financing mining organisations, bullion trade in the interbank market, export operations with precious metals, including commission agreements and organising the transportation of precious metals and their storage in certified depositories.

Investment Banking Division

Alfa Capital, Alfa Bank and certain of its affiliates operate Alfa Banking Group's investment banking activities. Alfa Banking Group is one of the leading investment banking presences operating in the Russian market and offers a wide range of international banking and brokerage services relating to mergers and acquisitions, corporate restructuring advisory services and equity, fixed income and foreign exchange trading (according to the RosBusiness Consulting website rating.rbc.ru). The primary emphasis of the investment banking business is on Russia and Ukraine, although brokerage operations have also been established in New York, London and Nicosia (Cyprus).

Alfa Banking Group's investment banking business generated total revenues of U.S.$62.5 million for the six month period ended 30 June 2005 compared to U.S.$48.7 million for the six month period ended 30 June 2004.

Equities Department

Alfa Banking Group's Equities Department is one of Russia's leading brokerages and is active on all major trading systems and exchanges where Russian securities are traded — mainly RTS, MICEX and the GDR/ADR markets in London and New York. The Equities Department specialises in six key areas: equity trading, international sales, domestic sales, capital markets, structured products and proprietary analytical research. Alfa Bank is one of the top players in equity financing transactions, both public and private (according to the RosBusiness Consulting website rating.rbc.ru), and has acted as a co lead manager in the IPOs of Wimm Bill Dann, RosBusinessConsulting and Concern Kalina. The Equities Department has also developed an Internet trading platform called AlfaDirect, which services thousands of retail clients across Russia. Alfa Bank's Research Department produces highly rated analysis covering overall market strategy and macroeconomic issues as well as industry and company specific reports. The total turnover of the Equities Department in the first half of 2005 was more than U.S.$6 billion.

In 2005, Alfa Banking Group's London operation, Alfa Capital Markets, was reorganised as a branch of Alfa Capital Holdings Cyprus and became a member of the London Stock Exchange. It is authorised by the Financial Services Authority to provide brokerage, research and investment banking services to UK and European institutional clients. Alfa Banking Group's U.S. operation, Alfa Capital Markets (USA) Inc., was established in New York to serve clients in North and South America. Alfa Capital Markets provides brokerage and investment services to a wide range of institutional clients investing in Russia. Alfa Capital Markets Inc. is a NASD member firm.

Corporate Finance Department

Alfa Banking Group has in recent years strengthened its position in corporate finance and for the first six months of 2005 was in the top ten among investment banks operating in Russia in terms of volume of deals (as evidenced by the RosBusinessConsulting website rating.rbc.ru). Over each of the last three years the

volume of its corporate finance transactions exceeded U.S.$1 billion. According to Global Finance, Alfa Bank is recognised as the Best M&A Advisor in Russia for 2003 and 2004 (survey of Russian M&A Advisors, February 2004, Global Finance). Euromoney was also recognised Alfa Bank as the Best M&A Advisor in Russia in 2004 (Euromoney Awards for Excellence, July 2004 edition). The transaction volume on which Alfa Bank corporate finance advised in 2004 exceeded U.S.$3 billion. Its main area of activity is the provision of financial advice on mergers and acquisitions to Russian and foreign clients. The corporate finance department draws on the extensive reach of its branch network and the international expertise of its investment bank to advise on investment into and within Russia.

In 2004, Alfa Bank continued to successfully act as a financial advisor in the pharmaceutical industry. After participating in 2003 in the sale of the Russian assets of ICN Pharmaceuticals, an American public company, Alfa Bank was retained as exclusive financial adviser of EBRD and other shareholders of Natur Produkt Holdings. Natur Produkt Holdings is engaged in the development and marketing of pharmaceutical drugs under the Natur Produkt brand and also operates one of the largest pharmacy networks in Russia with over 200 pharmacies in 40 cities in Russia, Kazakhstan, Moldova, Belarus and Estonia. The sale process was organised in the form of closed tender the winner of which became the Russian private equity fund Renova Capital.

Historically, a significant share of Alfa Bank corporate finance transactions was attributed to the telecommunications industry. Alfa Bank's corporate finance team advised the owners of TOO KaR Tel, the second largest cellular operator in Kazakhstan. Alfa Bank organised a closed tender for the sale. TOO KaR Tel and a number of international and Russian strategic investors as well as Kazakhstan financial investors were invited to participate in the sale process. The transaction structure involved companies in five different jurisdictions and required detailed legal due diligence and certain warranties and representations on behalf of the seller. OAO Vimpel Communications won the tender and the deal was recognised by analysts as one of the most successful transactions in the CIS telecommunications market.

Alfa Bank's Corporate Finance Department also continued rendering advisory services to Russia's utility monopoly, RAO Unified Energy System, as part of its restructuring effort and spin off of its non core assets. In particular, in 2004, Alfa Bank organised and successfully held an auction for the sale of Hotel Energetic located in the historical centre of Moscow. In 2005, Alfa Bank intends to further strengthen its position in the corporate finance services market.

Fixed Income Department

Alfa Banking Group engages in fixed income trading, covering a range of products including Russian government and corporate bonds, promissory notes and repos. Alfa Bank works with more than 400 local clients. Alfa Bank offers a large range of services in both the domestic and international debt capital markets. During 2003, Alfa Bank was a lead manager of Rouble corporate bond issues totalling RUR7.7 billion, compared to RUR3.2 billion in 2002. During the year ended 31 December 2004, Alfa Bank arranged RUR6.6 billion of rouble corporate bonds and as at 1 September 2005, Alfa Bank had arranged RUR3.1 billion of rouble corporate bonds. In June 2005, Alfa Bank established a U.S.$10,000,000,000 Global Repackaging Programme and as at 1 September 2005, Alfa Bank had arranged CLNs issued under such programme totalling U.S.$225 million. In addition, Alfa Banking Group trades emerging markets' fixed income instruments as well as derivative contracts.

Derivatives Department

In early 2004, Alfa Banking Group created a separate Derivatives Department, which is in charge of its brokerage derivatives operations. Trading is carried out through two entities — Alfa Bank and Alfa Capital. The range of instruments covers FOREX, the Rouble, commodities, interest rates, Russian equities and eurobond derivatives, both OTC as well as exchange traded. Alfa Bank is a clearing member of the St. Petersburg Currency Exchange (SPCEX), which is currently the main exchange trading floor for different derivative contracts in Russia. In 2004, Alfa Bank became a member of FORTS — Futures and Options on the RTS Stock Exchange. Alfa Banking Group's clients in derivatives include both large corporate clients of

Alfa Banking Group (largely for FOREX, Rouble and interest rate derivatives) as well as Russian medium sized and smaller banks and investment companies (for the whole range of derivatives).

Foreign Exchange Department

Alfa Banking Group maintains market making positions on the domestic foreign exchange market, currently covering approximately 5% of Russia's Rouble/U.S. dollar turnover with proprietary and client driven operations on the bank to bank market and MICEX. Apart from traditional Rouble/U.S. dollar transactions, Alfa Banking Group executes over 20% of the total trading volume of other CIS currencies (LCC Limited Convertible Currencies) and is part of the group of five domestic banks used by the CBR for determination of the CBR's daily official rate for CIS currencies. Alfa Banking Group is an active participant in the international FOREX markets with around U.S.$300 million in trading lines from leading European and North American financial institutions and is consistently a leading Russian based spot and margin trader based on trading volumes (30%).

Infrastructure and Support Division

The Infrastructure and Support division comprises several departments, including administration, risk management, government relations, operations, information technology, finance and treasury departments.

FUNDING AND LIQUIDITY

The principal sources of funding for the Alfa Banking Group are demand and term deposits from corporates and individuals which, as at 30 June 2005, amounted to U.S.$4,690.1 million and represented 63.6% of total liabilities, compared to U.S.$4,492.1 million and 71.1%, respectively, for the year ended 31 December 2004. Alfa Banking Group's funding strategy is to increase its Rouble and foreign currency deposit base through the expansion of its network and its corporate and retail customer base. The balance on individual Rouble and foreign currency accounts rose by 8.1% in 2004 to U.S.$1,398.0 million, and by a further 11.5% in the six month period ended 30 June 2005 to U.S.$1,559.0 million, ranking Alfa Banking Group in seventh place among Russian banks in terms of retail deposits. This increase will allow for the expansion of customer lending operations and will lead to a diversification of its sources of funding. The successful roll out of the "Alfa Bank Express" concept should allow Alfa Banking Group to significantly diversify its source of deposits.

Alfa Banking Group borrows in Roubles and foreign currencies from domestic and foreign banks and institutions on both bilateral and syndicated bases, through the issuance of certificates of deposit and promissory notes and inter bank borrowing. Alfa Bank has over the last few years diversified its funding sources by entering the international debt capital markets through its ECP Programme (as defined below) and under the Programme.

Alfa Banking Group intends to continue to obtain short and medium term financing in the Rouble bond market, through the issue of Rouble bonds and promissory notes and also intends to continue to obtain medium term financing through its correspondent banking relationships and through financings in the international markets (including in the syndicated loan and capital markets). In June 2002, RUR1 billion was raised through the first Rouble bond issue of Alfa Banking Group, and the second Rouble bond issue in the amount of RUR2 billion was placed in April 2004. Alfa Banking Group issued a U.S.$175.0 million Eurobond in November 2002, the first such issue by a privately owned Russian bank since 1998. In January and November 2003 two syndicated loans of U.S.$50.0 million and U.S.$82.0 million respectively with 1 2 year maturities were obtained from a consortium of leading European banks. The January 2003 syndicated loan was repaid by Alfa Bank in July 2004 and the November 2003 loan was repaid on 23 May 2005. The proceeds from the loans were used to finance the trade operations of one of Alfa Banking Group's clients. On 11 December 2003, Alfa Banking Group established a Euro Commercial Paper Programme with an initial programme amount of U.S.$200 million (the "ECP Programme") the nominal amount outstanding under the ECP Programme was U.S.$120.5 million as at 30 June 2005. On 22 June 2004, Alfa Banking Group established the Programme. The nominal amount outstanding under the Programme was U.S.$590 million as at 30 June 2005. In June and December 2004 two syndicated loans of

U.S.$120.0 million and U.S.$65.0 million respectively with 1-2 year maturities were obtained from a consortium of leading European banks. In June and November 2005, Alfa Bank obtained 364 day syndicated loans of U.S.$230 million and U.S.$275 million, each with an option to extend for an additional 364 days.

Alfa Banking Group will look to raise further funds over the near term in the international bank market which, together with the net proceeds of Notes under the Programme and the proceeds of its non-core asset disposition plan and capital contributions should further improve its medium term funding base.

The following table sets out certain liquidity ratios for Alfa Bank at the dates indicated:

	As at 31 December		As at 30 June
	2003	2004	2005
Loans to customers[1] as % of total assets	58.9	58.4	60.0
Loans to customers[1] as % of customer accounts	101.9	91.3	104.2
Loans to customers[1] as % of total shareholders' equity	633.7	579.5	631.5

Note:
(1) Net of provisions.

PLANNED DIVESTITURE OF NON CORE ASSETS

Alfa Banking Group holds certain non core assets, a substantial part of which it intends to sell off over the next few years, conditions permitting, as part of the planned further reorganisation of Alfa Banking Group and its focus on key business banking segments. Alfa Banking Group's non core asset portfolio is carried in Alfa Banking Group's consolidated balance sheet at a value of U.S.$130.0 million at 30 June 2005, being approximately 1.6% of its total assets. The following table sets out its main investments as at 30 June 2005 and Alfa Banking Group's stake in the company below:

Investments	Line of Business	Country of Registration	Ownership stake (%)	Carrying value (U.S.$ millions)
CTC Media Inc[1]	Television	Russia	29.1	56.5
Investment through profit and loss				45.0
Other				28.5
Total				130.0

Notes:
(1) Formerly Story First Communications.
(2) Investment through profit and loss of U.S.$45 million represents a 8.3% interest of Amtel Holdings, a tyre manufacturing company.

SUBSIDIARIES

ABH Financial's principal consolidated subsidiaries as at 30 June 2005 are set out below:

Name	Nature of Business	Percentage Controlled[2]	Country of Registration
Alfa Bank	Banking		Russian Federation
Alfa Bank Kazakhstan	Banking		Kazakhstan
Alfa Bank Ukraine	Banking	96.9	Ukraine
Alfa Capital Holdings (Cyprus) Limited	Financial Services		Cyprus
Alfa Capital Markets USA Inc	Brokerage		U.S.A.
Alfa Leasing	Leasing		Russian Federation
Alfa Russia Finance B.V.	SPV[1]		Netherlands
Alfa Securities Limited	Brokerage		United Kingdom
Amsterdam Trade Bank	Banking		Netherlands
Alfa Debt Market Limited	SPV[1]		Cyprus
Alfa MTN Issuance Limited	SPV[1]		Cyprus
Alfa MTN Invest Limited	SPV[1]		Cyprus

Alfa FI Limited	SPV[1]	Cyprus

Notes:
(1) SPV — special purpose vehicle.
(2) Unless otherwise stated, each of the principal subsidiaries listed above is directly or indirectly wholly owned by ABH Financial.

A number of ABH Financial's subsidiaries are incorporated outside the Russian Federation and some of Alfa Banking Group's business is generated by entities other than the Issuers and the Guarantors.

Amsterdam Trade Bank

ATB was incorporated in September 1994 in Amsterdam, The Netherlands, and holds a full banking licence from the Dutch Central Bank (De Nederlandsche Bank N.V.).

In March 2001, Alfa Bank acquired a 100% stake in ATB, which thus became its wholly owned subsidiary operating on a stand alone basis.

ATB is a member of SWIFT, TARGET and Interpay settlement systems. The latter membership allows it to issue private and corporate EuroCards and Mastercards. ATB is the main correspondent bank of Alfa Bank for clearing services in euro.

ATB operates primarily in trade finance markets and those involving Russia, other CIS countries and the European Union; providing banking, consultancy and project finance services to a wide range of corporate clients. ATB also facilitates foreign direct investment in Russia and the CIS.

According to its management accounts, ATB's net profit for the six month period ended 30 June 2005 amounted to EUR5.05 million as compared to EUR7.1 million for the year ended 31 December 2004 with assets increasing from EUR1.25 billion in 2004 to EUR1.5 billion as at 30 June 2005. The loan portfolio accounted for EUR620 million as at 30 June 2005 as compared to EUR349 million as at 31 December 2004. The bank's BIS solvency ratio was more than 22.6%, well above the minimum requirement of 8%.

On 19 November 2004, Alfa Bank made an equity contribution in the amount of EUR40 million, thereby increasing the total equity to EUR82 million. Total shareholder's equity amounted to EUR92 million as at 30 June 2005.

Alfa Bank Ukraine

In 2000 Alfa Banking Group acquired of over Ukrainian commercial bank Kievinvestbank and then reorganised it into CJSC Alfa Bank (Ukraine) with the long term aim of establishing a high tech, universal bank, combining the expertise of Alfa Bank and the know-how of a local operator in the Ukrainian market.

In 2002 Alfa Bank Ukraine started to increase the reach of its branch network. Over the last two years, Alfa Bank Ukraine opened three branches in the cities of Donetsk, Kharkov, and Dnepropetrovsk as well as its central office and two outlets in Kiev. Alfa Bank Ukraine aims to expand its branch business in the future by establishing new outlets in Kiev and other large cities, including the big industrial regional centres of Ukraine. Alfa Bank Ukraine's current loan portfolio is approximately U.S.$150 million. Alfa Banking Group is considering spinning off its commercial banking operations in Ukraine.

In addition to commercial and retail banking, Alfa Bank Ukraine engages in investment banking activities, such as fixed income trading, debt capital services and M&A consulting. During 2004 Alfa Bank Ukraine was a lead-manager of Grivna (UHR)) corporate bond issues totaling approximately U.S.$49 million. In the first half of 2005 Alfa Bank Ukraine had arranged approximately U.S.$7 million of Grivna (UHR) corporate bonds.

As of 30 June 2005, Alfa Bank Ukraine was ranked 16th in terms of capital by the Ukrainian Banking Association. Alfa Bank Ukraine has set itself the target of being among the top ten banks in Ukraine in the next few years.

Alfa Bank Kazakhstan

Established in 1994, Alfa Bank Kazakhstan is now a notable participant on the local Kazakh market. Its clients are served by three branches located in Karaganda, Ust Kamenogorsk and the new capital, Astana, as well as in the Head Office in the old capital Almaty.

In August 2001, Alfa Bank Kazakhstan started issuing VISA branded debit cards under a licence from VISA International. In late 2001, it became a full member of SWIFT.

Alfa Capital Markets Inc.

Alfa Capital Markets is the SEC registered U.S. arm of Alfa Bank's Investment Business, based in New York City. It aims to provide brokerage and investment services to many of the major U.S. institutional investment companies and has gained a customer base of over 30 blue chip institutional funds since its creation in 2001, and continues to expand. The operation consists of sales research, sales and trading, and securities compliance. Alfa Capital Markets has execution capability on all major U.S. equity exchanges. The New York office has direct trading lines open with both Moscow and London and operates in real time on all exchanges. It aims to distribute Alfa Bank's products to all major financial institutions in the U.S. and to be the gateway for U.S. investment into Russia.

Alfa Capital Holdings (Cyprus) Limited

Alfa Capital was incorporated in Cyprus on 23 August 1996, with registration No. 78416, under the provisions of the Cyprus Companies Law, Cap. 113. Alfa Capital is wholly owned by ABH Financial. The principal activities of the company are investment operations in equities and bonds in the Russian Federation and the provision of financial services to other members of Alfa Banking Group. The company has been regulated by the Central Bank of Cyprus as a financial services company under permit No. EC/D/II/24839 issued in April 2002 by which it is licensed to offer financial services to banking or credit institutions, the company's shareholders or members of its group of companies and to other experienced or professional investors outside Alfa Banking Group. Pursuant to the provisions of the Investments Firms Law, Law 148(I)/2002 the Cyprus Securities and Exchange Commission ("CSEC") has assumed authority as the regulator of Alfa Capital in the conduct of its business and in that regard Alfa Capital filed an application with CSEC for licensing as an investment firm under the provisions of the Investments Firms Law. This application was successful and authorisation to operate as a Cypriot investment firm No. CIF25/04 was granted on 4 May 2004.

LITIGATION

Norex

Since 2002, Alfa Finance Holdings, S.A., the Alfa Consortium, Crown Finance Foundation and CTF Holdings Limited have been listed as the defendants in an action commenced by Norex Petroleum Limited ("Norex") in the United States District Court for the Southern District of New York. None of the Issuers, Alfa Bank or ABH Financial, were identified as the defendants in the caption in this lawsuit or were served with court papers.

Norex attempted to claim U.S.$1.5 billion under the U.S. RICO statute for the loss of its alleged ownership interest in Yugraneft, a Russian oil company.

On 3 March 2004, the District Court dismissed the claim on the grounds of "*forum non conveniens*". In the opinion and order dismissing the action, Alfa Bank and Alfa Capital Markets (USA) Inc. were identified by the judge in the grouping of defendants. However, neither entity has been served with any court papers or is named in the caption to this action. Norex representatives filed a notice of appeal on 12 March 2004 and on 26 October 2004, the Court of Appeals heard oral argument on this matter. On 21 July 2005, the Court of Appeals sent the claim back down to the District Court for a rehearing. Management believes that since the claim itself is without merit, the plaintiff is unlikely to succeed.

Other proceedings

Alfa Banking Group is involved in various other legal proceedings but does not believe that such proceedings individually or taken together, are likely to have a material adverse effect on the business of the Alfa Banking Group, ABH Financial or Alfa Bank or on the results of their respective operations or their financial condition.

MANAGEMENT

SENIOR MANAGEMENT OF ALFA BANKING GROUP

The names, qualifications and certain other information about each member of Alfa Banking Group's senior management team are set out below.

Mikhail Fridman — Chairman of the Board of Directors of Alfa Bank and principal founder of Alfa Bank; in 1989 began the process of creating the Alfa Consortium which has developed into one of the most powerful financial and industrial associations in Russia; MS Engineering, Moscow University of Alloys and Steel.

Pyotr Aven — President of Alfa Bank, formerly Minister of Foreign Economic Relations of Russia (1991-1992); Ph.D. Economics, MS Economics, Moscow State University. Mr. Aven is an internationally-recognised economist.

Oleg Sysuev — First Deputy Chairman of the Board of Directors of Alfa Bank and responsible for Alfa Bank's regional branch network and banking in the regions; formerly First Deputy Head of the Administration of the President of the Russian Federation (1998-1999), Deputy Chairman of the Government of the Russian Federation and Minister of Labour and Social Development (1997-1998), Head of Administration of Samara City (1992-1997); Mr. Sysuev is a member of several public and political organisations; Mr. Sysuev graduated from Kyuibishev Aviation Institute (Samara).

Leonard Vid — Deputy Chairman of the Board of Directors of Alfa Bank; Mr. Vid has been with Alfa Bank since 1996; formerly Chairman of Alfa Bank (1996-2002); Director of the Centre for Economic Conjuncture under the Government of the Russian Federation (1991-1996) and the First Deputy Chairman of Gosplan (State Planning Agency) of the USSR.

Petr Smida — Chief Executive Officer of Alfa Bank, member of the Board of Directors and a member of the Executive Board of Alfa Bank; Chief Executive Officer of Alfa Bank; Mr. Smida is responsible for Alfa Bank's general management and strategy; previously Chairman and CEO at GE Capital Bank, Prague and Senior Vice-President at GE Consumer Finance, USA; Mr. Smida graduated from University of Economics in Prague.

German Khan — Member of the Board of Directors of Alfa Bank; Executive Director of TNK; Mr. Khan has occupied different positions in companies of Alfa Consortium since 1992; was Head of Trade Operations in Alfa Eco (1992-1996) and President of Alfa Eco (1996-1998); since 1998 Mr. Khan has been Deputy Chairman of TNK and in 2000 was appointed Executive Director of TNK; Mr. Khan graduated from Moscow University of Alloys and Steel.

Alexey Kuzmichev — Member of the Board of Directors of Alfa Bank; Chairman of the Board of Directors of Alfa Eco, Member of the Board of Alfa Finance Holdings S.A.; formerly headed the International Trade Division at Alfa Eco (1990-1996); in 1992 was appointed Member of the Board of Crown Resources AG and since 1996 has been Chairman of the Board of Crown Resources AG; Mr. Kuzmichev graduated from Moscow University of Alloys and Steel.

Alexander Gafin — Member of the Board of Directors and Director for Public Relations and Marketing responsible for PR-support, marketing of Alfa Bank and organisation of social and charitable events; Mr. Gafin joined Alfa Bank in 1994; Mr. Gafin holds a number of the highest awards in the field of public relations, fine arts and literature.

Rushan Khvesyuk — Chairman of the Executive Board of Alfa Bank, formerly Head of Legal Department. Graduated from Moscow State Academy of Law in 1994 and headed Alfa Bank Legal Department from 1995 until 2002; Russian Career Magazine has named Mr. Khvesyuk as one of 50 best Russian corporate lawyers in 2001.

Alexander Lukanov — Chairman of the Supervisory Board of CJSC Alfa Bank (Ukraine) and Deputy Chairman of the Executive Board of OJSC Alfa Bank; formerly Head of Corporate Banking; Mr Lukanov joined Alfa Bank in 1995; prior to this, worked as a General Director of one of the first venture funds in Russia SPF Kontakt XXI; Mr. Lukanov graduated from the Moscow Power Engineering Institute.

Andrey Sokolov — Deputy Chairman of the Executive Board, joined Alfa Bank in 1995; formerly Chairman of the Board of Resso-Garantia, Deputy Chairman of the Board of Directors of MDM Commercial Bank and Deputy Chairman of the Board of Konversbank; Moscow State University.

Ildar Karimov — Deputy Chairman of the Executive Board, Alfa Bank, joined Alfa Bank in 1994; formerly researcher at International Institute of Applied Analysis in Austria and advisor to the Council on Foreign Economic Policy at the Ministry of Foreign Economic Relations in Moscow (1991-93); PhD (Mathematical Economics), MS Economic Sciences, Moscow State University.

Nikolay Shmigol — Director of Administrative Issues, Investment Bank, formerly Directors of Operations; joined Alfa Bank in 2000; formerly Head of Treasury and General Director at UFG; BA Honours Degree in Credit and Finance, Moscow Financial Academy.

Sergei Mednov — Director of Information Technology, Alfa Bank, joined Alfa Bank in 2000; formerly Deputy Chairman for IT of the Executive Board of JSCB Probusinessbank; Computer Aided-Design Department, Moscow Aviation Institute; Credit and Finance Department, Plekhanov Russian Academy of Economics.

Simon Vine — Head of Derivatives, Managing Director, Alfa Bank, joined Alfa Bank in 1998; previously worked at American Express Bank, Refco, UBS, SocGen; MBA, Columbia Business School; MS Economics, Moscow Institute of Finance and Economics; Simon Vine is related to an officer of Merrill Lynch International and such officer has been actively involved in the structuring of, and advising in connection with, the documentation for the establishment of the Programme.

Dominic Gualtieri — Managing Director, Head of Equities, Alfa Bank, joined Alfa Bank in 2000; previously Managing Director of Franklin Templeton South Africa, Managing Director of Franklin Templeton Russia, Head of Representation at Canada-Russia Parliamentary Program; MA Economics, University of Toronto; Honours BA, Trinity College.

Philip Halperin — Director of Risk Management, Alfa Bank, joined Alfa Bank in 1999; previously Head of Risk Management of Refco Overseas Ltd., former head of trading support for Banque Indosuez; New York MPPM Yale University School of Management.

Michael Kaplan — Head of equity research sales and sales trading business, Alfa Capital Markets (USA) Inc.; formerly Vice President of International Sales at Morgan Stanley and Head of U.S. research sales and sales trading business at Renaissance Capital; MBA in finance, Northwestern's Kellogg Graduate School of Management.

Simon Roache — Chief Executive Officer of Alfa Capital Holdings (Cyprus) Limited, London branch; formerly Executive Director at Alfa Capital Asset Management in Moscow, Vice President at Fleming Investment Management, Moscow; BA, Heriot-Watt University, Edinburgh.

Sergei Rodionov — Head of Fixed Income Department of Alfa Capital Holdings (Cyprus) Limited, London branch, formerly Director of Capital Markets Division integrating fixed income, foreign exchange, money markets and derivatives trading as well as sales; previously worked at Chase Manhattan Bank and WestLB; degree in international law, Moscow University of International Relations.

Oleg Belov — Head of Fixed Income, Managing Director, joined Alfa Bank in 1999; graduated from Applied Mathematic Moscow Economic and Statistic Institute in 1991; worked as an Equity Trader at Mosbusiness Bank and IFC (1993-96), Head of Fixed Income Trading Uneximbank (1996-99).

Vladimir Tatarchuk — Head of Corporate Banking, formerly Head of Corporate Finance, joined the Alfa Consortium in 1995; formerly Legal Adviser, Head of Legal Department of CSJC "Alfa Capital" (1995-

1997); Head of Legal Department of JSC "Alfa Capital" (1997-1998); MA in Law, Moscow State University.

Petr Shvrchek — Organisational Development Director, Alfa Bank; previously HR Director for Czech and Slovak Republic at SAB-Miller Company, Management Consultant with A.T. Cearney; MBA, Bradford, London Business School.

Todd Esposito — Financial Planning and Analysis Director, Member of the Executive Board, Alfa Bank; previously Marketing Leader and E-Business Leader at GE Capital Global Consumer Finance, Chief Financial Officer at GE Capital GCF Multiservis, FP&A manager/Sales Marketing Finance manager at GE Capital Mercurbank; Syracuse University (NY), London School of Syracuse; Goethe Institute (Vienna).

Miroslav Boublik — Chief Operations Officer, Alfa Bank; previously Engagement Manager of Business Technology Office and Consultant of Business Technology Office at McKinsey & Company, Inc., President and CEO at Aminet Inc. (USA); MBA, Harvard University; Brown University.

Viktor Bashkirov — Director of Retail Banking, Alfa Bank; former head of Citibank's retail division in Russia; joined Alfa Bank on 1 September 2004; Mr. Bashkirov began his career with Citibank in 1993 where his responsibilities included President of Retail Banking, Citibank (Egypt) and General Director of Citibank St. Petersburg Branch.

Alexander Silvestrov — Director of Corporate Credit, Alfa Bank; joined Alfa Bank in 1996; formerly Head of credit methodology group at JSB Tori Bank; Technological Faculty, Plekhanov Russian Academy of Economics.

Marco Salvi — Head of Investment Banking, Alfa Bank; previously Chief Executive Officer of Mercanti Finanziaria Sim, Managing Director at Majeca Ltda, Managing Director, Head of Capital Markets and Financial Products at Donaldson Lufkin and Jeanrette International; BA (Economics), MBA, University of California.

Tomasz Kazmierovski — Head of Consumer Finance, Alfa Bank; previously President of the Management Board of Inteligo Financial Services S.A., Deputy General Manager Poland NT Canal+/Cyfra+; Poznan University, Ecole Superieure de Commerce (France).

Alexander Tolchinsky — Member of the Board of Directors of Alfa Bank and Adviser to the Executive Board, previously Director of Credit Suisse First Boston, Moscow and a Partner at McKinley & Co. Mr Tolchinsky graduated from Moscow Civil Engineering Institute and holds an MBA from the University of Michigan.

Andrew John Baxter — Chief Financial Officer, Alfa Bank; joined Alfa Bank in 2005; former Partner and Head of Moscow Office of SUN Group; Finance Director/CFO at Renaissance Capital, Moscow; Vice-President and Senior Financial Officer at The US Russia Investment Fund, Moscow; Bachelor of Commerce and bachelor of Accountancy, University of the Witwatersrand.

Mehdi Shirazee — Head of Treasury Block, Alfa Bank; joined Alfa Bank in 2005; former Director of Treasury at ABN Amro, Moscow; Vice President and Head of Money Desk at Saudi American Bank, Saudi Arabia; Vice president and Treasurer at Citibank N.A., Moscow; MBA in Finance, University of Karachi.

Maxim Shashenkov – Head of Equity Department of Alfa Capital Holdings (Cyprus) Limited, London branch, formerly Vice President at Merrill Lynch and Smith New Court; Phd Oxford University, MA Political Science, Moscow State University.

Management of Alfa Bank

Between shareholders' meetings, general corporate governance is exercised by the Board of Directors of Alfa Bank, a body comprising members elected by the Annual General Meeting of Shareholders. The Board of Directors has authority over all Alfa Bank operations except those matters reserved to the shareholders.

Operational control over the activities of Alfa Bank is exercised by the Executive Board.

The Executive Board meets on a weekly basis and members of the Board preside over the day to day operations of Alfa Bank according to their area of responsibility. The Chairman of the Board is ultimately responsible for all staff and administrative matters and for the organisation of Alfa Bank.

The current members of Alfa Bank's Board of Directors are:

Name	Position with Alfa Bank	Principal activities outside Alfa Banking Group
Pyotr Aven	President of Alfa Bank	Chairman of the Board of Directors of Golden Telecom, Co-Chairman of the Board of Directors of STS Media; Member of the Charity Board of the Bolshoi Theatre; Member of the Board of Alfa Finance Holdings S.A.
Alexander Gafin	Member of the Board of Directors of Alfa Bank, Director of Public Relations	Executive Director of the Bolshoi Theater Foundation; Member of the Charity Board of the Bolshoi Theatre.
Mikhail Fridman	Chairman of the Board of Directors of Alfa Bank	Chairman of the Board of Directors of Alfa Group Consortium; Chairman of the Board of Directors of TNK-BP; Member of the Board of Directors of Vimpelcom; Member of the Board of Directors of Trade House Perekryostok; Member of the Board of Alfa Finance Holdings S.A.
German Khan	Member of the Board of Directors of Alfa Bank	Executive Director and Member of the Executive Board of TNK-BP; Member of the Board of Directors of Slavneft; Member of the Board of Alfa Finance Holdings S.A.
Alexei Kuzmichev	Member of the Board of Directors of Alfa Bank	Chairman of the Board of Directors of Alfa Eco Group; Member of the Board of Alfa Finance Holdings S.A.; Member of the Board of Directors of the Russian Technologies Company
Oleg Sysuev	First Deputy Chairman of the Board of Directors of Alfa Bank	Member of the Board of Directors of STS Media, Gamma Film and Trade House Perekresyostok
Petr Smida	Chief Executive Officer of Alfa Bank, member of the Board of Directors and a member of the Executive Board of Alfa Bank	None
Leonard Vid	Deputy Chairman of the Board of Directors of Alfa Bank	None

The business address of the above members of the Board of Directors of Alfa Bank is 11 Mashy Poryvaevoy Street, 107078 Moscow, Russia with the exception of Mr Smida whose business address is 12 Acad. Sakharova Prospect, 107078, Moscow, Russia.

The current members of the Executive Board of Alfa Bank are:

Name	Principal Occupation	Principal activities outside Alfa Banking Group
Pyotr Aven	President of Alfa Bank	Chairman of the Board of Directors of Golden Telecom, Co-Chairman of the Board of Directors of STS Media; Member of the Charity Board of the Bolshoi Theatre; Member of the Board of Alfa Finance Holdings S.A.
Viktor Bashkirov	Director of Retail Banking, Alfa Bank	None
Miroslav Boublik	Chief Operating Officer, Alfa Bank	None
Todd Esposito	Financial Planning and Analysis Director, Alfa Bank	None
Mikhail Fridman	Chairman of the Board of Directors of Alfa Bank	Chairman of the Board of Directors of Alfa Group Consortium; Chairman of the Board of Directors of TNK-BP; Member of the Board of Directors of Vimpelcom; Member of the Board of Directors of Trade House Perekryostok; Member of the Board of Alfa Finance Holdings S.A.
Ildar Karimov	Deputy Chairman of the Executive Board of Alfa Bank	Member of the Board of Directors of Alfa Strakhovanie; Member of Investment Committee Alfa Capital Partners; Member of the Board of Directors of Alfa Assets Management; Member of the Board of Alfa Finance Holdings S.A.
Rushan Khvesyuk	Chairman of Executive Board of Alfa Bank	None
Alexander Lukanov	Deputy Chairman of the Executive Board of Alfa Bank	Member of Supervisory Board of Amsterdam Trade Bank; Member of Supervisory Board of Alfa Bank Ukraine
Petr Smida	Chief Executive Officer of Alfa Bank, member of the Board of Directors and a member of the Executive Board of Alfa Bank	None
Andrey Sokolov	Deputy Chairman of the Executive Board of Alfa Bank	None
Oleg Sysuev	First Deputy Chairman of the Board of Directors of Alfa Bank	Member of the Board of Directors of STS Media, Gamma Film and Trade House Perekresyostok
Vladimir Tatarchuk	Managing Director, Head of Corporate Banking and a member of the Executive Board of Alfa Bank	None

The business address of each of the following members of the Executive Board of Alfa Bank is 11 Mashy Poryvaevoy Street, 107078 Moscow, Russia:

- Pyotr Aven
- Viktor Bashkirov
- Ildar Karimov
- Andrey Sokolov
- Oleg Sysuev
- Vladimir Tatarchuk
- Mikhail Fridman

The business address of each of the following members of the Executive Board of Alfa Bank is 12 Acad. Sakharova Prospect, 107078 Moscow, Russia:

- Miroslav Boublik
- Rushan Khvesyuk
- Petr Smida
- Todd Esposito

The business address of Alexander Lukanov is 4/6 Desatinaya Street, 01025, Kiev, Ukraine.

Management of ABH Financial

The current members of the Board of Directors of ABH Financial are:

Name	Principal Occupation	Principal activities outside Alfa Banking Group
Pavel Nazarian	Director of ABH Financial	Director of other Alfa Consortium companies
Joseph Louis Moss	Director of ABH Financial	None

The business address of the above members of the Board of Directors of ABH Financial is 22, Grand Rue, 2nd Floor, Luxembourg, L-1661.

Certain Transactions

There are no significant loans, guarantees or other contingent liabilities granted by any member of Alfa Banking Group to any member of its management.

For the six month period ended 30 June 2005, the total remuneration of the key management personnel of Alfa Banking Group, including pension contributions and discretionary compensation, amounted to U.S.$13.7 million (compared with U.S.$9.9 million for the six month period ended 30 June 2004).

Conflict of Interest

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuers and/or the Guarantors towards the Issuers and/or the Guarantors and their private interests and/or other duties.

ASSET AND LIABILITY MANAGEMENT

INTRODUCTION

Alfa Banking Group seeks to control the size and degree of its interest rate and exchange rate exposure to minimise the effect of these risks on profitability levels and to ensure sufficient liquidity is available for funding and to minimise short-term liquidity problems.

Customer accounts as a percentage of total liabilities was 63.6% at 30 June 2005. Alfa Banking Group is seeking to enhance its liquidity by raising longer term financing, through issues such as the Notes, in the capital markets. In addition, Alfa Banking Group maintains a portfolio of liquid international and domestic corporate and Russian Federation bonds as a hedge against such potential outflows.

Alfa Banking Group monitors and manages its asset and liability position through its Asset and Liability Management Committee ("ALCO"), which consists of eleven members. ALCO is chaired by Petr Smida (CEO) and includes the following ten additional members: Andrew Baxter (CFO and First Deputy Head of ALCO), Mehdi Shirazee (Head of Treasury Block and Deputy Head of ALCO), Vladimir Tatarchuk (Head of Corporate Banking), Viktor Bashkirov (Director of Retail Banking), Marco Salvi (Head of Investment Banking), Philip Halperin (Head of Risk Management), Igor Knyazev (Treasurer), Alexander Silvestrov (Director of Corporate Credit), Igor Vasiliev (Head of Forex; a zero-weighted vote) and Igor Belozerskiy (Secretary of ALCO, also having a zero-weighted vote). ALCO meets every two weeks to review Alfa Banking Group's asset and liability position including maturities and interest rates and yields; the size of Alfa Banking Group's loan and investment portfolios; the net foreign currency position; operational ratios, in the case of Alfa Bank, relative to CBR regulations; exchange rates, inflation rates and other factors; and general national, political and economic trends. Based on its reviews, ALCO assesses Alfa Banking Group's risk profile and determines short-term strategy.

ASSET AND LIABILITY MANAGEMENT AND STRATEGY

Senior management monitors maturities or the duration of assets and liabilities (both on and off-balance sheet) to ensure they are consistent with Alfa Banking Group's strategy and that limits set by the CBR are respected. ALCO reviews Alfa Banking Group's positions and advises on any changes to be made.

Alfa Banking Group is exposed to interest rate risk, principally as a result of lending and advances to customers and other banks at fixed interest rates, in amounts and for periods which differ from those of term deposits and other borrowed funds at fixed interest rates. Also, interest rates, that are contractually fixed on both assets and liabilities, can be renegotiated to reflect current market conditions.

The tables below summarise the effective average period end interest rates, by major currencies, for monetary financial instruments outstanding at the respective period end. The analyses have been prepared for the various financial instruments using period end effective contractual rates.

	31 December 2003							
	U.S.$	End of period balance (U.S.$ million)	RUR	End of period balance (U.S.$ million)	Euro	End of period balance (U.S.$ million)	Other Currencies	End of period balance (U.S.$ million)
Assets								
Overnight placements with other banks	4.0%	66.2	2.3%	34.0	2.3%	224.5	—	—
Mandatory cash balances with the CBR and other local banks	—	—	0.0%	279.0	0.0%	13.6	0.0%	0.7
Debt trading securities	7.5%	525.0	11.1%	101.5	5.7%	23.9	5.1%	2.8
Due from other banks	3.7%	60.9	4.3%	65.8	6.5%	3.3	5.0%	1.6
Loans and advances to customers	11.9%	2,022.9	16.1%	1,305.2	9.6%	101.7	14.2%	36.5
Liabilities								
Term placements of other banks	3.2%	500.9	7.1%	110.1	3.8%	26.1	1.0%	21.7
Current and settlement accounts	1.8%	370.3	0.5%	836.7	0.2%	65.9	0.0%	10.4
Term deposits of customers	3.9%	1,281.9	6.2%	616.8	3.3%	209.7	4.8%	8.7
Promissory notes issued	4.0%	171.7	12.5%	394.6	2.7%	28.6	—	—
Other borrowed funds	9.6%	307.2	7.5%	16.7	—	—	—	—

	31 December 2004							
	U.S.$	End of period balance (U.S.$ million)	RUR	End of period balance (U.S.$ million)	Euro	End of period balance (U.S.$ million)	Other Currencies	End of period balance (U.S.$ million)
Assets								
Overnight placements with other banks	1.4%	113.6	0.6%	38.0	0.0%	47.7	2.5%	1.9
Mandatory cash balances with the CBR and other local banks	–	–	0.0%	107.9	0.0%	28.8	0.0%	2.8
Debt trading securities	7.9%	195.4	10.2%	128.8	4.9%	21.9	7.8%	22.3
Due from other banks	5.4%	344.9	2.1%	205.0	–	–	11.7%	20.7
Loans and advances to customers	11.2%	2,483.4	13.6%	1,326.9	8.1%	247.0	14.3%	42.8
Liabilities								
Term placements of other banks	3.4%	255.8	2.3%	77.5	3.6%	80.8	2.2%	27.2
Current and settlement accounts	0.6%	310.0	1.1%	1,233.1	0.9%	179.1	1.0%	87.9
Term deposits of customers	5.7%	1,647.0	5.2%	830.0	5.5%	175.0	9.8%	29.9
Promissory notes issued	3.8%	46.9	6.6%	156.0	6.7%	2.7	13.0%	0.6
Other borrowed funds	8.2%	638.6	7.4%	68.3	—	—	—	—

	30 June 2005							
	U.S.$	End of period balance (U.S.$ million)	RUR	End of period balance (U.S.$ million)	Euro	End of period balance (U.S.$ million)	Other Currencies	End of period balance (U.S.$ million)
Assets								
Overnight placements with other banks	2.7%	343.5	8.4%	70.4	2.1%	88.9	3.8%	6.6
Mandatory cash balances with central banks	–	–	0.0%	137.8	0.0%	27	0.0%	6.7
Debt trading securities	6.9%	120.8	8.2%	194.7	4.1%	20.1	8.4%	10.6
Due from other banks	3.1%	388.9	7.4%	197.6	–	–	4.1%	18.8
Loans and advances to customers	11.4%	2,781.2	12.7%	1,751.5	8.0%	279.9	12.4%	75.3
Liabilities								
Due to other banks	4.2%	216.6	5.7%	146.5	3.5%	141.2	2.2%	33.9
Current and settlement accounts	0.4%	1202.5	0.0%	757.1	1.1%	224.2	0.0%	68.0
Term deposits of customers	4.7%	1068.5	4.2%	1100.7	3.9%	231.6	10.3%	37.5
Promissory notes issued	4.7%	81.8	3.5%	225	5.7%	4.1	0.0%	0.0
Other borrowed funds	8.3%	1,242.9	7.5%	2.1	–	–	–	5.0

Note:
The sign "—" in the table above means that Alfa Banking Group does not have the respective assets or liabilities in corresponding currency.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of Alfa Banking 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. As at 30 June 2005, 90.1% of Alfa Banking Group's liabilities had a maturity of less than one year, while the percentage of assets with a maturity of less than one year was 73.3%. Loans with shorter or the same contractual maturity as corresponding funding sources help to provide flexibility and stability to Alfa Banking Group's funding.

The following table shows Alfa Banking Group's banking assets and liabilities by residual contractual maturity as at 30 June 2005 (expressed in U.S.$000s):

	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	1,177,318	–	–	–	–	1,177,318
Mandatory cash balances with central banks	171,423	–	–	–	–	171,423
Trading securities	651,306	–	–	–	–	651,306
Due from other banks	575,707	28,721	–	846	–	605,274
Loans and advances to customers	284,001	1,120,201	1,688,270	1,795,449	–	4,887,921
Investments	–	–	–	–	130,032	130,032
Other assets and receivables	68,114	208,745	1,071	39	92,187	370,156
Premises and equipment and intangible assets	–	–	–	–	141,268	141,268
Deferred tax asset	–	–	–	–	16,251	16,251
Total assets	2,927,869	1,357,667	1,689,341	1,796,334	379,738	8,150,949
Liabilities						
Due to other banks	235,783	118,709	26,364	157,298	–	538,154
Customer accounts	2,370,771	1 863,284	327,223	128,802	–	4,690,080
Promissory notes issued	53,268	171,684	70,953	14,923	–	310,828
Other borrowed funds	17,449	302,790	531,089	398,711	–	1,250,039
Other liabilities and payables	289,300	261,988	1,381	2,876	–	555,545
Deferred tax liability	–	–	–	–	30,168	30,168
Total liabilities	2,966,571	2,718,455	957,010	702,610	30,168	7,374,814
Net liquidity gap	(38,702)	(1,360,788)	732,331	1,093,724	349,570	776,135
Cumulative liquidity gap	(38,702)	(1,399,490)	(667,159)	426,565	776,135	–

Mandatory cash balances with the CBR and other local central banks are included within "demand and less than one month" as the majority of liabilities to which these balances relate is also included in this category. All trading securities are classified within demand and less than one month, as the nature of the portfolio is that of a trading portfolio and the management of Alfa Banking Group believes this is a fairer portrayal of its liquidity position.

The management of Alfa Banking Group also believes that, in spite of a substantial portion of customer accounts having maturity on demand or less than one month, diversification of these balances by number and type of customers, and the past experience of Alfa Banking Group, indicate that these balances provide a long-term and stable source of funding for Alfa Banking Group.

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

FOREIGN CURRENCY MANAGEMENT

As at 30 June 2005, Alfa Banking Group had the following positions in currencies (expressed in U.S.$000s):

	U.S.$	RUR	EURO	Other Currencies	Total
Assets					
Cash and cash equivalents	647,409	356,258	137,821	35,830	1,177,318
Mandatory cash balances with central banks	—	137,755	26,974	6,694	171,423
Trading securities	426,038	194,657	20,055	10,556	651,306
Due from other banks	388,858	197,617	—	18,799	605,274
Loans and advances to customers	2,781,200	1,751,482	279,932	75,307	4,887,921
Investments	130,032	—	—	—	130,032
Other assets and receivables	213,396	101,293	38,669	16,798	370,156
Premises and equipment and intangible assets	—	110,696	1,080	29,492	141,268
Deferred tax asset	—	16,251	—	—	16,251
Total assets	4,586,933	2,866,009	504,531	193,476	8,150,949
Liabilities					
Due to other banks	216,629	146,452	141,196	33,877	538,154
Customer accounts	2,270,969	1,857,793	455,774	105,544	4,690,080
Promissory notes issued	81,784	224,983	4,057	4	310,828
Other borrowed funds	1,242,946	2,086	—	5,007	1,250,039
Other liabilities and payables	375,449	144,073	32,648	3,375	555,545
Deferred tax liability	—	30,168	—	—	30,168
Total liabilities	4,187,777	2,405,555	633,675	147,807	7,374,814
Net balance sheet position	399,156	460,454	(129,144)	45,669	776,135
Off-balance sheet net notional position	532,604	(309,785)	(10,520)	(298,780)	(86,481)
Credit related commitments	609,151	182,510	157,994	3,989	953,644

Alfa Bank's net open position is monitored on a daily basis by the treasury. The strategy and the limits for the foreign currency positions are set by ALCO. The treasury meets with ALCO every two weeks in order to review strategy, limits and exposures.

TREASURY OPERATIONS

Alfa Banking Group engages in transactions with off-balance sheet 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 (see Note 26 to the audited consolidated financial statements of ABH Financial for the six month period ended 30 June 2005).

SELECTED STATISTICAL AND OTHER INFORMATION

The following selected statistical and other financial information is derived from the audited consolidated financial statements of ABH Financial as well as from analysis of detailed accounting records.

ALFA BANKING GROUP'S LOAN PORTFOLIO

Alfa Banking Group lends to corporate and retail customers. U.S. dollar denominated loans to Russian customers represent a significant proportion of the loan portfolio. Loans advanced are typically short term.

The rate of interest charged on a loan depends on the credit risk classification and the maturity. As at 30 June 2005, effective average interest rates were 11.4% for U.S. dollar denominated loans to customers and 12.7% for Rouble loans to customers.

Interest rates for new loans to customers are subject to bi-weekly review and adjustment by the ALCO.

The following table provides a breakdown of Alfa Banking Group's loan portfolio as at 31 December 2003 and 2004 and 30 June 2005:

	As at 31 December 2003		As at 31 December 2004		As at 30 June 2005	
	U.S.$ million	%	U.S.$ million	%	U.S.$ million	%
Loans to customers	3,642.0	96.5	4,297.9	88.3	5,118.4	89.4
Due from other banks[1]	131.6	3.5	570.6	11.7	605.3	10.6
Provision for loan impairment[2]	(175.7)		(197.8)		(230.4)	
Total	3,597.9	100.0	4,670.7	100.0	5,493.3	100.0

Notes:

(1) Not including mandatory cash balances with the CBR or other central banks and correspondent accounts and overnight placements with other banks.

(2) This provision for loan impairment relates to both loans to customers and balances due from other banks.

At 30 June 2005, Alfa Banking Group had 24 borrowers with aggregate loan amounts equal to or above U.S.$50.0 million. The aggregate amount of these loans is U.S.$2,421.1 million or 47.3% of the gross loans to customers' portfolio. Loans to related parties comprised U.S.$115.5 million, around 2.3% of Alfa Banking Group's gross loans to customers (see "Related Party Transactions").

Customer Concentration

The following table shows Alfa Banking Group's ten principal non-bank customers (by gross exposure, i.e. total on and off balance sheet exposure) as at 30 June 2005, which together accounted for 28.6% of Alfa Banking Group's total gross non-bank exposure comprising of loans and advances to customers, guarantees issued and import letters of credit:

	Loans	Guarantees	Letters of Credit	Total gross exposure
Customer				
RAO UES Group	309.4	–	–	309.4
Svyazinvest Group	205.1	–	–	205.1
Rusneft	150.2	–	–	150.2
Suek	143.7	–	–	143.7
EAM Group	125.6	–	–	125.6
Urals Steel Group	123.4	–	13.8	137.2
Kuzbasrazresugol	106.0	–	–	106.0
Azovstal	99.1	–	–	99.1
Severnaya Verf	93.1	1.4	–	94.5
UGMK Group	92.4	–	–	92.4
Total	1,448.0	1.4	13.8	1,463.2

Note:
All figures in U.S.$ millions

The following table sets forth the structure of the customer loan portfolio by the size of exposure to individual customers of Alfa Banking Group:

	As at 31 December 2003		As at 31 December 2004		As at 30 June 2005	
	U.S.$ million	%	U.S.$ million	%	U.S.$ million	%
Up to U.S.$5 million	761.0	20.8	1,030.4	24.0	752.6	14.7
U.S.$5 million up to U.S.$10 million	302.5	8.3	308.1	7.2	428.9	8.4
U.S.$10 million up to U.S.$20 million	234.5	6.4	290.6	6.7	682.1	13.3
U.S.$20 million up to U.S.$30 million	180.4	5.0	259.8	6.0	455.9	8.9
U.S.$30 million up to U.S.$40 million	285.5	7.9	205.4	4.8	202.5	4.0
U.S.$40 million up to U.S.$50 million	135.2	3.7	274.6	6.4	175.3	3.4
Over U.S.$50 million	1,742.9	47.9	1,929.0	44.9	2,421.0	47.3
Total loans outstanding gross	3,642.0	100.0	4,297.9	100.0	5,118.3	100.0
Provision for loan impairment	(175.7)		(197.8)		(230.4)	
Total loans outstanding net	3,466.3		4,100.1		4,887.9	

The following table sets forth the maturity structure of the customer loan portfolio of Alfa Banking Group:

	As at 31 December 2003		As at 31 December 2004		As at 30 June 2005	
	U.S.$ million	%	U.S.$ million	%	U.S.$ million	%
Demand and less than one month	170.3	4.9	199.6	4.9	284.0	5.8
1-6 months	956.9	27.6	1,267.1	30.9	1,120.2	22.9
6-12 months	1,431.5	41.3	1,237.6	30.2	1,688.3	34.5
More than one year	907.6	26.2	1,395.8	34.0	1,795.4	36.8
No stated maturity	—	—	—	—		
Total loans to customers	3,466.3	100.0	4,100.1	100.0	4,887.9	100.0

Note: Amounts net of provision.

Sectoral and Regional Analysis

The structure of Alfa Banking Group's gross loans to customers portfolio by sector and geographical regions is set out in the following tables:

	As at 31 December 2003		As at 31 December 2004		As at 30 June 2005	
	U.S.$ million	%	U.S.$ million	%	U.S.$ million	%
Sector						
Manufacturing and construction	1,482.3	40.7	1,881.5	43.8	2,374.4	46.4
Energy and oil and gas	1,052.2	29.0	1,065.9	24.8	1,107.1	21.6
Trade and commerce	529.5	14.5	643.0	15.0	799.3	15.6
Telecommunications	205.7	5.6	198.9	4.6	232.6	4.5
Finance and investment companies	98.8	2.7	86.6	2.0	117.0	2.3
Individuals	49.9	1.4	46.1	1.1	60.0	1.2
Other	223.6	6.1	375.9	8.7	428.0	8.4
Total loans and advances to customers (aggregate amount)	3,642.0	100.0	4,297.9	100.0	5,118.4	100.0

	As at 31 December 2004		As at 30 June 2005	
	U.S.$ million	%	U.S.$ million	%
Region				
Russia	3,710.5	90.5	4,291.9	87.8
CIS (excluding Russia)	268.0	6.6	454.0	9.3
Europe	116.6	2.8	101.5	2.1
USA	4.9	0.1	34.2	0.7
Other	0.1	—	6.3	0.1
Total	4,100.1	100.0	4,887.9	100.0

Currency Analysis

The loan portfolio comprises loans denominated in U.S. dollars, Roubles, Euro and other foreign currencies. The following table provides a breakdown of Alfa Banking Group's customer loan portfolio by currency as at 31 December 2003, 31 December 2004 and 30 June 2005:

	As at 31 December 2003		As at 31 December 2004		As at 30 June 2005	
	U.S.$ million	%	U.S.$ million	%	U.S.$ million	%
U.S. dollars	2,022.9	58.3	2,483.4	60.6	2,781.2	57.0
Roubles	1,305.2	37.7	1,326.9	32.4	1,751.5	35.8
Euro	101.7	2.9	247.0	6.0	279.9	5.7
Other Currency	36.5	1.1	42.8	1.0	75.3	1.5
Total	3,466.3	100.0	4,100.1	100.0	4,887.9	100.00

LENDING POLICIES AND PROCEDURES

Alfa Bank has well defined procedures for approving and monitoring loan quality and handling amendments, extensions and refinancing of existing loans. In addition, focused attention is paid to the extension and monitoring of loans to affiliated companies and loans on special terms. Key to the lending and approval process is the Credit Committee which comprises the Main Credit Committee and the Supplementary Credit Committee. Alfa Bank lends on the basis of a credit policy which is formally approved by the Board of Directors and the Main Credit Committee.

The creditworthiness of the borrower is assessed and monitored systematically. A thorough pre-approval loan grading process is in place. Loans and collateral are assessed separately by the local credit department. The grading is based on a scoring system with a maximum score of 100%. The credit application is then passed on to the legal department which reviews the legal documents as well as the collateral. For new clients, applications are validated in a second stage review by a special security department. Credit Risk Management provides an independent expert assessment of the credit application. The application is then submitted to the Credit Committee.

Lending limits for any given customer are determined by Alfa Bank's own method of credit risk assessment, a system of restrictions set by the Executive Board, and CBR loan concentration norms.

There is a special appraisal system for each branch to set up its maximum loan approval authority. There are three groups of branches with different thresholds. The approval of any loan above the relevant threshold has to be given by the Credit Committee. The creditworthiness of each client is assessed and monitored systematically. Branch and sector limits are reviewed by the Credit Committee on a quarterly basis.

Credit analysis and approval are being decentralised step-by-step, but systems are designed to enable headquarters-based senior credit officers to stay in control.

The Main Credit Committee is composed of 11 board members and the heads of the Risk Management, Legal, Treasury, Corporate Finance, Credit, Capital Markets and Security Departments. The Supplementary Credit Committee makes the final decision on all loans of under 2 years in an amount not exceeding 2.5% of Alfa Bank's shareholder equity and loans of under 3 years in an amount not exceeding 0.25% of Alfa Bank's shareholder equity. It is comprised of nine heads of relevant departments and one board member. The Main Credit Committee's competence covers all matters not covered by the Supplementary Credit Committee. The Credit Committees convene weekly, ensuring that all loan applications are dealt with swiftly.

When assessing the creditworthiness of an applicant, Alfa Bank looks at factors such as the management of the borrower, the main business activities of the borrower, the geographical location of the borrower, its suppliers and customers, information on previously received credits, the financial indices of the borrower including its financial stability and turnover and an economic appraisal of the likely return on the loan.

Alfa Bank evaluates its customers in accordance with their credit history, the quality of collateral offered, their financial condition (taking into account such matters as indebtedness ratios and cash flows) and Alfa Bank's own analysis of sector and regional risk. Points are then allocated to the credit under each of these criteria. For retail customers, Alfa Bank plans to implement a separate automated scoring system.

Any assessment of the risk of non-payment of customers' debt is problematic owing to the present economic conditions and legal climate in Russia. However, the financial statements of most of the major customers of Alfa Bank are prepared in accordance with IFRS or audited in accordance with International Standards on Auditing. It is difficult to reliably evaluate the financial condition of small and medium sized customers who do not report in accordance with IFRS.

Whether or not to extend the maturity of a loan is at Alfa Bank's discretion and any decision is reached after a review of the customer's overall credit quality. As a general rule, an extension of maturity is likely to be refused if the customer does not maintain active cash flow in its accounts or if there is an obvious deterioration in the customer's financial condition or a material risk of the customer becoming insolvent.

Related party loans are extended to companies in the Alfa Consortium at rates in accordance with the tariffs set by ALCO and are generally set on an arm's length basis and at market rates.

COLLATERAL

Depending on the circumstances, Alfa Bank aims to obtain collateral and/or guarantees to reduce credit risk. The main types of collateral include taking security interests over internationally rated securities, Russian government securities, promissory notes issued by Alfa Bank, shares in blue-chip companies, liquid promissory notes, real estate, goods, wares and merchandise and similar monetary valuables. Guarantees given in favour of Alfa Bank include guarantees from third parties, keep-well agreements and guarantees issued by Western and Russian banks. According to Alfa Bank's internal procedure, collateral should be provided (where it is required) to cover outstanding liabilities during the whole duration of a transaction.

The Credit, Legal and Collateral Departments are responsible for monitoring and registering the collateral taken. The frequency of a collateral review will depend on the type of collateral taken. Collateral taken over shares, for example, is reviewed daily. In normal circumstances, collateral can be realised within three months. However, the realisation of certain collateral, such as real property and industrial equipment, may take longer owing to lengthy legal procedures and other circumstances such as seasonal price fluctuations and demand.

ASSESSMENT OF PROVISION FOR LOAN IMPAIRMENT

A provision for loan impairment is established if there is objective evidence that Alfa Banking Group will not be able to collect the amounts due. 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 interest rate at inception.

A loan impairment estimation exercise follows certain steps and procedures, as described below.

1. Identification of loans that are individually significant, i.e. those loans which if fully impaired would have a material impact on an expected average level of operating profit of Alfa Banking Group.

2. Determination of whether an individually significant loan shows objective evidence of impairment or not. Special emphasis is placed on the timing of the contractual cash flows from interest payments and principal repayments. If Alfa Banking Group expects to collect all interest and principal due in full, but it is probable that those cash flows will be received later than the date agreed in the original contract, an impairment exercise is performed. Other impairment indicators include, but are not limited to: any significant financial difficulty of the borrower; an actual breach of the loan contract; a high probability of bankruptcy or other financial reorganisation of the borrower; recognition of an impairment loss on that asset in a prior financial reporting period; or a historical pattern of

collections of loans that indicates that the entire principal and interest amount of a loan portfolio will not be collected.

3. Review for impairment of individually significant loans which shows objective evidence of impairment. An impairment review requires an estimate of the expected timing and amounts of cash flows from interest and principal repayments and other cash flows, including amounts recoverable from guarantees and collateral, and discounting them at the loan's original effective interest rate. The loan is impaired if its carrying amount exceeds the estimated recoverable amount as defined above. A separate impairment loss on an impaired individually significant loan is recorded.

4. All remaining loans that have not been identified as individually significant should be assessed on a portfolio basis if there are signs that impairment is present in those portfolios. For the purpose of such a review, the portfolio of loans should be grouped in pools, based on similar credit risk characteristics. Such pools should be further assessed for impairment as if they were a single asset. Additionally, separate pools of loans may be identified that, for example, by virtue of belonging to a particular industry, have more chances of being impaired than other categories of loans.

Analysis of provision for loan impairment based on provisioning percentage is presented in the table below:

	As at 31 December 2003		
Impairment provision percentage group	**Principal amount outstanding (U.S.$ million)**	**Impairment provision (U.S.$ million)**	**Effective provisioning rate (%)**
0-5%	2,616.8	76.5	2.9
6-20%	994.0	68.0	6.8
21-50%	—	—	—
51-100%	31.2	31.2	100.0
Total	3,642.0	175.7	4.8

	As at 31 December 2004		
Impairment provision percentage group	**Principal amount outstanding (U.S.$ million)**	**Impairment provision (U.S.$ million)**	**Effective provisioning rate (%)**
0-5%	3,344.5	104.5	3.1
6-20%	927.1	70.5	7.6
21-50%	—	—	—
51-100%	26.3	22.8	86.7
Total	4,297.9	197.8	4.6

Impairment provision percentage group	As at 31 December 2005		
	Principal amount outstanding (U.S.$ million)	Impairment provision (U.S.$ million)	Effective provisioning rate (%)
0-5%	4,569.9	162.1	3.5
6-20%	518.9	41.8	8.1
21-50%	0.9	0.5	55.6
51-100%	28.7	26.0	90.6
Total	5,118.4	230.4	4.5

The following table sets out details of changes in the provision for loan impairment of loans to customers:

	Period ended		
	31 December		30 June
	2003	2004	2005
	U.S.$ in million		
Balance at 1 January	134.9	175.7	197.8
Charge to provision for loan impairment during the year	42.1	24.0	32.7
Loans written off during the period as uncollectable	(1.3)	(1.9)	(0.1)
Acquisition of subsidiaries	—	—	—
Balance at end of the period	175.7	197.8	230.4
Total customer loans portfolio, gross	3,642.0	4,297.9	5,118.4
Effective provisioning level, %	4.8	4.6	4.5

The following table sets out the industry structure of overdue customer loans:

	As at 31 December 2003			As at 31 December 2004			As at 30 June 2005		
	Gross loans	Provision		Gross loans	Provision		Gross loans	Provision	
	(U.S.$ million)		%	(U.S.$ million)		%	(U.S.$ million)		%
Individuals	6.3	(6.3)	100	10.6	(9.3)	88	21.0	(7.5)	35
Trade	7.2	(7.2)	100	8.9	(7.4)	83	10.9	(8.4)	77
Food	0.3	(0.3)	100	—	—	—	4.9	(3.8)	77
Construction	3.4	(3.4)	100	2.8	(1.7)	61	3.6	(2.8)	77
Agriculture	0.1	(0.1)	100	0.1	(0.1)	100	0.1	(0.1)	78
Finance	1.1	(1.1)	100	1.1	(0.6)	55	—	—	—
Machine building	1.3	(1.3)	100	—	—	—	—	—	—
Other	11.5	(11.5)	100	9.5	(8.9)	94	7.4	(5.7)	77
Total	31.2	(31.2)	100	33.0	(28.0)	85	47.9	(28.3)	59

SECURITIES PORTFOLIO

The following table illustrates Alfa Banking Group's securities trading portfolio (debt and equity), by value and as a percentage of the portfolio, as at 31 December 2003, 31 December 2004 and 30 June 2005:

	As at 31 December 2003		As at 31 December 2004		As at 30 June 2005	
	U.S.$ million	%	U.S.$ million	%	U.S.$ million	%
Corporate shares	35.1	5.1	331.1	46.2	287.6	44.1
Corporate Bonds	72.7	10.5	109.7	15.3	121.9	18.7
Corporate Eurobonds	183.3	26.4	79.7	11.1	104.1	16.0
Municipal Bonds	24.0	3.4	15.3	2.1	45.6	7.0
Promissory notes	—	—	—	—	28.1	4.3
Russian Federation Eurobonds	305.8	44.0	91.3	12.8	20.8	3.2
Eurobonds of other states	52.6	7.6	12.5	1.7	20.8	3.2
ADRs and GDRs	6.3	0.9	17.5	2.4	3.8	0.6
Other securities	14.8	2.1	60.0	8.4	18.6	2.9
Total	694.6	100.0	717.1	100.0	651.3	100.0

RELATED PARTY TRANSACTIONS

Alfa Banking Group companies have traditionally been reliant (both for funding and revenues) on the Alfa Consortium, although management believes that the majority of its related party transactions are with leading Russian corporates. Since 1997, however, Alfa Banking Group has pursued a strategy of diversifying its customer base. Although Alfa Banking Group has successfully reduced the level of reliance on the Alfa Consortium, a portion of its gross exposure relates to the Alfa Consortium, a component of its earnings is derived from Alfa Consortium companies and Alfa Banking Group has significant funding from Alfa Consortium companies. Substantially all of Alfa Banking Group's related party transactions have been priced predominantly at market rates.

LIMITS ON RELATED PARTY TRANSACTIONS

Alfa Banking Group regularly implements new (lower) limits on related party transactions. As at 30 June 2005, Alfa Banking Group has imposed a total limit on lending and credit related commitments to TNK of U.S.$150 million and a total limit on lending and credit related commitments to all related parties of 40% of Alfa Banking Group's shareholder capital. As at 30 June 2005, related parties' guarantees issued by Alfa Banking Group amounted to U.S.$129.8 million compared to U.S.$96.9 million as at 31 December 2004. Similarly, as at 30 June 2005, related parties' loans amounted to U.S.$115.5 million as compared with U.S.$90.4 million as at 31 December 2004. As at 30 June 2005, total gross loans to customers and guarantees outstanding with related parties comprised 4.3% of total gross loans to customers and guarantees.

In related party transactions, depending on the circumstances, Alfa Banking Group aims to obtain collateral and/or guarantees to reduce credit risk.

The following tables break down related party transactions:

	As at 31 December 2003		As at 31 December 2004		As at 30 June 2005	
	U.S.$ million	%	U.S.$ million	%	U.S.$ million	%
Trading Securities	33,099	5	12,603	2	11,648	1.8
Loans to customers						
Gross loans outstanding at period end	104,482	3	90,418	2	115,522	2.3
Receivables	10,252	6	16,083	6	4,743	1.3
Customer accounts						
Outstanding balance at period end	562,982	17	1,199,046	27	798,655	17.0
Promissory notes issued	49,982	8	3,848	2	20,938	6.7
Payables	15,495	8	12,119	3	2,455	0.4
Off balance sheet						
Guarantees issued by Alfa Banking Group	46,004	12	96,901	16	129,784	24.0
Import letters of credit	13,536	18	6,101	4	2,972	1.7
Export letters of credit	—	—	—	—	—	—
Fee and commission income	24,347	18	5,983	4	2,809	3.8
Fee and commission expense	1,684	4	—	—	—	—
Interest income	37,909	8	7,938	1	8,942	2.8
Interest expense	7,953	3	28,684	12	16,725	12.6
Other income	2,126	N/A	7,218	N/A	136	N/A
Other expenses	6,108	N/A	1,307	N/A	224	N/A

For the six month period ended 30 June 2005, the total remuneration of key management personnel, including pension contribution, and discretionary compensation amounted to U.S.$13.7 million (compared to U.S.$9.9 million for the six month period ended 30 June 2004).

The following table sets out information on loans and guarantees and on customer accounts with respect to related parties as at 31 December 2003, 31 December 2004 and 30 June 2005:

	As at		
	31 December		30 June
	2003	2004	2005
	U.S.$ million		
Loans			
Perekriostok	31,584	5,070	65,232
Alfa Telecom	—	20,460	23,532
CTC Media	—	24,000	18,169
Alfa Eco Group	—	18,054	700
TNK Group and affiliated companies	52,369	12,785	—
Gum Holdings Limited	17,259	—	—
Other	3,270	10,049	7,889
Total	104,482	90,418	115,522

	As at		
	31 December		30 June
	2003	2004	2005
	U.S.$ million		
Guarantees			
TNK Group and affiliated companies	45,119	96,883	128,859
Other	885	18	925
Total guarantees	46,004	96,901	129,784

	As at		
	31 December		30 June
	2003	2004	2005
	U.S.$ million		
Customer accounts			
CTF Holdings Limited	—	221,717	191,592
Individual Shareholders	—	221,223	191,423
TNK Group and affiliated companies	153,690	165,598	169,432
Alfa Telecom	—	—	109,160
Alfa Finance Holdings S.A.	—	—	46,554
Alfa Eco Group	88,491	22,201	17,615
Alfa Petroleum Holdings Limited	250,625	490,821	5,990
Vimplecom Group	22,186	22,144	1,534
Other	47,990	55,342	65,355
Total	562,982	1,199,046	798,655

CAPITAL ADEQUACY

ALFA BANK

Alfa Bank is required to comply with a number of mandatory economic ratios set by the CBR. In particular, the CBR establishes capital adequacy and risk diversification ratios. As of 1 April 2004, the former system of mandatory economic ratios was replaced by the new requirements which include the following changes:

- daily basis control (previously, banks' compliance had been tested on a monthly basis);
- elimination of eight ratios from the list of the generally applicable ratios;
- changes in ratio limits, such as reducing the N2 and N3 limits from 20% and 70% to 15% and 50%, respectively; and
- repeal of N8, N9, N10, N11, N11.1, N13 and N14 ratios.

In April 2005, the CBR repealed the general liquidity ratio (N5).

See "The Banking Sector and Banking Regulation in the Russian Federation — Regulation" for a more detailed discussion of these requirements.

For the purposes of calculating Alfa Bank's capital adequacy ratio, in accordance with the CBR requirements, the principal component of Alfa Bank's share capital and Alfa Bank's assets are divided into five categories with different risk weightings. The minimum capital adequacy ratio required by the CBR is currently 10% for banks whose capital is EUR 5 million or more, and 11% for banks whose capital is less than EUR 5 million. Alfa Bank's capital adequacy ratio was 10.6% as at 1 July 2005.

The following table sets out Alfa Bank's mandatory economic ratios calculated in accordance with the requirements of the CBR as at 1 January 2003, 2004, 2005 and as at 1 July 2005 and based on RAR:

	CBR minimum/ maximum	Alfa Bank Ratios As at 1 January			(Unaudited values) as at 1 July
	ratio requirements	2003	2004	2005	2005
Mandatory Economic Ratios					
Capital adequacy ratio (N1)	N1 — Min 10	15.4	13.7	12.4	10.6
Bank liquidity ratios (N2, N3, N4 and N5)	N2 — Min 15	47.7	69.0	35.5	31.3
	N3 — Min 50	83.8	89.4	65.9	58.1
	N4 — Max 120	50.5	47.4	62.4	64.2
	N5 — Min 20	44.9	45.9	25.3	—
Maximum amount of risk per borrower or per group of related borrowers (N6)	N6 — Max 25	24.6	21.1	—	—
Maximum amount of large credit risks (N7)	N7 — Max 800	376.4	393.4	297.1	423.8
Maximum amount of risk per single creditor (depositor) (N8, N9 and N9.1)	N8 — Max 25	20.0	47.1	—	—
	N9 — Max 20	0	0	—	—
	N9.1 — Max 50	0	0	0	0
Maximum amount of credits and loans extended by the bank to its shareholders (participants) and insiders (N10 and N10.1)	N10 — Max 2	0	0.1	—	—
	N10.1 — Max 3	0	0.1	0	0
Maximum amount of bank deposits attracted from individuals (N11 and N11.1)	N11 — Max 100	108.5	139.8	—	—
	N11.1 — Max 400	70.5	116.2	—	—
Ratio for the use of the bank's own resources (capital) to acquire participation interests (shares) in other legal entities (N12)	N12 — Max 25	0	0	0	0
	N12.1 — Max 5	0	0	—	—
Maximum amount of the bank's bill-of-exchange liabilities (N13)	N13 — Max 100	86.9	70.1	—	—
Liquidity ratios under transactions with precious metals (N14)	N14 — Min 10	N/A	N/A	—	—

Note:
All figures are in percentages.

If Alfa Bank were required to calculate its capital adequacy, based on IFRS financial statements, under the BIS Guidelines regarding solvency and capitalisation no assurances can be given that, without any appropriate remedial action, Alfa Bank's capital adequacy would satisfy such guidelines.

ALFA BANKING GROUP

Alfa Banking Group also meets international standards with respect 30 June 2005 to capital adequacy. Details of Alfa Banking Group's capital adequacy as at 31 December 2003, 31 December 2004, calculated in accordance with the BIS Guidelines and based on the IFRS consolidated financial statements, are set out below:

	As at 31 December		As at 30 June
	2003	2004	2005
	(U.S.$ million — except percentages)		
Paid up share capital	160.8	160.8	160.8
Retained earnings	358.2	542.6	609.0
Tier I Capital	519.0	703.4	769.8
Tier II Capital[1]	14.7	4.1	3.9
Total Capital	533.7	707.5	773.7
Risk weighted assets	5,186.8	6,812.8	7,846.3
Capital adequacy ratios			
Tier 1 capital adequacy ratio (%)[2]	10.0	10.3	9.8
Total capital adequacy ratio (%)[2]	10.3	10.4	9.9

Notes:

(1) Revaluation reserve for premises and equipment plus adjusted fair value reserve for investments available for sale.

(2) Net available capital as a percentage of risk weighted assets.

SELECTED FINANCIAL AND OTHER RATIOS OF ALFA BANKING GROUP

	Period ended		
	31 December		30 June
	2003	2004	2005
Combined Key Ratios			
Return on shareholders' equity[1]	21.6	24.4	23.6
Operating expenses/operating income before provision for loan impairment	65.9	64.3	56.2
Provision for loan impairment for loans to customers/loans to customers	4.8	4.6	4.5
Profitability Ratios			
Operating expenses/net interest income	126.4	112.3	90.2
Profit after taxation/total assets	1.8	2.2	2.1
Balance Sheet Ratios			
Customer accounts/total assets	57.8	63.9	57.5
Total net loans to customers/total assets	58.9	58.4	60.0
Total shareholders' equity/total assets	9.3	10.1	9.5
Liquid assets[2]/customer accounts	51.1	50.1	51.3
Liquid assets[2]/liabilities of up to one month	64.2	81.1	81.0
Capital Adequacy Ratios[3]			
Total capital adequacy ratio	10.3	10.4	9.9
Tier 1 capital adequacy ratio	10.0	10.3	9.8
Credit quality ratios			
Overdue loans to customers/total loans to customers	0.9	0.8	0.9
Provisions for loan impairment for loans to customers/overdue loans to customers	564.1	600.2	481.0
Exchange rates — Roubles per U.S.$1			
Period end	29.4545	27.7487	28.6721
Average for the period	30.6875	28.8150	27.9595
Inflation and growth rates			
CPI	12.0	11.7	8.0
GDP	7.3	7.1	5.7

Notes:

(1) Calculated as net profit/average shareholders' equity (calculated as sum of opening and closing balances divided by two).

(2) Liquid assets comprise cash and cash equivalents, due from other banks (with a maturity of less than one month) and trading securities.

(3) Calculated in accordance with the BIS Guidelines.

(4) All figures in per cent except exchange rates.

THE BANKING SECTOR AND BANKING REGULATION IN THE RUSSIAN FEDERATION

ROLE OF THE CBR

The CBR is in many respects the successor to the former State Bank of the USSR, Gosbank. Until 2002, the CBR had been operating under the general terms of reference of the law "On the Central Bank of the Russian Federation (the Bank of Russia)" of 2 December 1990 as edited on 26 April 1995 with further amendment. In 2002, this law was superseded by the new law "On the Central Bank of the Russian Federation (Bank of Russia)" of 10 July 2002 (the "Central Bank Law"). According to the Central Bank Law, the State is not liable for the CBR's obligations, nor is the CBR liable for the State's obligations unless the relevant liability has been undertaken or is required under other Russian laws. The CBR's property is under federal ownership.

The CBR is legally and financially independent of the Russian Government. The CBR governing bodies are the Board of Directors and the National Banking Council, a collective management body carrying out certain governing functions, which were solely vested in the Board of Directors prior to adoption of the Central Bank Law (including, among other things, making decisions on maximum capital expenditures of the CBR, distribution of profits gained by the CBR, appointment of the CBR auditor, approval of the CBR's accounting rules and requirements). The structure of the CBR comprises the Moscow Head Office, a number of regional branches in constituent entities of the Russian Federation (in some of the Russian republics the CBR regional branches are called National Banks) and local branches. The Chairman of the CBR Board of Directors is appointed for a fixed term of four years by the State Duma (the lower chamber of the Russian Parliament) only on the recommendation of the President, can be replaced under the same procedure, and has the right to participate in meetings of the Russian Government (Cabinet). The Ministers (or Deputy Ministers, as the case may be) of Finance and of Economic Development and Trade have the right to participate in meetings of the CBR Board of Directors with consultative voting rights. The members of the National Banking Council are appointed by the Council of Federation (the upper chamber of the Russian Parliament), the State Duma, the President and the Government of the Russian Federation. The Chairman of the CBR is a member of the National Banking Council *ex officio*.

Under the Central Bank Law, the Law "On Banks and Banking" (the "Banking Law") and the New Currency Law, the CBR is authorised to adopt implementing regulations on various banking and currency control issues. The CBR has actively used this authorisation in recent years, creating a detailed and extensive body of regulations.

Under current legislation the CBR has the following major functions:

Function	Summary
Issue of money and regulation of circulation	The CBR is the sole issuer of Russian Rouble banknotes and regulates their circulation. The CBR plans and arranges for the printing of banknotes and the engraving of coins, establishes the rules for their transportation and storage and regulates over-the-counter operations with cash.
Financing/Monetary policy	Refinancing of banks by way of granting credits; fixing reserve requirements for the banks; setting capital adequacy and other mandatory economic ratio requirements for banks. The CBR is prohibited from extending credits to the Government for the purposes of budget deficit financing.
Transactions and deals with banks	Rendering decisions on the state registration of banks: registering securities issued by banks; extending credit to banks; maintaining correspondent accounts of banks in roubles; providing banks with guarantees; purchase and sale of Russian state securities, CBR bonds, certificates of deposit, precious metals and natural gems and holding

	them in depositary accounts; purchase and sale of foreign currencies and payment documents in foreign currencies issued by Russian and foreign banks. Unless otherwise directly provided in federal laws, the CBR is not permitted to participate in the charter capital of banks.
Federal budget implementation and external debt service	Extending credits to the Ministry of Finance; acting as a placement agent with respect to government securities issued by the Ministry of Finance; budget accounts administration.
Exchange control	Regulation of dealing and settlements in roubles; regulation of foreign currency operations; administration of the gold and currency reserves; establishment of regimes for rouble and foreign currency accounts of residents and non-residents in Russia.
Licensing	Issuance, suspension and revocation of banking licences to banks.
Control and supervision	Bank supervision (compliance with mandatory economic ratios and reserves requirements, sanctions for violations, overseeing banking operations); defining format requirements for accounting and statistical reports; fixing reporting schedules; appointment of temporary administration to banks; control over acquisition (and/or a trust management) of significant (more than 5%) stakes in banks; assessment of financial standing of banks' founders (shareholders/participants).

REGULATION

Banking activities in Russia are broadly governed by the Banking Law and the New Currency Law. The CBR supervises banks in various aspects (as outlined below). Generally, other institutions have only indirect influence over banks. The newly established Federal Service for the Financial Market will issue licences to banking institutions acting as professional participants of the Russian securities market. The Federal Anti-monopoly Service controls mergers and acquisitions of stakes in excess of 20% of total voting shares in credit organisations. Tax authorities supervise tax assessments of banks. Other governmental authorities are largely inactive in relation to banks. The Association of Russian Banks, comprising, as at 1 November 2005, 659 member credit organisations (of which 529 are banks), was established pursuant to the provisions of the Banking Law as a non-commercial self-regulatory organisation. It offers various technical support to its members and lobbies the interests of banks in all branches of power.

Set out below are some of the principal features of the regulatory regime governing banks in Russia.

Licensing

A licence must be obtained from the CBR for any "banking activity" as defined in the Banking Law. Applicants must be incorporated within the Russian Federation, submit an application for the state registration with an attached feasibility report and detailed information on the suitability of the management together with certain other information. Under the CBR regulations a bank can be created in the form of a joint-stock company, a limited liability company or a company with additional liability. The latter form is not used in banking practice. A licence may be denied if the legal documents are not in order, if the financial or banking records of the founders are unsatisfactory or if the proposed candidates for executive positions and for the position of chief accountant do not meet the qualification requirements.

Mandatory Economic Ratios

The CBR is authorised to introduce various capital adequacy and liquidity requirements applicable to banks and, as the case may be, to banking groups. Such requirements currently exist in the form of the relevant mandatory economic ratios described in Instruction No. 110-i of 16 January 2004 of the CBR "On the

Banks' Mandatory Economic Ratios". Set out below is the system of the mandatory economic ratios which banks are required to observe on a daily basis.[1]

Mandatory Economic Ratios	Description of Mandatory Economic Ratios	CBR Maximum/Minimum Mandatory Economic Ratio Requirements
Capital adequacy ratio (N1)	This ratio is intended to limit the risk of a bank's insolvency and sets requirements for the minimum size of the bank's capital base necessary to cover credit and market risks. It is formulated as a ratio of the size of the bank's capital base to the amount of its risk-weighted assets.	Minimum 11% (where a bank's capital base is below EUR5 million) and minimum 10% (where a bank's capital base is equal or more than EUR5 million)
Instant liquidity ratio (N2)	This ratio is intended to limit the risk of loss by a bank with respect to its liquidity within one operational day. It is formulated as the minimum ratio of a bank's highly-liquid assets to the amount of the bank's liabilities payable on demand.	Minimum 15%
Current liquidity ratio (N3)	This ratio is intended to limit the risk of loss by a bank with respect to its liquidity within 30 calendar days preceding the date of the calculation of this ratio. It is formulated as the minimum ratio of the bank's liquid assets to the amount of the bank's liabilities with terms of up to 30 calendar days.	Minimum 50%
Long-term liquidity ratio (N4)	This ratio is intended to limit the risk of loss by a bank with respect to its liquidity as a result of the placement of funds into long-term assets. It is formulated as the maximum permitted ratio of the bank's credit claims maturing in more than one year, to the bank's capital base and liabilities maturing in more than one year.	Maximum 120%
Maximum exposure to single borrower or a group of related borrowers (N6)	This ratio is intended to limit the credit exposure of a bank to one borrower or a group of related borrowers. It is formulated as the maximum ratio of the aggregate amount of the bank's claims to a borrower or a group of related borrowers to the bank's capital base.	Maximum 25%

Maximum amount of major credit risks (N7)	This ratio is intended to limit the aggregate amount of a bank's major credit risks. It is formulated as the maximum ratio of the aggregate amount of major credit risks to the size of the bank's capital base.	Maximum 800%
Maximum amount of loans, bank guarantees and sureties extended by the bank to its participants (shareholders) (N9.1)	This ratio is intended to limit a bank's credit exposure to the bank's shareholders. It is formulated as the maximum ratio of the amount of loans, bank guarantees and sureties extended by the bank to its shareholders, to the bank's capital base.	Maximum 50%
Aggregate amount of exposure to the bank's insiders (N10.1)	This ratio is intended to limit the aggregate credit exposure of a bank to its insiders (i.e., individuals capable of influencing the bank's credit decisions). It is formulated as the maximum ratio of the aggregate amount of the bank's credit claims to its insiders, to the bank's capital base.	Maximum 3%
Ratio for the use of the bank's capital base to acquire shares (participation interest) in other legal entities (N12)	This ratio is intended to limit the aggregate risk of a bank's investments into shares (participation interests) of other legal entities. It is formulated as the maximum ratio of the bank's investments into shares (participation interest) of other legal entities, to the bank's capital base.	Maximum 25%

(1) For the banks included in the System under the New Deposit Regime there are additional requirements to Mandatory Economic Ratios in accordance with Directive No. 1379-U of 16 January 2004 of the CBR

The capital base of a bank is defined in CBR regulations as the aggregate amount of its fixed capital (including, *inter alia*, its charter and paid-in capital and certain reserve funds and approved profits) and additional capital (including, *inter alia*, revaluation surpluses, subordinated loans and preferred shares) decreased by certain mandatory reserves and some other amounts.

Also, banks issuing mortgage-backed bonds are required to additionally comply with the following mandatory economic ratios: (i) a minimum ratio of issued mortgage loans to a bank's capital base (N17, minimum 10%); (ii) a minimum ratio of the amount of the "mortgage coverage" to the amount of issued mortgage-backed bonds (N18, minimum 100%), (iii) a maximum ratio of the aggregate amount of a bank's liabilities to creditors having a priority right to satisfy their claims, to the bank's capital base (N19, maximum 50%). In addition, such banks should observe a higher capital adequacy ratio (N1) of minimum 14% (as opposed to the general 10% requirement).

The CBR has recently changed the method of calculation of certain elements comprising N2 and N3 mandatory economic ratios. Also, methods of calculation of the following mandatory economic ratios were changed: N6, N7, N9.1, N10.1 and N12. The relevant amendments to Instruction No. 110-i entered into force on 21 August 2005.

Charter Capital Requirements

The CBR sets minimum equity (charter capital) requirements for banks. Under Directive of the CBR No. 1346-U of 1 December 2003, the minimum capital requirement is set at EUR5 million for each newly founded bank. Those banks whose charter capital exceeds their capital base, are required to adjust their capital base (or, if impossible, their charter capital) accordingly. The procedure for reduction of banks' charter capital to adjust the amount of their capital base is established by Directive of the CBR No. 1260-U of 24 March 2003.

Reporting Requirements

Russian banks must regularly submit balance sheets, together with financial statements showing the actual financial position of the bank. They must also inform the CBR about providing large loans (exceeding 5% of a bank's capital). Banking groups (i.e. alliances of banks in which one bank directly or indirectly controls decisions of the governing bodies of other banks within this alliance) and consolidated groups (i.e. alliances of legal entities in which one bank, directly or indirectly, controls decisions of the governing bodies of the other legal entities and non-lending organisations within such alliances) must regularly submit consolidated accounts to the CBR. The CBR may at any time carry out full or selective checks of a bank's submissions, and may inspect all books and records of the bank. In addition, annual audits must be carried out by a licensed auditing company.

Mandatory Reserve Deposit Requirements

To cover loan losses and currency, interest and financial risks, banks are required to comply with the CBR requirements for the formation of mandatory reserve deposits. Particular reserve requirements are set by the Board of Directors of the CBR from time to time. Banks are currently required to form mandatory reserve deposits to be held on non-interest bearing accounts with the CBR (starting from 1 August 2004, 2% in respect of funds in Roubles and foreign currency attracted from foreign banks, and 3.5% in respect of other funds).

Prior to July 2004, mandatory reserves were to be calculated under CBR Order No. 02-77 of 30 March 1996. From 1 July 2004, the mandatory reserves are calculated by banks in accordance with CBR Regulation No. 255-P of 29 March 2004 (the "New Reserves Regulation"), which changed the methods of reserve calculation, but not the amounts set by the Board of Directors of the CBR. Both regimes require prompt reporting by banks to the CBR and its regional units after the end of each calendar month with calculation of reserves and prompt posting of additional reserves, if necessary. The CBR and its regional units have a right to conduct unscheduled audits of credit organisations to check their compliance with the reserve rules. The New Reserves Regulation no longer requires creation of reserves for certain long-term borrowings, however, it requires posting of reserves for obligations to non-resident banks. In addition, credit organisations with good reserves and credit history will be offered a new mechanism that would allow posting of reserves in accordance with certain calculated averages.

Provisioning

The CBR put in place certain rules concerning creation of loan impairment provisions for loans extended by banks. Beginning 1 August 2004, Russian credit organisations are required to calculate and establish their loan impairment provisions in accordance with Regulation No. 254-P of 26 March 2004. This new Regulation has introduced a number of new rules which purport to make the loan impairment provisioning compliant with the BIS requirements. In particular, it requires credit organisations to rank their loans into five categories instead of the four under the previous regulation; the range of loans that must be provided for has been extended to include assigned rights under contracts, financial leasing operations, mortgages acquired in the secondary markets, rights under repo contracts (if the securities transferred under such repo transaction are unlisted) and some other operations. It has been established that loans classified as Category I loans (standard loans) need not be provided for. Additionally, credit organisations will be required to classify their loan security into two groups on the basis of its quality etc.

The CBR also established rules concerning creation of provisions for loans other than loan impairment, which may include losses from investments in securities, funds held in correspondent accounts of other banks, contingent liabilities, forward and other transactions. CBR Instruction No. 232-P of 9 July 2003 requires banks to rank such assets and operations into five risk groups rejecting the following situations (i) no real or potential threat of losses; (ii) moderate potential threat of losses; (iii) serious potential or moderate real threat of losses; (iv) simultaneous potential and moderate real threat of losses or material real threat of losses; and (v) value of particular type of asset or operation is going to be lost completely. Banks are then required to provide for each type of asset or operation in the amounts corresponding to the amounts of possible losses but within the following framework established by the CBR for each risk group indicated above, respectively : (i) 0%; (ii) 1% to 20%; (iii) 21% to 50%; (iv) 51% to 100%; and (v) 100%. Banks must report to the CBR on the amounts of created non-loan impairment provisions monthly within ten days following the reporting month. The CBR and its regional units are responsible for monitoring the compliance of banks with these rules.

Mandatory provisions are also created for operations with residents of offshore areas in the amount of up to the higher of (a) 100% held on the bank's balance sheet accounts, and (b) average daily turnover with residents of off-shore zones during the last month.

Regulation of Currency Exposure

In its Instruction No. 41 of 22 May 1996, "On the Establishment of Limits of the Open Currency Position and on the Control on Compliance Therewith by Authorised Banks in the Russian Federation", the CBR established rules regarding exposure of banks to foreign currency and precious metals (collectively, "currency exposure"), as well as controls over such exposure. Currency exposure is calculated with respect to net amounts of balance sheet positions, spot market positions, forward positions, option positions and positions under guarantees. Open currency position is calculated as the sum of all these net amounts. Such exposure is calculated for each currency and each precious metal, and then recalculated into roubles in accordance with the official exchange rates and CBR's prices for precious metals.

The CBR established that at the end of each operation day the total amount of all long or short currency positions shall not exceed 20% of the bank's capital base. At the same time, at the end of each operation day the long or short position with respect to one particular currency or precious metal shall not exceed 10% of the bank's capital base.

Banks with capital base not exceeding EUR6 million are required to report to the CBR about their currency exposure once a week with breakdowns for each day. Banks with capital base equal to or exceeding €6 million are required to report about their currency exposure daily on the day following the reporting day.

In February 2006, Instruction No. 41 will be replaced by Instruction No. 124-I of 15 July 2005 "On the Establishment of the Amounts (Limits) of Open Currency Positions, on the Methods of Their Calculation and Particularities of Lending Organisations' Control over Compliance Therewith". In particular, lending organisations will be required to meet on a daily basis the following requirements:

- the total amount of all long (short) open currency positions for currencies and precious metals must not exceed 20% of the net worth (capital) of a lending organisation; and
- any long (short) open currency positions for currencies and precious metals, as well as the balancing position in rubles, must not exceed 10% of the net worth (capital) of a lending organisation.

Accounting Practices

The CBR has established a standard format for the presentation of a bank's accounts and instructions on how transactions are recorded within the accounts. It requires the preparation of financial statements and other accountancy in accordance with Directive of the CBR No. 1375-u "On the Rules for the Preparation and Submission of Reports to the CBR by Credit Organisations" dated 16 January 2004.

In addition, starting from 1 January 2004, all credit organisations are required to prepare their accounting reports in accordance with IFRS. The first IFRS financial statements were to be prepared for the period ending 30 September 2004.

Bankruptcy (Insolvency) and Other Related Issues

Bankruptcy of credit organisations in Russia is governed by the Law "On Insolvency (Bankruptcy)" of 26 October 2002, as amended (the "Bankruptcy Law") and the Law "On Insolvency (Bankruptcy) of Credit Organisations" of 25 February 1999, as amended (the "Bank Insolvency Law").

Bankruptcy. Bankruptcy proceedings against a Russian bank may be initiated only after the revocation by the CBR of its banking licence. Following the revocation of the bank's licence, *inter alia*, all obligations of the bank are deemed to have fallen due and the bank is prohibited from entering into transactions and performing its obligations until the liquidator or the competition manager is appointed.

Bankruptcy proceedings may be initiated against a Russian bank provided that its business has "signs" of insolvency described in the Bank Insolvency Law (the overall amount of the outstanding obligations is not less than 1,000 times the statutory minimum wage amount (currently RUR 100,000 or approximately U.S.$3,450) and the bank has failed to perform such obligations within 14 days after their due date, or after the revocation of the bank's licence its total assets do not cover all of its outstanding obligations).

Prior to the institution of bankruptcy proceedings, the CBR, on its own initiative or upon the application of the authorised body of the bank, has the right to take action aimed at preventing the bank's bankruptcy. Such action may include (a) financial rehabilitation of the bank (i.e., financial support, changing the structure of assets and liabilities or organisational structure of the bank, etc.), (b) appointment of a temporary administration to the bank or (c) reorganisation.

Temporary Administration. The Bank Insolvency Law provides for a special pre-bankruptcy procedure called "temporary administration" which is aimed at financial rehabilitation of a bank. Technically, temporary administration precedes, and does not necessarily result in, the commencement of bankruptcy proceedings. Temporary administration may be imposed by the CBR in certain negative financial circumstances listed in Article 17 of the Bank Insolvency Law. The grounds for the appointment of a temporary administration include, among other things, breach of certain financial and regulatory capital ratios and the bank's failure to perform its payment obligations to some of its creditors for a period greater than seven days due to insufficiency of funds in its correspondent accounts.

Introduction of a temporary administration may entail a limitation or suspension of the powers of the executive bodies of the bank. The temporary administration can manage the bank and is further entitled to request that the CBR impose a moratorium on all payments of the bank to counterparties and creditors for a period not exceeding three months. The temporary administration may also refuse performance of agreements or challenge transactions under Articles 27 and 28 of the Bank Insolvency Law.

Priority of claim. Under Russian bankruptcy law, claims of unsecured creditors against Russian banks are generally subordinated to the claims of individual clients arising out of deposit and bank account agreements, certain claims of creditors arising after the initiation of the bankruptcy proceedings and certain other ongoing payments, workplace injury and moral damages obligations, severance pay, employment-related obligations and royalties. There is also some risk that claims of unsecured creditors may be further subordinated to claims under certain tax and mandatory payment obligations to the government. Furthermore, unsecured claims are also effectively subordinated to claims secured by a Russian law pledge. Under the Bankruptcy Law, claims of creditors secured by a Russian law pledge are settled with the money received from the sale of pledged assets. Claims of creditors secured by a Russian law pledge will be subordinated to the following obligations: (i) injury obligations and moral damages obligations and (ii) severance pay, employment-related obligations and royalties, if such obligations arose prior to the creation of the pledge. Claims of creditors secured by a Russian law pledge remaining unsatisfied upon the sale of pledged assets would be ranked as claims of unsecured creditors after the obligations mentioned above, irrespective of the moment of the creation of such claims.

LIQUIDATION AND REVOCATION OF THE BANKING LICENCE

Mandatory Liquidation. The procedure for the revocation of banking licences and liquidation of banks is regulated by the Banking Law. Article 20 of the Banking Law lists a number of U.S. grounds on which the CBR can or must revoke the banking licence of a Russian bank. Among other things, these grounds include: (i) material inaccuracy of reporting statements; (ii) a delay of more than 15 days in the submission of monthly financial statements; (iii) effecting transactions that are not covered by its banking licence; (iv) persistent failure to comply with federal laws governing banking activities and CBR regulations and persistent breach of reporting, client identification and various internal control requirements of anti-money laundering legislation; (v) certain breaches of capital adequacy and regulatory capital ratios and; (vi) inability to discharge creditors' claims within one month of their due date where such claims exceed 1,000 minimum wages (currently, RUR100,000 or approximately U.S.$3,450).

Upon the revocation of its licence, the bank must be liquidated either under mandatory solvent liquidation procedures set out in the Banking Law or under bankruptcy procedures set out in the Bank Insolvency Law.

Article 20 of the Banking Law also establishes the consequences of the revocation of the banking licence, including that the CBR must impose the "temporary administration" on the relevant bank, that all obligations of the bank are deemed to have fallen due, that enforcement of execution documents issued on the basis of court judgments, with certain exceptions, is suspended and that entering into transactions and performance by the bank of its obligations is prohibited until the liquidator or the competition manager is appointed.

The CBR must make a public announcement of the revocation of the banking licence within a week of resolving to revoke such banking licence.

Voluntary Liquidation. In case of voluntary liquidation of the bank, the shareholders (founders), upon the adoption of the relevant decision, must apply to the CBR for cancellation of the banking licence and, upon its cancellation, the liquidation should be carried out in accordance with the general rules on liquidation of companies and certain CBR regulations. In particular, shareholders will appoint the liquidation commission to oversee the liquidation process.

HISTORY OF THE RUSSIAN BANKING SECTOR AND BANKING STATISTICS

Under the Soviet regime, Gosbank allocated resources from the Government's budget according to the prevailing economic plan, and was in effect the only bank in existence. In 1987, with the relaxation of controls over companies and interbank settlements, a small group of dependent, specialised banks developed to conduct business relating to savings, foreign trade, construction, industry, agriculture and small enterprises.

In 1988 and 1989, the second phase of reform saw regional commercial banks (primarily in the form of cooperatives or joint-stock companies) begin to emerge rapidly, with initial capital between RUR500,000 and RUR300 million. By the start of 1992, 1,500 licences had been granted to banks.

In 1991, three of the specialised state dependent banks were transformed into joint-stock companies. Some regional branches became independent from head offices through management buy-outs. The CBR assumed all the functions of Gosbank in November 1991 and Gosbank was liquidated in December of that year.

Between 1991 and 1998 the Russian banking system experienced rapid growth. The number of commercial banks in Russia increased from 358 in 1990 to 2,538 in 1996. On 17 August 1998, the Russian financial market suffered a serious crisis, causing major concern over the liquidity and solvency of the market as a whole. Many banks went into bankruptcy or fell under the administration of the Agency for Restructuring of Credit Organisations ("ARCO"). Due to the further stabilisation of the Russian banking sector, the importance of ARCO as the administrator of credit organisations undergoing financial restructuring has decreased. On 18 October 2003, the last of such credit organisations was withdrawn from ARCO's administration.

Since the 1998 financial crisis the number of active credit organisations registered in Russia has fallen to 1,263 as at 1 October 2005. The 1998 financial crisis revealed the lack of proper controls in the banking sector, and strengthened concerns of the public over the integrity of the banking system, with misleading advertising, laundering, corruption, and criminal contacts all being concerns.

Further, the Russian banking sector experienced instability and a liquidity deficit in 2004 resulting from the actions taken by the CBR and a crisis of confidence among Russian banking customers. During May-July 2004, the CBR revoked the banking licences of a number of Russian banks, and the resulting uncertainty in the Russian banking system led to the virtual collapse of the interbank lending system and to liquidity pressures for many Russian banks. The collapse of a number of Russian banks caused panic among depositors, and even reliable larger banks experienced depositor withdrawals.

Currently, the banking sector mostly offers services related to short-term and mid-term financing, because of the historical instability of the Russian lending market and the difficulty borrowers face in providing adequate collateral.

The presence of foreign owned banks in the Russian market is relatively limited as their activities have been restricted out of a fear that they may overwhelm the nascent Russian banks. Foreign owned banks face additional requirements in connection with obtaining a licence, for example, there must be a degree of reciprocity in the home country of the foreign bank. The aggregate participation of foreign capital in the Russian banking system is determined by federal law proposed by the Government in conjunction with the CBR. No such law is currently in force.

BANKING AND OTHER RELEVANT REFORMS

Following the 1998 financial crisis, Russian banks undertook important steps towards developing more transparent business practices and more diversified portfolios of assets. In recent years, confidence in local banks has gradually improved, as evidenced by substantial growth in the volume of private deposits in Russian banks between 2001 and 2003.

On 5 April 2005, the Government and the CBR issued their joint *Strategy for the Development of the Banking Sector of the Russian Federation until 2008* (the "Strategy"). The Strategy replaces the five-year Strategy for the Development of the Banking Sector in the Russian Federation issued in December 2001, and sets out an action plan for the facilitation of the development of the Russian banking sector in the medium term (2005-2008).

Among other things, the Strategy outlines the targets for the reform of the Russian banking sector, the forecast of the results of such reform and the analysis of the current condition of the Russian banking sector. The Strategy also lists measures which should be implemented for the achievement of these targets.

Pursuant to the Strategy, the main objective of the development of the Russian banking sector is to increase the stability of the banking system and the effectiveness of banking activities. Among the main goals set forth by the Strategy are:

- improving the protection of the interests of depositors and creditors of banks;
- increasing the effectiveness of deposit-taking and lending activities of banks;
- increasing the competitiveness of Russian credit organisations;
- ensuring the transparency of banking activities;
- preventing the use of credit organisations for unlawful purposes (such as money laundering); and
- strengthening investors', depositors' and creditors' trust in the Russian banking sector.

The Strategy lists the main measures which should be implemented by the Russian Government and the CBR, among which are:

- improving the legislative regulation of banking activities;

- facilitating banks' role as financial intermediaries;
- increasing the efficiency of banking regulation and supervision;
- strengthening market discipline in the banking sector and ensuring equal competitive conditions for all credit organisations;
- upgrading corporate governance rules in credit organisations; and
- developing a banking infrastructure.

As part of the improvement of legislative regulation of banking activities, the Strategy outlines, *inter alia*, the following steps:

- improving the protection of creditors' rights (in particular, those secured by collateral);
- improving the procedures for the liquidation of credit organisations whose banking licences have been revoked;
- simplifying the procedures for mergers and acquisitions of credit organisations;
- facilitating an efficient system of depositing and use of credit history data; and
- continuing the improvement of taxation regime of credit organisations.

Among other priority tasks, the Strategy envisages the following measures:

- increasing the minimum amount of bank charter capital to five million Euros (starting 2007);
- increasing the minimum amount of a bank's net worth (capital) to 10% (mandatory economic ratio N1), irrespective of the type of a credit organisation and the value of its net worth (starting 2007);
- easing procedures for the participation of non-residents in the capital of Russian banks (albeit without lifting the restrictions on the opening by foreign banks of branches in Russia); and
- introducing a simplified procedure for the assignment of bank loans.

Pursuant to the Strategy, the recommendations of the International Monetary Fund and the World Bank, as set forth in the 2002-2003 Russian Financial Sector Assessment Program, will be taken into account in the course of the implementation of the Strategy. Upon the achievement of the targets set forth in the Strategy, the next priority for the period 2009-2015 will be the effective positioning of the Russian banking sector on the international financial market.

The system of the insurance of private deposits was introduced late in 2003. According to the new law "*On the Insurance of Individuals' Deposits held in the Russian Federation*", banks holding a CBR licence for attracting deposits from individuals and opening and administering individuals' accounts are required to qualify for such activities. Subject to a bank's compliance with certain regulatory requirements, it enters the system of the insurance of individuals' deposits and thus qualifies for the attraction of deposits and opening accounts for individuals. If a bank fails to comply with the applicable requirements or chooses not to participate in the insurance system, it will be precluded from the attraction of deposits and opening accounts for individuals. Banks accepting private deposits and opening accounts for individuals are required to make quarterly payments to a newly established insurance fund in the amount of up to 0.3% of the average account balances calculated under the new law.

On 30 December 2004, the President signed Federal Law No. 218-FZ "On Credit Histories" (the "Credit Histories Law"). Most of the provisions of the Credit Histories Law will come into force on 1 June 2005. Pursuant to the Credit Histories Law, the "credit history" of a borrower (whether an individual or a legal entity) consists of certain data, as defined by the Credit Histories Law, which describe the borrower's performance under loan or credit arrangements and which are stored with a "credit history bureau" (a Russian legal entity included in the State Register of Credit History Bureaus, whose principal activity is to collect, process and store credit history data and issue "reports" as defined in the Credit Histories Law).

The Credit Histories Law defines the procedures for the submission of data to credit history bureaus, disclosure by bureaus of such data to authorised users, and the rights and obligations of borrowers and bureaus. It also sets out the procedures for the registration of credit history bureaus and the transfer of credit history data upon their liquidation.

Credit history bureaus may disclose credit history data only to:

- the borrower itself;
- banks or other legal entities which are users of such data (with the consent of the borrower);
- courts and, with the consent of a prosecutor general, certain enforcement agencies; and
- the Central Credit History Catalogue administered by the CBR to allow the centralised search of all credit history data.

Credit organisations are obliged to make their activities compliant with the Credit Histories Law within nine months of the date of its entry into force. In connection with the entry into force of the Credit Histories Law, amendments to the Banking Law, the Civil Code and to the Code of Administrative Offences are going to be introduced in order to make them compliant with the Credit Histories Law. Specifically, these amendments will address issues concerning bank secrecy, liability for unauthorised access to, and disclosure of, credit history data, and violation of the procedure for the collection, storage and processing of such data.

In addition to the Credit Histories Law and as part of the development of consumer lending legislation, the law *"On Mortgage-Backed Securities"* and amendments to the Civil Code, Tax Code and the law "On Mortgage" were enacted in 2003-2004. By means of these laws, Russian legislators attempted to make mortgage lending attractive to banks and affordable to individuals by simplifying the applicable procedures and making them more transparent and less costly. Another purpose of this new legislation is to provide improved regulation of mortgage-backed securities in order to make them more attractive for investors.

In order to build up an effective domestic system for combating money laundering, in July 2001, Russia adopted the Federal Law *"On Combating of the Legalisation of Illegal Earnings (Money Laundering)"* and subsequently passed certain legislation to implement this law. As a result of the implementation of recent reform to its anti-money laundering system, in October 2002 Russia was removed from the "black list" of non-cooperative countries and territories in the fight against money laundering maintained by the Financial Action Task Force on Money Laundering. The CBR monitors Russian banks' compliance with the anti-money laundering requirements by way of issuing regulations and inspecting banks' activities. In particular, Russian banks are required to comply with various customer identification, reporting and other related procedures. In line with the development of the anti-money laundering system, the CBR introduced certain restrictions relating to the banks' operations involving foreign entities and individuals registered (residing) in off-shore areas. The CBR has compiled a list of such off-shore areas. In particular, the CBR restrictions apply to the establishment by Russian banks of correspondent relationships with foreign banks registered in these off-shore areas.

On 18 June 2004, the New Currency Law came into force replacing almost in its entirety the former Federal Law *"On Currency Regulation and Currency Control"* of 1992. The New Currency Law is generally aimed at the gradual liberalisation of Russian currency control regulations, but at the same time it introduces some new forms of currency control (such as the placement of mandatory deposits with the CBR and the use of special accounts).

With respect to certain operations, the mandatory reserve (i.e. rouble cash deposit) requirement may be imposed on residents or non-residents in the amount of either up to 100% of the amount of the operation for a period of up to 60 days or up to 20% for a period of up to one year (excluding export/import operations for which special rules are established). In addition, the CBR has the power to require residents and non-residents to carry out certain operations through special accounts which may also be accompanied by the above mandatory reserve requirements. In particular, settlements between residents and non-residents in relation to foreign currency and rouble loans, settlements in relation to securities, non-banking operations of banks and conversion operations may be restricted in various combinations by such special

account and mandatory reserve requirements (however, conversion restrictions may not be imposed on authorised banks).

Pursuant to the New Currency Law, the new restrictive measures should be applied by the CBR and/or the Russian Government with reference to the current economic situation in order to prevent a substantial reduction in the gold and foreign exchange reserves, to neutralise the currency rate swings and secure a stable balance of payments of the Russian Federation. This implies that these restrictions should not be applied unless the Russian economy is subject to adverse trends. At the same time, the criteria for the introduction of these restrictive measures are vague enough to allow the CBR and the Russian Government to apply those at their discretion and on a long-term basis and unexpectedly vary the regime depending on their view of market conditions. Furthermore, under the New Currency Law, the CBR retains a right to introduce special rules relating to the application of currency control restrictions as set out in the New Currency Law to banking operations of credit organisations.

As part of implementing legislation contemplated by the New Currency Law, the CBR passed Directive No. 1425-U of 28 April 2004 which came into force on 18 June 2004. Directive No. 1425-U confirms that no currency control limitations will apply to bank operations between authorised banks and sets forth a list of non-banking transactions between authorised banks that are exempt from currency control restrictions. Directive No. 1425-U specifically provides that all other non-banking transactions of authorised banks will fall under general currency control regime applicable to resident legal entities.

In addition, the CBR has introduced the following requirements in respect of foreign currency loans received by Russian residents (except for Russian banks) from non-residents if the repayment term of the principal amount of such loan exceeds three years.

- Under CBR Instruction No. 116-I of 7 June 2004, Russian residents are required to make "all payments and transfers relating to the receipt of such loans" through a special "R1" type foreign currency account to be opened with an authorised Russian bank.
- Under CBR Directive No. 1465-U of 29 June 2004, Russian residents are required to deposit the Rouble equivalent of 2% of the amount of such loans actually received for a period of 365 calendar days into a non-interest bearing account with an authorised Russian bank.

ENFORCEABILITY OF CIVIL LIABILITIES IN THE RUSSIAN FEDERATION

Each Issuer and each Guarantor are corporations organised under the laws of that Issuer's and Guarantor's jurisdiction of incorporation, as set out on the front cover of this Base Prospectus. None of the directors and executive officers of any Issuer or either Guarantor is a resident of England, and all or a substantial portion of the assets of the Issuers and the Guarantors and such persons are located outside England. As a result, it may not be possible for investors to effect service of process within England upon either Issuer or either Guarantor or such persons or to enforce against any of them court judgments obtained in English courts. Russian courts will not enforce any judgment obtained in a court established in a country other than Russia unless there is a treaty in effect between such country and Russia providing for reciprocal recognition and enforcement of court judgments. No such treaty exists between Russia and the United Kingdom. Even if there is such a treaty, Russian courts may nonetheless refuse to recognise and enforce a foreign court judgment on the grounds provided in such treaty and in Russian legislation in effect on the date on which such recognition and enforcement is sought. Furthermore, Russian legislation may be further changed by way of adopting new grounds preventing foreign court judgments from being recognised and enforced in Russia.

The Programme Agreement provides that any dispute between the parties thereto may be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules, with the seat of such arbitration being in London, England. The United Kingdom and the Russian Federation are parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"). Consequently, an arbitral award from an arbitral tribunal in London, England should generally be recognised and enforced in the Russian Federation on the basis of the rules of the New York Convention, subject to qualifications set out therein and in compliance with applicable Russian legislation. However, it may be difficult to enforce arbitral awards in the Russian Federation due to the relative inexperience of the Russian courts in international commercial transactions and official and unofficial political resistance to the enforcement of awards against Russian companies in favour of foreign investors. This could introduce delay and unpredictability into the process of enforcing such awards by Russian courts.

TAXATION

The following is a general description of certain Cypriot, British Virgin Islands and Russian Federation tax considerations relating to Notes issued under the Programme. It does not purport to be a complete analysis of all tax considerations relating to Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under such Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

CYPRUS

The following is a general description of certain tax aspects of any Notes issued by Alfa Issuance, Alfa Markets, Alfa Invest or Alfa Projects under Cypriot law as at the date of this Base Prospectus and does not purport to be a comprehensive description of all tax aspects relating to any such Notes. Prospective investors should consult their tax and other professional advisers as to the specific tax consequences of acquiring, holding and disposing of any Notes. References in this section to "Notes" are to Notes issued by Alfa Issuance, Alfa Markets, Alfa Invest or Alfa Projects.

Income Tax

With effect from 1 January 2003, amendments were introduced to the tax system in Cyprus pursuant to which the basis of the taxation is now one of tax on worldwide income on the basis of residency. For the purposes of establishing residency under the provisions of the Income Tax Law, Law 118(I)/2002 (the "Income Tax Law") a person is resident for tax purposes in Cyprus where in the case of a natural person that person is present in Cyprus for a period or periods exceeding in aggregate 183 days in the tax year and in the case of a company its management and control is exercised in Cyprus. The tax year for the purpose of the Income Tax Law coincides with the calendar year.

Under the provisions of the Income Tax Law, an individual who is a tax resident in Cyprus and who receives or is credited with interest, is exempt from income tax, but he is subject to 10% withholding pursuant to the provisions of the Special Contribution for the Defence Fund to the Republic Laws, Law 117(I)/2002.

A resident company which receives or is credited with interest from the ordinary carrying on of its business or receives interest closely connected with the carrying on of its business is subject to corporation tax on the interest received and not subject to the special contribution for the defence fund. A resident company, which receives or is credited with interest and the interest is not considered to be received from the ordinary carrying on of its business or is not closely connected with the carrying on of its business, includes in its taxable income subject to corporation tax only 50% of interest received or credited, whilst the remaining 50% is exempt from corporation tax and in addition the whole amount of the interest is subject to 10% withholding pursuant to the provisions of the Special Contribution for the Defence Fund of the Republic Laws.

A Cypriot international business company, which is entitled to and elects to be taxed at the corporate tax rate of 4.25% for the years 2003, 2004 and 2005 and which receives or is credited with interest, is not subject to the provisions of the Special Contribution for the Defence Fund of the Republic Law, but instead it includes interest received or credited in its other income which is taxed at the rate of 4.25%.

Persons (natural and legal) who are not resident for tax purposes pursuant to the provisions of the Income Tax Law will not be liable to any charge to income tax or to any withholding tax or special contribution for the defence of the Republic.

Following Cyprus's accession to the European Union on 1 May 2004, Cyprus is obliged to implement the provisions of EU Directive 2003/48/EC relating to the taxation of savings by no later than 1 January 2005. The tax savings directive has now been implemented and adopted into Cyprus law pursuant to regulations KDP 360/05.

Stamp Duty

Following the enactment of the Stamp Duty (Amendment) (No. 2) Law 2002, section 4 of the Stamp Duty Law, Law 19/1963 as amended provides that:

"(1) every instrument specified in the First Schedule shall be chargeable with duty of the amount specified in the said Schedule as the proper duty therefore respectively if it relates to any asset situated in the Republic or to matter or things which shall be performed or done in the Republic irrespective of the place where the document is made."

In accordance with a recent ruling of the Commissioner of Stamp Duty, the issue of Notes by Alfa Issuance, Alfa Markets, Alfa Invest or Alfa Projects will not be liable to stamp duty where the proceeds of the issue will remain outside Cyprus, will be utilised for purposes outside Cyprus and the obligation under such Notes will be repaid outside Cyprus.

The transfers of the Notes effected outside of Cyprus between non-residents of Cyprus do not attract stamp duty in Cyprus, provided that the transferor and the transferee are not residents of Cyprus.

BRITISH VIRGIN ISLANDS

The following is a general description of certain British Virgin Islands tax considerations relating to any Notes. It does not purport to be a complete analysis of all tax considerations relating to any Notes. Prospective purchasers of any Note should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the British Virgin Islands of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under any Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

As ABH Financial is incorporated pursuant to the International Business Companies Act CAP 291 of the British Virgin Islands, payment of principal and interest in respect of the Notes will not be subject to taxation in the British Virgin Islands and no withholding tax will be required to be deducted by ABH Financial on such payments made to any holder of a Note provided such Note holder is not an individual resident in an EU Member State. Furthermore, so long as payments are made by a paying agent that is situated in an EU Member State, Harney Westwood & Riegels, British Virgin Islands counsel to ABH Financial, further consider that no British Virgin Islands withholding or deduction for or on account of British Virgin Islands taxation will be required in respect of a payment in respect of the Notes even if to an EU resident individual. (Please see below for a summary of the current status of the applicability in the British Virgin Islands of the European Union Directive on the Taxation of Savings Income).

In addition, the Notes will not be liable to any stamp duty in the British Virgin Islands. Gains derived from the sale or exchange of Notes by persons who are not otherwise liable to British Virgin Islands income tax will not be subject to British Virgin Islands income tax. The British Virgin Islands currently has no relevant capital gains tax, estate duty, inheritance tax or gift tax.

Holders of Notes who are not resident in the British Virgin Islands, and who do not engage in trade or business through a permanent establishment in the British Virgin Islands, will not be subject to the British Virgin Islands taxes or duties on gains realised on the sale or redemption of such Notes. No holder of a Note will be deemed to be resident or domiciled in the British Virgin Islands simply by virtue of holding a Note.

European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC)

The European Union has formally adopted a new Directive regarding the taxation of savings income. From 1 July 2005, Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to or for an individual resident in that other Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period (unless during such period they elect otherwise).

The British Virgin Islands is not a member of the European Union and not within the European Union fiscal territory, but the Government of the United Kingdom had requested the Government of the British Virgin Islands voluntarily to apply the provisions of the EU Savings Tax Directive. The Mutual Legal Assistance (Tax Matters) (Amendment) Bill (the "Act") introduces a withholding tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent situate in the British Virgin Islands. The withholding tax system will apply for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to withhold tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

Under the Act, ABH Financial would not be obliged to levy withholding tax in respect of interest payments made by it pursuant to the Notes to a paying agent situated in an EU Member State.

RUSSIAN FEDERATION

General

The following is a summary of certain Russian tax considerations relevant to purchase, ownership and disposition of Notes. The summary is based on the laws of the Russian Federation in effect on the date of this Base Prospectus. The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia. Nor does the summary seek to address the availability of double tax treaty relief, and it should be noted that there may be practical difficulties involved in claiming double tax treaty relief. Prospective investors should consult their own advisers regarding the tax consequences of investing in Notes in their own particular circumstances. No representation with respect to the Russian tax consequences to any particular holder is made hereby.

Many aspects of Russian tax law are subject to significant uncertainty. Further, the substantive provisions of Russian tax law applicable to financial instruments may be subject to more rapid and unpredictable change and inconsistency than in jurisdictions with more developed capital markets and more developed taxation systems. In particular, the interpretation and application of such provisions will, in practice, rest substantially with local tax inspectorates.

For the purposes of this summary, a "non-resident holder" means a physical person actually present in Russia for an aggregate period of less than 183 days in a given calendar year (excluding days of arrival into Russia, but including days of departure from Russia) or a legal person or organisation in each case not organised under Russian law which holds and disposes of Notes otherwise than through its permanent establishment in Russia.

Taxation of Gains from Disposal of Notes

Non-Resident Holders

A non-resident holder generally should not be subject to any Russian taxes in respect of gains or other income realised on redemption, sale or other disposition of Notes outside of Russia, provided that the proceeds from such disposition are not received from a source within Russia.

Non-resident Legal Persons and Organisations

A non-resident holder which is a legal person or organisation should not be subject to withholding tax on any gain on the sale, exchange, or the disposition of Notes even if payment is received from within Russia, although there is some residual uncertainty regarding the treatment of any part of such gain which is attributable to accrued interest on Notes. Accrued interest may be distinguished from the total gain and taxed at a rate of 20%. The separate taxation of the interest accrued may create a tax liability in relation to interest even in a situation of a capital loss on the disposal of Notes.

A non-resident holder which is a legal person or organisation should take independent tax advice with respect to this possibility.

Withholding tax on interest may be reduced or eliminated in accordance with the provisions of any applicable double tax treaty. Advance treaty relief should be available subject to the requirements of the laws of Russia.

Non-resident individuals

A non-resident Noteholder who is an individual will not be subject to Russian taxation on income or capital gains if disposal of their holding takes place outside the Russian Federation. If Notes are disposed of to a resident of Russia and payment is made within or from Russia, the proceeds of such disposal are likely to be regarded, for personal income tax purposes, as income from a source within Russia and subject to tax at the rate of 30% from the gross proceeds less available cost deductions (which include the purchase price of Notes).

The tax may be withheld at the source of payment or, if the tax is not withheld, then the non-resident individual may be liable to pay the tax.

Due to the complexity of the tax exemption procedure in respect of Russian source income paid to foreign individuals, it is not certain that advance relief will be available and obtaining a refund can be extremely difficult, if not impossible.

There is some uncertainty regarding the treatment of the portion of proceeds attributable to accrued interest. Subject to reduction or elimination pursuant to the provisions of an applicable tax treaty relating to interest income, proceeds attributable to accrued interest may be taxed at a rate of 30%, even if the disposal results in a capital loss. Non-resident holders who are individuals should take independent tax advice with respect to tax consequences of receipt of proceeds from a source within Russia in respect of a disposal of the Notes.

There is a risk that the taxable base may be affected by changes in the exchange rates between the currency of acquisition of Notes, the currency of sale and Roubles.

Resident Holders

A holder of Notes who is a physical or legal person resident in Russia for tax purposes is subject to all applicable Russian taxes in respect of gains from disposition of the Notes and interest received on the Notes.

Payment under the Alfa Bank Guarantee

Russian tax legislation in respect of withholding tax on guarantee payments to non-residents is complex and unclear.

Non-Resident Holders

Non-Resident Legal Persons and Organisations

In general, guarantee payments to a non-resident legal entity should not be subject to Russian withholding tax to the extent that such payments do not represent payments of interest on Notes. Payments representing interest on Notes made by Alfa Bank under the Alfa Bank Guarantee to a non-resident legal entity are likely to be characterised as Russian source income subject to withholding tax. If the Russian tax authorities took such a position, those payments would be subject to Russian withholding tax at the source at the rate of 20%. This tax may be reduced or eliminated under any applicable double tax treaty.

Non-Resident Individuals

If guarantee payments are made within or from the Russian Federation, such payments may be recognised for personal income tax purposes as income from a source within Russia. If so, the payments are subject to

Russian withholding tax at the rate of 30% from the gross proceeds less available cost deductions (which includes the purchase price of Notes). The withholding (income) tax may be reduced or eliminated pursuant to the provisions of any applicable double tax treaty.

Availability of Double Tax Treaty Relief

Payments under the Alfa Bank Guarantee made by Alfa Bank in favour of Noteholders are unlikely to benefit from the provisions of any applicable double tax treaty. Therefore, there is a significant risk that the part of the guarantee payments related to interest on any Notes and even potentially, the whole amount of payments, may be subject to Russian withholding tax at the rate of 20%, where the relevant Noteholders are legal entities and 30%, if the relevant Noteholders are individuals.

VAT on Payments under the Alfa Bank Guarantee

Any payment under the Alfa Bank Guarantee made by Alfa Bank should not be subject to Russian value added tax.

SELLING RESTRICTIONS

GENERAL

The Dealers have, in the Programme Agreement, agreed with the Issuers and the Guarantors a basis upon which they or any of them may from time to time agree to purchase Notes. No action, except to the extent indicated below (see "Selling Restrictions – European Economic Area") has been or will be taken in any jurisdiction that would permit a public offering of any Notes, or possession or distribution of this Base Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. All applicable laws and regulations must be observed in any jurisdiction in which Notes may be offered, sold or delivered. No person may directly or indirectly offer, sell, resell, reoffer or deliver Notes or distribute any document, circular, advertisement or other offering material in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in compliance with all applicable laws and regulations.

EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes to the public (in circumstances in which the denomination relating to such offer is less than €50,000 (or its equivalent in any other currency as at the date of issue of the Notes) in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(i) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a base prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(iii) at any time to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(iv) at any time in any other circumstances which do not require the publication by the Issuer of a base prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

CYPRUS

Each Dealer has represented and agreed that:

(i) in relation to the Notes, it will not provide from within Cyprus all or any "Investment Services" and "Non-Core Services" (as such terms are defined in the Investment Firms Law, Act No. 148(I) of 2002,

as amended (the "IFL")) or otherwise provide Investment Services and Non-Core Services from outside Cyprus to residents or persons domiciled in Cyprus or otherwise conclude in Cyprus any transaction relating to such Investment Services and Non-Core Services in contravention of the IFL and the regulations made pursuant to or in relation thereto; and

(ii) it will not issue an offer or invitation to subscribe or purchase or otherwise procure subscribers or purchasers for the Notes within or in Cyprus.

RUSSIAN FEDERATION

Each Dealer has represented to and agreed with each Issuer and each Guarantor and each other Dealer appointed under the Programme that it has not offered or sold or transferred or otherwise disposed of, and will not offer or sell or transfer or otherwise dispose of, any Notes (as part of their initial distribution or at any time thereafter) to, or for the benefit of, any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation, or to any person located within the territory of the Russian Federation, unless and to the extent otherwise permitted by Russian law.

Since no Russian issue prospectus has been registered or is intended to be registered in Russia, no person should at any time carry out any activities in breach of the restrictions set out above.

ITALY

No notes may be offered, sold or delivered (including in the secondary market) except to professional investors (Operatori Qualificati) as defined in article 31, second paragraph, of CONSOB regulation n. 11522 of 1 July 1998 (as amended from time to time) excluding individuals.

THE BRITISH VIRGIN ISLANDS

Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly any Notes to residents in the British Virgin Islands.

JAPAN

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term includes any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements and otherwise in compliance with the Securities and Exchange Law and any other applicable laws and regulations of Japan. For purposes of this paragraph, "resident of Japan" shall have the meaning as defined under the Foreign Exchange and Foreign Trade Law of Japan.

THE NETHERLANDS

1. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree:

   (i) that it has not made and will not make an offer of Notes to the public in or from the Netherlands, except that it may make such offer of Notes:

      (a) in the period beginning on the date of publication of a base prospectus in relation to those Notes which complies with Article 2 of the Decree on the Supervision of Securities Trade 1995 (*Besluit toezicht effectenverkeer 1995*) as amended from time to time (hereinafter the "Decree"), provided that the requirements of Chapter II of the Decree, concerning the announcement of the offer and the updating of the base prospectus, have been met;

(b) at any time to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession, which includes banks, brokers, dealers, insurance companies, pension funds, other institutional investors, and commercial enterprises which regularly, as an ancillary activity, invest in securities (hereinafter "Professional Investors"), provided that in the offer, in the applicable final terms and in any documents or advertisements in which such offer is publicly announced, it is stated that such offer is and will be exclusively made to Professional Investors;

(c) at any time in any other circumstances where an exemption or dispensation from the requirement to make a base prospectus publicly available has been granted pursuant to Article 4 of the Dutch Act on the Supervision of Securities Trade 1995 *(Wet toezicht effectenverkeer 1995)* as amended from time to time.

For the purposes of this provision, the expression an "offer of Notes to the public" means: making a sufficiently specific offer, directly or indirectly, to more than one individual or legal entity, concerning the sale or acquisition of securities, or inviting an individual or legal entity to make such offer.

2. In addition and without prejudice to the relevant restrictions set out under paragraph (1) above, bearer Zero Coupon Notes or other Notes that qualify as savings certificates as defined in the Savings Certificates Act (*Wet inzake spaarbewijzen*) will be transferred or accepted only through the mediation of either the relevant Issuer or a member of Euronext Amsterdam N.V. and with due observance of the Savings Certificates Act and its implementing regulations, provided that no such mediation is required in respect of (i) the initial issue of those Notes to the first holders thereof, (ii) any transfer and delivery by individuals who do not act in the conduct of a profession or trade, and (iii) the issue and trading of those Notes, if they are physically issued outside The Netherlands and not distributed in The Netherlands in the course of primary trading or immediately thereafter; in addition, certain identification requirements in relation to the issue and transfer of, and payments on those Notes have to be complied with, and any reference in publications concerning those Notes to the words "to bearer" is prohibited, and, if those Notes are not listed on the stock market of Euronext Amsterdam N.V., each transaction concerning those Notes must be recorded in a transaction note, stating the name and address of the other party to the transaction, the nature of the transaction and details, including the number and serial numbers, of the Notes concerned, which requirement must be indicated in a legend printed on those Notes.

THE UNITED KINGDOM

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer ;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

10. THE UNITED STATES OF AMERICA

1. The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has agreed that it has offered and sold, and will offer and sell, Notes only outside the United States to non-U.S. persons in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer has agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Notes, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has also agreed that, at or prior to confirmation of sale of any Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it, a confirmation or notice to substantially the following effect:

   "The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Terms used above have the meanings given to them by Regulation S under the Securities Act."

   Terms used in this paragraph (1) and paragraph (2) have the meanings given to them by Regulation S.

2. Each Dealer has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

3. In addition in respect of the Notes where TEFRA D is specified in the applicable Final Terms:

   (i) except to the extent permitted under U.S. Treas. Reg. Section 1.163(c)(2)(i)(D) (the "D Rules"), each Dealer (a) has represented that it has not offered or sold, and agreed that during the restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (b) has represented that it has not delivered and agreed that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

   (ii) each Dealer has represented that it has and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

   (iii) if it is a United States person, each Dealer has represented that it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6); and

   (iv) with respect to each affiliate that acquires Notes in bearer form from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer has repeated and confirmed the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf.

   Terms used in this paragraph (3) have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

4. In respect of Notes where TEFRA C is specified in the applicable Final Terms, such Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented and agreed in connection with the original issuance of such Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchase if such purchaser is within the United

States or its possessions and will not otherwise involve the U.S. office in the offer or sale of such Notes. Terms used in this Clause 10.4 have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

5. Each issuance of index, commodity or currency linked Notes shall be subject to additional U.S. selling restrictions as the relevant Dealer(s) shall agree as a term of issuance and purchase of such Notes. Each Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

GENERAL INFORMATION

AUTHORISATION

The establishment of the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the Board of Directors of Alfa Issuance dated 10 June 2004 and by a resolution of the Board of Directors of Alfa Markets dated 10 June 2004. The giving of the ABH Financial Guarantee has been duly authorised by a resolution of the Board of Directors of ABH Financial dated 9 June 2004. The entry into the Programme and the issue of notes thereunder has been duly authorised by a resolution of the Board of Directors of Alfa Invest dated 2 June 2005 and by a resolution of the Board of Directors of Alfa Projects dated 2 November 2005. Under existing Russian law, Alfa Bank is not required to approve its entry into any agreement relating to the Programme, including the giving of the Alfa Bank Guarantee. However, the giving of the Alfa Bank Guarantee by Alfa Bank has been authorised by a resolution of the shareholders of Alfa Finance Holdings S.A. as the ultimate shareholder of Alfa Bank dated 26 January 2004 and 2 June 2005.

ADMISSION OF NOTES TO THE OFFICIAL LIST AND TO TRADING ON THE REGULATED MARKET

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted for listing on the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of the global Note representing the Notes of that Tranche. The listing of the Programme in respect of such Notes is expected to be granted on or about 29 November 2005. The estimate of total fees (including but not limited to, the expenses of the UK Listing Authority, London Stock Exchange and other advisors) payable in connection with the listing and trading of such Notes under the Programme on the Regulated Market of the London Stock Exchange is U.S.$900,000.00 (excluding any VAT).

DOCUMENTS AVAILABLE

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of Alfa Bank and from the specified office of the Principal Paying Agent:

(i) the constitutional documents of each of Alfa Issuance, Alfa Markets, Alfa Invest, Alfa Projects, ABH Financial and Alfa Bank (in each case, where relevant, with an English translation thereof);

(ii) the audited financial statements of Alfa Issuance for the period from 14 January 2004 (date of incorporation) to 31 December 2004, the audited financial statements of Alfa Markets for the period from 13 January 2004 (date of incorporation) to 31 December 2004, the audited consolidated annual financial statements of ABH Financial for the years ended 31 December 2003 and 2004 and the six months ended 30 June 2004 and 2005 and the audited non-consolidated financial statements of Alfa Bank, for the years ended 31 December 2003 and 2004. No financial statements will be available with respect to Alfa Invest or Alfa Projects for any period prior to 31 December 2005;

(iii) the most recently published audited annual financial statements of Alfa Issuance, Alfa Markets, Alfa Invest, Alfa Projects, ABH Financial and Alfa Bank and the most recently published interim financial statements (if any) of Alfa Invest, Alfa Issuance, Alfa Markets or Alfa Projects, ABH Financial and Alfa Bank (in each case, where relevant, with an English translation thereof);

(iv) the Programme Agreement, the Issue and Paying Agency Agreement, the Trust Deed, the Alfa Bank Guarantee and the Notes in definitive form;

(v) a copy of this Base Prospectus; and

(vi) any future Base Prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Principal

Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

Alfa Issuance, Alfa Markets, Alfa Invest and Alfa Projects do not publish interim financial statements. ABH Financial publishes six-monthly audited interim consolidated financial statements. ABH Financial does not publish any non-consolidated financial statements. Alfa Bank produced its first set of audited IFRS financial statements for the year ended 2004 in a format required by, and for the purposes of submission to, the CBR. Alfa Bank publishes audited annual non-consolidated and consolidated financial statements, based on RAR. Neither the Issuers nor the Guarantors intend to provide post issuance information pursuant to paragraph 7.5 of Annex 12 of the Prospectus Directive.

CLEARING SYSTEMS

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

NO SIGNIFICANT CHANGE

There has been no significant change nor any material adverse change in the financial or trading position or prospects of ABH Financial or Alfa Banking Group since 30 June 2005, and there has been no significant change nor any material adverse change in the financial or trading position or prospects of Alfa Bank or the Alfa Bank Group since 31 December 2004.

There has been no significant change nor any material adverse change in the financial or trading position or prospects of Alfa Issuance or Alfa Markets since 31 December 2004 or of Alfa Invest since 5 May 2005 or of Alfa Projects since 25 August 2005.

LITIGATION

Save as disclosed in this Base Prospectus on pages 94 and 95 ("Litigation"), none of Alfa Issuance, Alfa Markets, Alfa Invest, Alfa Projects, ABH Financial or Alfa Bank nor any other member of the Alfa Banking Group or the Alfa Bank Group is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which Alfa Issuance, Alfa Markets, Alfa Invest, Alfa Projects, ABH Financial or Alfa Bank are aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position or profitability of Alfa Issuance, Alfa Markets, Alfa Invest, Alfa Projects, ABH Financial, Alfa Bank, the Alfa Banking Group or the Alfa Bank Group.

MATERIAL CONTRACTS

Save as disclosed below, neither of the Issuers or the Guarantors have entered into any material contracts outside the ordinary course of its business which could result in any of the Issuers or the Guarantors being under an obligation or entitlement that is material to its ability to make payments under the Notes.

- Alfa Bank through the entities of the Alfa Banking Group obtains debt financing through the issuance of notes under the Programme, its euro commercial paper programme, the issue of Russian Rouble bonds, Ukrainian Grivna bonds and Eurobonds. Alfa Bank's total debt financing received in accordance with these contractual arrangements as at 30 September 2005 was approximately U.S.$976.9 million. (See "Sources of Funding");
- Alfa Bank has entered into syndicated loans with various financial institutions as at 30 September 2005, totalling U.S.$373.1 million.
- Alfa Bank has acess to trade facilities of approximately U.S.$1 billion. These facilities have various maturity dates and approximately 60% of these global lines are currently in use.

AUDITORS

The Board of Directors of Alfa Projects intends to appoint PricewaterhouseCoopers Limited, Cyprus, independent auditors, to audit its financial statements in accordance with IFRS.

The Board of Directors of Alfa Invest intends to appoint PricewaterhouseCoopers Limited, Cyprus, independent auditors, to audit its financial statements in accordance with IFRS.

The auditors of Alfa Issuance and Alfa Markets are PricewaterhouseCoopers Limited, Cyprus, independent auditors, who have audited Alfa Issuance's and Alfa Markets' financial statements, without qualification, in accordance with IFRS for the period ended 31 December 2004.

The auditors of ABH Financial are ZAO PricewaterhouseCoopers Audit, independent auditors, who have audited ABH Financial's consolidated financial statements, without qualification, in accordance with IFRS for the year ended 31 December 2004 and the six month period ended 30 June 2005.

The independent auditors of Alfa Bank are ZAO BDO Unicon, who have audited Alfa Bank's accounts prepared in accordance with the RAR for each of the two years ended on 1 January 2004 and 2005 and issued unqualified reports.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN IFRS AND RAR

The following is a summary of certain differences between IFRS and RAR applicable to banks as at 30 June 2005. The Issuers and the Guarantors confirm that the following summary covers all major differences between RAR and IFRS in relation to Alfa Bank. As at 30 June 2005 and subsequently respective authorities have issued a number of new IFRS and RAR pronouncements which will have a significant impact on the future comparison between IFRS and RAR. New IFRS pronouncements are effective for ABH Financial's or Alfa Bank's annual periods beginning on or after 1 January 2006. Please note that the following summary does not address the consequences of any such new IFRS and RAR pronouncements or their potential impact on the differences between IFRS and RAR applicable to banks and on ABH Financial's or Alfa Bank's financial statements. Had an analysis of such new pronouncements been performed, additional accounting and disclosure differences between IFRS and RAR might have been identified in this summary.

Alfa Bank pepares its audited financial statements in accordance with RAR. RAR do not require the inclusion of explanitory notes and have historically been prepared largely to comply with regulatory and tax requirements rather than to reflect fairly the financial position of a company or its results of operation. (See also Certain Risks Factors – Financial position and financial statements of Alfa Bank).

Subject	IFRS	RAR
Presentation and disclosure of financial statements	IFRS financial statements contain: • balance sheet; • income statement; • cash flow statement; • statement of changes in equity or, alternatively, a statement of recognised income and expense; and • accounting policies and other notes to the financial statements. The information in the financial statements should be based on the following concepts: • going concern assumption; • accrual basis of accounting; • comparability; • substance over form; • true and fair presentation; • materiality and aggregation; • prudence; • neutrality of presentation; Also, banks must adhere to comprehensive disclosures required by IAS 30 "Disclosure in Financial Statements of Banks and Similar Financial Institutions" and IAS 32 "Financial Instruments: Disclosure and Presentation". These include, but are not limited to, the following: • loan loss provisioning disclosures; • liquidity gap analysis; • currency exposure analysis; • interest rate risk disclosures; • concentration of risks disclosures; and • disclosures of fair values of financial instruments.	Financial statements of the banks for publication include only a balance sheet, an income statement, and certain other information (with comparative information). In practice, banks are guided by specific regulatory documents of the Bank of Russia in respect of accounting of certain transactions. A number of instructions by the Bank of Russia contradict some of the basic IFRS principles (prudence, substance over form). The accounting rules for banks prescribe a cash basis of accounting for income and expenses.

Subject	IFRS	RAR
	The functional currency of each entity is the currency of the primary economic environment in which the entity operates. IAS 21 "The Effects of Changes in Foreign Exchange Rates" includes detailed guidance for determining the appropriate functional currency based on facts and circumstances. Financial statements may be translated for presentation purposes from the functional currency to any other currency or currencies.	RAR prescribes the measurement and reporting currency of banks to be only Russian Roubles.
Financial instruments	IAS 39 "Financial Instruments: Recognition of Measurement" prescribes the following accounting treatment for the four main groups of financial assets: • financial assets at fair value through profit or loss are carried at fair value with both the realised and unrealised gains and losses recognised in the income statement; • investments held to maturity are carried at amortised cost, net of provisions for impairment; • loans and receivables are carried at amortised cost, net of provisions for impairment; and • financial assets available for sale are carried at fair value with unrealised gains and losses deferred in equity until realised or the asset becomes impaired. Impairment losses are recognised when incurred as a result of one or more events that occurred after the initial recognition. Impaired debt instruments are written down to the net present value of estimated future cashflows, also considering realisation of collateral. All regular way sales and purchases of financial assets belonging to the same category are recognised either on trade date or on settlement date. Financial liabilities are carried at amortised cost, unless they are part of the at fair value through profit or loss category of financial instruments. Derivative financial instruments are carried in the balance sheet at fair value. Changes in the fair value of derivatives are recognised in the income statement unless hedge accounting applies.	Under RAR, all loans are carried at cost less provision for loan losses, which is generally determined using formalised criteria (such as debt status, collateral, and the number of rollovers). Securities are divided into three portfolios: • trading securities with active market quotations are carried at market value; • investment securities with market quotations are carried at cost less provision for possible losses; and • unquoted trading and investment securities are carried at cost less provision for possible losses. The provision for possible losses is determined by management judgement based on guidance provided by regulations of the Central Bank of the Russian Federation. All sales and purchases of securities are recognised on settlement date. All financial liabilities are carried at cost. Derivative financial instruments are carried off-balance sheet up until their settlement date, when the gains and losses from these instruments are recognised. RAR do not contain rules on hedge accounting and accounting for embedded derivatives.

Subject	IFRS	RAR
	Financial instruments, including loans originated at non-market interest rates, are initially recognised at fair value plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. IAS 39 contains detailed rules on hedge accounting and accounting for embedded derivatives.	
Consolidated financial statements. Accounting for investments in subsidiaries	Starting from the date of the acquisition of a subsidiary from a third party the acquirer should: • Consolidate results of the acquired entity's activities in the income statement; • Recognise the acquiree's assets and liabilities in the consolidated balance sheet at fair value, irrespective of the extent of any minority interest; and • Record goodwill for the excess of the cost of acquisition over the acquirer's share of the fair value of the net assets of the acquiree at the dates of exchange. Assets and liabilities of subsidiaries that meet the criteria as held for sale are presented in separate lines in the balance sheet and if necessary, the disposal group is written down to fair value less costs to sell.	The basic consolidation rules are generally similar to the procedures prescribed by the IFRS. However, RAR does not require reclassification of assets and liabilities of subsidiaries held for sale. Consolidated financial statements of the banks for publication include only a balance sheet, an income statement, and certain other information (with comparative information).
Segments	IFRS requires disclosure of primary and secondary segment information (eg revenues, assets, liabilities, segment results, capital expenditure). A segment is a distinguishable component of an entity 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.	RAR do not contain requirements for the disclosure of segment information.

Subject	IFRS	RAR
Income taxes	Temporary differences between the IFRS carrying amounts and the tax bases of the assets and liabilities result in recognition of deferred income tax assets or liabilities. The amount of the deferred income tax asset or liability is calculated as a product of the nominal tax rate and the difference between the IFRS carrying amount and the tax base, as defined in IAS 12, of an asset or a liability. Certain exceptions may prohibit recognition of the deferred taxes in specific circumstances. Current tax and deferred tax is recognised in the income statement except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.	Russian legislation and the accounting rules for banks do not cover deferred tax accounting.

Related party transactions	Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operating decisions.
	
	The following information about transactions with related parties should be disclosed in the financial statements:
	• related parties relationships where control exists, irrespective of whether there have been transactions between the related parties;
	• the name of the entity's parent and, if different, the ultimate controlling party;
	• if there have been transactions between related parties, disclosure includes:
	  • nature of transactions between related parties;
	  • types of transactions; and
	  • elements of transactions including:
	  • the volume of transactions;
	  • amounts of outstanding balances and their terms and conditions;
	  • provisions for doubtful debts at the end of the period and related expense.
		RAR do not contain requirements for disclosure of related party transactions.

Subject	IFRS	RAR
Financial reporting in hyperinflationary economies	The financial statements of an entity that reports in the currency of a hyperinflationary economy should be expressed in terms of the measuring unit current at the balance sheet date. IFRS allows restatement based on a historical cost approach using a general price index or presentation of current cost financial statements. A gain or loss on the net monetary position is reflected in the income statement. Rates of inflation in Russia, based on the consumer price index as published by the Russian State Statistics Committee, were 20.1%, 18.8% and 15.1% for 2000, 2001 and 2002, respectively. Based on these statistics and certain other considerations required by IAS 29, entities reporting in Russian Roubles have applied IAS 29 to restate their IFRS financial statements for all years ending prior to or on 31 December 2002. With effect from 1 January 2003, entities reporting in Russian Roubles ceased applying IAS 29 on the basis that the Russian economy is no longer hyperinflationary. The amounts expressed in the measuring unit current at as 31 December 2002 are the basis for the carrying amounts in subsequent periods.	RAR do not contain requirements for restatement of financial statements prepared in the currency of a hyperinflationary economy.

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