RUSSIAN AGRICULTURAL BANK GROUP

International Financial Reporting Standards

Condensed Consolidated Interim Financial Information and Review Report

30 June 2009

CONTENTS

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Shareholders and the Supervisory Board of Russian Agricultural Bank Group:

Introduction

1 We have reviewed the accompanying condensed consolidated interim statement of financial position of Russian Agricultural Bank and its subsidiaries (hereinafter - the "Group") as of 30 June 2009, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six months then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

2 We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

26 October 2009
Moscow, Russian Federation

In millions of Russian Roubles	Note	30 June 2009 (unaudited)	31 December 2008
ASSETS			
Cash and cash equivalents		89 448	83 177
Mandatory cash balances with the Central Bank of the Russian Federation		1 803	963
Trading securities		26 791	17 668
Other financial instruments at fair value through profit or loss	6	6 806	4 439
Derivative financial instruments	16	29 469	30 777
Due from other banks		58 202	96 880
Loans and advances to customers	7	546 447	452 301
Investment securities available for sale		9 642	4 793
Investment securities held to maturity		8 810	10 207
Deferred income tax asset		51	14
Goodwill	8,18	298	-
Intangible assets		905	741
Premises and equipment	18	19 946	8 932
Current income tax prepayment		102	177
Other assets	13	5 155	2 045
TOTAL ASSETS		**803 875**	**713 114**
LIABILITIES			
Derivative financial instruments	16	2 169	4 253
Due to other banks	9	156 583	243 102
Customer accounts		246 424	154 495
Promissory notes issued		6 989	9 845
Other borrowed funds	10	210 858	175 914
Syndicated loans	10	11 139	10 532
Deferred income tax liability		1 888	569
Other liabilities	13	5 582	1 106
Subordinated debts	10	47 098	45 540
TOTAL LIABILITIES		**688 730**	**645 356**
EQUITY			
Share capital	11	106 973	61 973
Revaluation reserve for premises		717	952
Revaluation reserve for investment securities available for sale		(343)	(1 504)
Retained earnings		6 534	6 337
Net assets attributable to the Bank's equity holders		**113 881**	**67 758**
Non-controlling interests	18	**1 264**	-
TOTAL EQUITY		**115 145**	**67 758**
TOTAL LIABILITES AND EQUITY		**803 875**	**713 114**

Approved for issue and signed on behalf of the Management Board on 26 October 2009

S.G. Baranov
First Deputy Chairman of the Management Board

O.V. Nikonov
Chief Accountant

The notes set out on pages 7 to 29 form an integral part of this Condensed Consolidated Interim Financial Information

In millions of Russian Roubles	**Note**	**Six months ended 30 June 2009 (unaudited)**	**Six months ended 30 June 2008 (unaudited)**
Interest income		43 792	23 488
Interest expense		(28 554)	(11 382)
Net interest income		**15 238**	**12 106**
Provision for loan impairment	7	(5 622)	(2 469)
Net interest income after provision for loan impairment		**9 616**	**9 637**
Fee and commission income		1 396	872
Fee and commission expense		(185)	(61)
Losses, net of gains arising from trading securities		(188)	(240)
Losses, net of gains arising from other financial instruments at fair value through profit or loss		(62)	(223)
Gains less losses from disposal of investment securities available for sale		36	-
Losses, net of gains arising from redemption of securities held to maturity		-	(1)
(Losses net of gains)/ gains less losses from trading in foreign currencies		(970)	62
Foreign exchange translation (losses net of gains)/ gains less losses		(5 889)	4 935
Gains less losses/ (losses net of gains) from derivative financial instruments		4 372	(5 910)
Provision for other assets		(45)	(8)
Gains from early redemption of other borrowed funds and buy-back of subordinated debts		1 956	-
Other operating income	12	221	40
Administrative and other operating expenses		(9 668)	(7 031)
Profit before tax		**590**	**2 072**
Income tax expense		(254)	(592)
Profit for the period		**336**	**1 480**
Other comprehensive income			
Securities available for sale:			
- Revaluation of securities at fair value		1 401	(16)
- Disposal of securities		17	-
- Impairment losses		33	-
Revaluation of premises		(278)	-
Income tax recorded directly in other comprehensive income		(234)	4
Other comprehensive income for the period		**939**	**(12)**
Total comprehensive income for the period		**1 275**	**1 468**

In millions of Russian Roubles	**Six months ended 30 June 2009 (unaudited)**	**Six months ended 30 June 2008 (unaudited)**
Profit attributable to:		
Equity holders of the Bank	333	1 480
Non-controlling interests	3	-
Profit for the period	**336**	**1 480**
Total comprehensive income is attributable to:		
Equity holders of the Bank	1 272	1 468
Non-controlling interests	3	-
Comprehensive income for the period	**1 275**	**1 468**

In millions of Russian Roubles	Note	Attributable to equity holders of the Bank					Non-controlling interests	Total equity
		Share capital	Revaluation reserve for premises	Revaluation reserve for available for sale securities	Retained earnings	Total		
Balance at 1 January 2008		**28 478**	**911**	**(2)**	**4 435**	**33 822**	**1**	**33 823**
Total comprehensive income for the period, net of tax		-	-	(12)	1 480	1 468	-	1 468
Realised revaluation reserve for premises, net of tax		-	(11)	-	11	-	-	-
Share issue		2 000	-	-	-	2 000	-	2 000
Dividends declared		-	-	-	(178)	(178)	-	(178)
Balance at 30 June 2008 (unaudited)		**30 478**	**900**	**(14)**	**5 748**	**37 112**	**1**	**37 113**
Balance at 1 January 2009		**61 973**	**952**	**(1 504)**	**6 337**	**67 758**	**-**	**67 758**
Total comprehensive income for the period, net of tax		-	(222)	1 161	333	1 272	3	1 275
Realised revaluation reserve for premises, net of tax		-	(13)	-	13	-	-	-
Share issue	11	45 000	-	-	-	45 000	-	45 000
Business combination	18	-	-	-	-	-	1 261	1 261
Dividends declared		-	-	-	(149)	(149)	-	(149)
Balance at 30 June 2009 (unaudited)		**106 973**	**717**	**(343)**	**6 534**	**113 881**	**1 264**	**115 145**

In millions of Russian Roubles	Note	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Cash flows from operating activities			
Interest received		42 064	23 130
Interest paid		(27 757)	(11 600)
Losses from trading in securities		(845)	(39)
(Losses paid)/income received from trading in foreign currencies		(970)	62
Income received/(losses paid) from derivative financial instruments		3 596	(2 504)
Fees and commissions received		1 177	873
Fees and commissions paid		(147)	(61)
Other operating income received		226	38
Staff costs paid		(5 176)	(3 957)
Administrative and other operating expenses paid		(2 752)	(2 028)
Income tax paid		(787)	(1 041)
Cash flows from operating activities before changes in operating assets and liabilities		**8 629**	**2 873**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(840)	(1 789)
Net increase in trading securities		(9 042)	(2 467)
Net increase in other financial instruments at fair value through profit or loss		(822)	(4 431)
Net decrease/(increase) in due from other banks		47 131	(5 686)
Net increase in loans and advances to customers		(101 555)	(68 400)
Net increase in other assets		(703)	(359)
Net (decrease)/increase in due to other banks		(95 211)	49 354
Net increase in customer accounts		88 374	12 084
Net decrease in promissory notes issued		(2 776)	(15 427)
Net increase in other liabilities		219	8
Net cash used in operating activities		**(66 596)**	**(34 240)**
Cash flows from investing activities			
Acquisition of premises and equipment		(1 974)	(1 107)
Proceeds from disposal of premises and equipment		129	4
Acquisition of intangible assets		(262)	(182)
Acquisition of investment securities available for sale		(6 571)	(191)
Proceeds from disposal of investment securities available for sale		2 857	1 058
Acquisition of investment securities held to maturity		(1 201)	(5 973)
Proceeds from redemption of investment securities held to maturity		2 815	5 552
Acquisition of subsidiaries, net of cash acquired	18	(1 554)	-
Net cash used in investing activities		**(5 761)**	**(839)**
Cash flows from financing activities			
Issue of ordinary shares	11	45 000	2 000
Proceeds from other borrowed funds		38 977	54 700
Repayment of other borrowed funds		(10 433)	(3 000)
Proceeds from placement of bought-back subordinated debt		163	-
Net cash from financing activities		**73 707**	**53 700**
Effect of exchange rate changes on cash and cash equivalents		**4 921**	**(413)**
Net increase in cash and cash equivalents		**6 271**	**18 208**
Cash and cash equivalents at the beginning of the year		83 177	33 990
Cash and cash equivalents at the end of the year		**89 448**	**52 198**

Significant non-cash movements for the six months ended 30 June 2009

As a result of acquisition of subsidiaries and its consolidations by the Group as at 30 June 2009 (refer to Note 18) the following significant non-cash changes of the Group's condensed consolidated interim statement of financial position occurred:

- Increase of premises and equipment for the amount of RR 10 060 million.
- Increase of other assets for the amount of RR 2 693 million.
- Increase of other liabilities for the amount of RR 3 311 million.
- Decrease of loans and advances for the amount of RR 4 399 million.

Other non-cash transactions relate to elimination of accruals, forex translation effect, provisions, depreciation, etc.

1 Introduction

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (here in after “IAS 34”) for the six months ended 30 June 2009 for Open Joint-Stock Company Russian Agricultural Bank (the “Bank”) and its subsidiaries (together referred to as the “Group”). Refer to Note 19.

Principal activity. The Bank was incorporated and is domiciled in the Russian Federation. The Bank is an open joint-stock company limited by shares and was set up in accordance with Russian regulations.

The Bank’s only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property. The Bank’s principal business activity is commercial and retail banking operations in the Russian Federation with emphasis on lending to agricultural enterprises. The main objectives of the Bank are:

- To participate in realisation of the monetary policy of the Russian Federation in the area of agricultural production;
- To develop within the agricultural industry a national system of lending to the domestic agricultural producers; and
- To maintain an effective and uninterrupted performance of the settlement system in the area of agricultural production across the Russian Federation.

The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation (“CBRF”) since 13 June 2000. The Bank participates in the State deposit insurance scheme, which was introduced by the Federal Law #177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand (prior to 1 October 2008: 100% up to RR 100 thousand and 90% in excess of RR 100 thousand up to a limit of RR 400 thousand) per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank has 78 branches and 1 397 additional offices (31 December 2008: 78 branches and 1 364 additional offices) within the Russian Federation. The Bank’s registered address is 119034 Russia, Moscow, Gagarinsky lane 3.

The number of the Group’s employees as at 30 June 2009 was 29 419 (31 December 2008: 24 511).

Activities of the Group include deposit taking, commercial and retail lending, foreign exchange dealing, cash operations and securities trading. Some of the Bank’s subsidiaries perform grain storage and sugar trading. Refer to Note 19. These activities are conducted principally in Russia.

Presentation currency. This condensed consolidated interim financial information is presented in millions of Russian Roubles ("RR millions").

2 Operating Environment of the Group

Russian Federation. The effects of the global financial crisis continued to have a severe effect on the Russian economy in 2009:

- Low commodity prices have resulted in lower income from exports and thus lower domestic demand. Russia's economy contracted by 11 percent year-on-year in the second quarter of 2009 and, according to the Russian Ministry of Economic Development, Russia's gross domestic product is expected to decrease by 8.5 percent in 2009.
- The rise in Russian and emerging market risk premia resulted in a steep increase in financing costs.
- The depreciation of the Russian Rouble against hard currencies increased the burden of foreign currency corporate debt, which has risen considerably in recent years.
- As part of preventive steps to ease the effects of the situation in financial markets on the economy, the Government is likely to run a large fiscal deficit in 2009.

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

- In October 2008 the CBRF reduced the mandatory reserves ratio to 0.5% and raised the guarantee repayment of individual deposits under the State deposit insurance coverage to RR 700 thousand per individual in case of the withdrawal of a license of a bank or an imposed moratorium on payments by the CBRF.
- The list of assets which can be pledged under repurchase agreements with the CBRF was significantly extended.
- The CBRF made significant placements to the leading Russian banks collateralised by guarantees issued by third party banks.
- The CBRF provided additional liquidity through regular unsecured finance auctions.
- Vnesheconombank provided subordinated loans financed by the State to the leading Russian banks.
- In December 2008, the Government of Russian Federation issued an amendment to the government regulation # 52 "Basic conditions of restructuring debts of agricultural enterprises", encouraging the bank debt restructuring and extending interest subsidies to restructured loans to agricultural sector.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

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

2 Operating Environment of the Group (Continued)

Impact on borrowers. Borrowers of the Group may be adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed. Deteriorating economic conditions for borrowers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

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

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

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

3 Summary of Significant Accounting Policies

Basis of preparation. This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

As at 30 June 2009 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 31.2904 (31 December 2008: USD 1 = RR 29.3804).

Changes in accounting policies. The accounting policies and methods of computation applied in the preparation of this condensed consolidated interim financial information are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2008, except for the new standards, effective since 1 January 2009 set out further below.

Adoption of IFRS 8, Operating Segments. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes.

3 Summary of Significant Accounting Policies (Continued)

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

In this condensed consolidated interim financial information the Group first time defined operating segments on the basis of organizational structure and geographical areas. The standard had an impact on the presentation of the Group's information about its operating segments but had no impact on the recognition or measurement of specific transactions and balances.

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

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

Adoption of Improvements to International Financial Reporting Standards (issued in May 2008). The amendment to *IAS 20, Accounting for Government Grants and Disclosure of Government Assistance,* requires benefits arising from government loans at below-market interest rates to be accounted for as government grants, with the benefit calculated as the difference between the proceeds and the initial fair value of the loan, net of transaction costs. The amendment applies prospectively to government loans received in periods beginning on or after 1 January 2009. The amendment had not materially impacted the recognition or measurement of specific transactions and balances.

Revenue recognition. During six months ended 30 June 2009, the Group acquired several non-banking entities and supplemented its accounting policy for recognition of respective revenue.

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Sales are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Rename of the lines. The Group renamed the line “Other securities at fair value through profit or loss” to “Other financial instruments at fair value through profit or loss”, since the Group classified certain amounts due from other banks into this category starting from 1 January 2009. Refer to Note 6.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The accounting estimates and judgments applied in the preparation of this condensed consolidated interim financial information are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2008.

Judgments that have the most significant effect on the amounts recognized in this condensed consolidated interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities:

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost. Fair value of held to maturity securities as at 30 June 2009 was RR 7 487 million (31 December 2008: 8 644 million).

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

To the extent that the assessed delay in repayment of principal on 5% of the total loans and advances to customers differs by +/- one month, the provision would be approximately RR 323 million (31 December 2008: RR 247 million) higher or RR 319 million (31 December 2008: RR 267 million) lower.

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

Revaluation of premises. Premises of the Group are stated at revalued amounts. There is a lack of observable sales data in this market and the independent appraiser analyzed market price changes for the period ended 30 June 2009, supplementing it by the recent sales analysis in regions, where the Group has office premises.

Subordinated loan from Vnesheconombank. In October 2008 the Group received a subordinated loan from Vnesheconombank ("VEB") in the amount of RR 25 000 million bearing a fixed interest rate of 8% per annum payable quarterly until maturity in December 2019. Due to its unique subordinated nature and absence of observable current market transactions providing evidence of a market rate for such instruments, the loan was originally recognized and subsequently carried on the balance sheet at amortised contractual value.

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

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 15.

Goodwill. The recoverable amount of goodwill was estimated based on a value in use calculation. Refer to Note 8.

5 New Accounting Pronouncements

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

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

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

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Group's financial statements.

Amendment to IAS 32 Classification of Rights Issues (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendments will not have any impact on the Group's financial statements.

The Group has also not early adopted any of the new standards and interpretations disclosed in the «New Accounting Pronouncements» note in its last annual financial statements and effective for its annual periods beginning on or after 1 January 2010.

6 Other Financial Instruments at Fair Value through Profit or Loss

The management classified financial instruments with embedded derivatives as other financial instruments at fair value through profit or loss, while there was an option to separate embedded derivative and value host contract at amortised cost.

In May 2008, the Group purchased a Credit Linked Note from another OECD bank in the nominal amount of RR 2 500 million at the net price of 19.5% of nominal amount with maturity on May 2023 and zero coupon. The Note has an embedded Credit Default Swap linked to the Bank's own credit risk.

In February 2009, the Group placed a deposit in another OECD bank in the nominal amount of USD 100 million with maturity on February 2010 and interest rate of 11.5%. The contract has an embedded Credit Default Swap linked to the Bank's own credit risk.

In April 2009, the Group purchased a Credit Linked Note from another OECD bank in the nominal amount of USD 100 million with maturity on July 2009 and interest rate of 14.3%. The Note has an embedded derivative FTD ("first to default"), linked to the risk of abandonment of credit commitment by Russian Federation, the Bank and 5 other Russian issuers of quasi-sovereign level of credit risk. The Note was redeemed at maturity.

7 Loans and Advances to Customers

In millions of Russian Roubles	30 June 2009 (unaudited)	31 December 2008
Loans to legal entities		
- Loans to corporates	467 924	398 546
- Lending for food interventions	38 796	10 443
- Reverse repo agreements	562	622
- Investments in agricultural cooperatives	736	702
Loans to individuals	60 591	58 545
Total loans and advances to customers (before impairment)	**568 609**	**468 858**
Less: Provision for loan impairment	(22 162)	(16 557)
Total loans and advances to customers	**546 447**	**452 301**

Lending for food interventions is represented by loans to a company, which is 100% owned by the Government of the Russian Federation.

Movements in the provision for loan impairment are as follows:

In millions of Russian Roubles	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Provision for loan impairment at 1 January	**16 557**	**7 101**
Provision for loan impairment during the period	5 622	2 469
Loans and advances to customers written off during the period as uncollectible	(17)	(5)
Provision for loan impairment at 30 June	**22 162**	**9 565**

8 Goodwill

Movements in goodwill arising on the acquisition of subsidiaries are:

In millions of Russian Roubles	Note	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Carrying amount at 1 January		**-**	**-**
Acquisition of subsidiaries	18	298	-
Carrying amount at 30 June		**298**	**-**

9 Due to Other Banks

In millions of Russian Roubles	30 June 2009 (unaudited)	31 December 2008
Term borrowings from other banks with maturity in		
- less than 30 days	19 456	3 701
- from 31 to 180 days	26 887	34 503
- from 181 days to one year	677	12 405
- from one to three years	12 545	11 364
- more than 3 years	63 000	75 283
Term borrowings from CBRF with maturity in		
- less than 30 days	1 019	-
- from 31 to 180 days	22 059	105 827
- from 181 days to one year	10 602	-
Correspondent accounts and overnight placements of other banks	338	19
Total due to other banks	**156 583**	**243 102**

10 Other Borrowed Funds, Syndicated Loans and Subordinated Debts

In millions of Russian Roubles	30 June 2009 (unaudited)	31 December 2008
Issued Eurobonds	163 863	132 239
Bonds issued on domestic market	46 995	43 675
Total other borrowed funds	**210 858**	**175 914**
Syndicated loans	**11 139**	**10 532**
Subordinated debts	**47 098**	**45 540**

Other borrowed funds. As at 30 June 2009, other borrowed funds consist of US Dollars and Swiss Francs denominated Eurobonds issued by the Group through its special purpose entity, RHSB Capital S.A and Russian Roubles denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment	Yield to maturity/ next repricing date
Eurobonds issues							
US Dollars	350	29 November 2005	29 November 2010	-	6.875%	6 months	6.19%
US Dollars	630	16 May 2006	16 May 2013	-	7.175%	6 months	8.56%
Swiss Francs	375	29 March 2007	29 March 2010	-	3.583%	1 year	17.83%
US Dollars	1 145	14 May 2007	15 May 2017	-	6.299%	6 months	9.00%
Swiss Francs	150	30 April 2008	30 April 2012	-	6.263%	1 year	7.31%
US Dollars:							
• tranche A	702	29 May 2008	14 January 2014	-	7.125%	6 months	8.64%
• tranche B	891	29 May 2008	29 May 2018	-	7.750%	6 months	9.41%
US Dollars	1 000	11 June 2009	11 June 2014	-	9.000%	6 months	8.77%
Bonds issued in domestic market							
Russian Roubles	7 000	22 February 2006	16 February 2011	-	7.850%	3 months	13.23%
Russian Roubles	10 000	22 February 2007	9 February 2017	22 February 2010	7.340%	6 months	12.01%
Russian Roubles	9 469	10 October 2007	27 September 2017	9 October 2009	9.750%	6 months	18.18%
Russian Roubles	5 000	22 February 2008	9 February 2018	24 August 2010	13.350%	6 months	13.75%
Russian Roubles	5 000	17 June 2008	5 June 2018	17 June 2010	13.950%	6 months	12.83%
Russian Roubles	10 000	9 December 2008	27 November 2018	8 December 2011	13.500%	6 months	13.95%

10 Other Borrowed Funds, Syndicated Loans and Subordinated Debts (Continued)

As at 31 December 2008 other borrowed funds comprise the following issues:

Currency of denomination	Nominal value, in million of currency	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment	Yield to maturity/ next repricing date
Eurobonds issues							
US Dollars	350	29 November 2005	29 November 2010	-	6.875%	6 months	13.69%
US Dollars	695	16 May 2006	16 May 2013	-	7.175%	6 months	16.83%
Swiss Francs	375	29 March 2007	29 March 2010	-	3.583%	1 year	23.33%
US Dollars	1 225	14 May 2007	15 May 2017	-	6.299%	6 months	15.25%
Swiss Francs	150	30 April 2008	30 April 2012	-	6.263%	1 year	19.76%
US Dollars							
• tranche A	747	29 May 2008	14 January 2014	-	7.125%	6 months	18.11%
• tranche B	933	29 May 2008	29 May 2018	-	7.750%	6 months	15.72%
Bonds issued in domestic market							
Russian Roubles	7 000	22 February 2006	16 February 2011	-	7.850%	3 months	8.39%
Russian Roubles	10 000	22 February 2007	9 February 2017	22 February 2010	7.340%	6 months	14.70%
Russian Roubles	6 201	10 October 2007	27 September 2017	9 October 2009	9.750%	6 months	7.78%
Russian Roubles	5 000	22 February 2008	9 February 2018	24 February 2009	8.750%	6 months	9.92%
Russian Roubles	5 000	17 June 2008	5 June 2018	18 June 2009	8.300%	6 months	12.07%
Russian Roubles	10 000	9 December 2008	27 November 2018	8 December 2011	13.500%	6 months	13.94%

Syndicated loans. As at 30 June 2009, syndicated loans received by the Group amounted to RR 11 139 million (31 December 2008: RR 10 532 million).

In October 2006 the Group received a syndicated loan denominated in Euros from ten OECD banks in the nominal amount of EUR 75 million with maturity in October 2009 and with floating interest rate of 3 month EURIBOR + 1.15% p.a.

In April 2007 the Group received 2 tranches of syndicated loan in US Dollars with the total amount of USD 520 million, with maturities in October 2008 and April 2010, semi-annual coupon at the rate of LIBOR + 0.3% p.a. (for tranche A) and LIBOR + 0.4% p.a. (for tranche B). In October 2008 the Group redeemed at a stated time the first tranche (tranche A) of syndicated loan in the total amount of USD 270 million.

Subordinated debts. As at 30 June 2009, subordinated debts received by the Group amounted to RR 47 098 million (31 December 2008: RR 45 540 million).

In September 2006 the Group attracted a subordinated debt totaling USD 500 million in Eurobonds issued by the Group through its special purpose entity, RSHB Capital S.A. The Eurobonds mature in September 2016, have contractual interest rate of 6.97% p.a. (31 December 2008: 6.97% p.a.) and current market yield to the next repricing date, i.e. in September 2011 at 15.49% p.a.(31 December 2008: 33.64% p.a.). The Group has an option to terminate this subordinated debt in last five years before its maturity date at the nominal value.

In June 2007 the Group attracted a subordinated debt totaling USD 200 million with maturity in June 2017. The Group has an option to terminate in advance the subordinated debt in last five years before its maturity date at the nominal value.

In October 2008, the Group attracted from Vnesheconombank a subordinated debt totalling RR 25 000 million with maturity in December 2019 and interest rate of 8.0% p.a. The Bank has an option to terminate in advance the subordinated loan subject to pre-authorization of CBRF at the nominal value.

The information on related party balances is disclosed in Note 17.

11 Share Capital

In February 2009, the Bank increased its share capital by issuing 45 000 ordinary shares with the total nominal amount of RR 45 000 million. All shares were purchased by the Bank's only shareholder – the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

12 Other Operating Income

In millions of Russian Roubles	**Six months ended 30 June 2009 (unaudited)**	**Six months ended 30 June 2008 (unaudited)**
Sales of goods	954	-
Cost of goods sold	(780)	-
Rental income	46	15
Other income	1	25
Total other operating income	**221**	**40**

Sales and cost of goods sold are related to business activities of the Bank's agricultural and manufacturing subsidiaries, primarily representing related to sale of sugar, compound livestock feedstuff and canned food. Refer to Note 18.

13 Significant Risk Concentrations

As at 30 June 2009 cash and cash equivalents and placements with banks included the balances with two foreign banking groups in the amount of RR 104 027 million or 70% of total cash and cash equivalents and due from other banks (31 December 2008: the balances with these banks were RR 86 979 million or 48% of total cash and cash equivalents and due from other banks).

As at 30 June 2009 cash and cash equivalents included the balance with the Bank of Russia of RR 9 859 million or 11% of total cash and cash equivalents (31 December 2008: RR 27 841 million or 33% of total cash and cash equivalents).

As at 30 June 2009 the Group had loans in the aggregate amount of RR 57 570 million granted to two state-controlled borrowers, or 10% of gross loans and advances to customers (31 December 2008: RR 22 158 million were granted to two state-controlled borrowers, or 5% of gross loans and advances to customers).

As at 30 June 2009 the Group had balances due to three foreign and one Russian bank with the aggregate amount in excess of RR 15 000 million each; the total aggregate balance due to these banks was RR 82 445 million, or 53% of total due to other banks (31 December 2008: due to two foreign banks with the aggregate amount of above RR 24 000 million each; the total aggregate balances due to these banks was RR 48 877 million, or 20% of total due to other banks).

As at 30 June 2009, the Group had three customers with the balance above 10% of the Group's equity (31 December 2008: two customers). The aggregate balance of such customer accounts was RR 105 951 million, or 43% of total customer accounts (31 December 2008: RR 36 095 million, or 23% of total customer accounts).

As at 30 June 2009, within other assets there are trade receivables, related to the trade activities of subsidiaries in the total amount of RR 2 381 million. Refer to Note 18.

As at 30 June 2009, within other liabilities there are trade payables, related to the business activities of subsidiaries in the total amount of RR 3 388 million. Refer to Note 18.

14 Segment Analysis

Operational decision making is the responsibility of the Management Board of the Bank. The Management Board of the Bank reviews internal management reporting in order to assess efficiency and allocate resources.

The Management Board of the Bank performs geographic analysis of the Bank's operations and therefore the Bank's regional branches have been designated as operating segments.

Taking into account the administrative-territorial division of Russia, federal districts of the Russian Federation have been designated as reporting segments.

The Management Board of the Bank assesses efficiency of operating segments based on a financial performance measure prepared from statutory accounting data and not adjusted for an intersegment income and expenses. Intersegment income and expenses are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

The accounting policy of the operating segments is based on Russian Accounting Rules (RAR) and thus materially differs from policies described in the summary of significant accounting policies in this condensed consolidated interim financial information and in the last annual IFRS financial statements of the Group.

Segment reporting of the Group's revenue and profit/(loss) for the six months ended 30 June 2009 and for the six months ended 30 June 2008 and segment reporting of the Group's assets at 30 June 2009 and 31 December 2008 is as follows:

14 Segment Analysis (Continued)

In millions of Russian Roubles	**Head office**	**Central federal district**	**Volga federal district**	**Krasnodar branch**	**Siberian federal district**	**Southern federal district (without Krasnodar branch)**	**North-west federal district**	**Far Eastern federal district**	**Ural federal district**	**Total**
For six months ended 30 June 2009 (unaudited)										
Revenue from external customers:										
- Income from loans and advances to customers, due from other banks and other placed funds	9 107	9 211	7 719	4 648	4 108	3 707	2 279	1 164	863	**42 806**
- Fee and commission income from other operations	225	506	442	294	220	154	139	80	51	**2 111**
Intersegment income and expense*	20 750	(5 441)	(4 851)	(3 066)	(2 424)	(2 224)	(1 458)	(697)	(589)	**-**
Total profit/(loss) of reportable segments	**(18 931)**	**6 021**	**3 419**	**4 228**	**2 495**	**1 715**	**1 536**	**303**	**569**	**1 355**
For six months ended 30 June 2008 (unaudited)										
Revenue from external customers:										
- Income from loans and advances to customers, due from other banks and other placed funds	4 793	5 211	4 896	2 917	2 944	2 542	1 525	860	299	**25 987**
- Fee and commission income from other operations	15	145	146	72	81	69	62	36	19	**645**
Intersegment income and expense*	12 047	(2 773)	(2 845)	(1 841)	(1 780)	(1 300)	(855)	(476)	(177)	**-**
Total profit/(loss) of reportable segments	**(11 764)**	**3 298**	**3 438**	**2 682**	**1 310**	**1 798**	**39**	**371**	**207**	**1 379**
Total assets (unaudited)										
30 June 2009	1 205 072	188 191	156 528	89 340	81 137	82 085	53 873	25 715	16 249	**1 898 190**
31 December 2008	861 476	147 156	134 041	76 225	77 191	84 236	45 166	22 388	13 023	**1 460 902**

***** Intersegment income and expenses are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

14 Segment Analysis (Continued)

Reconciliation of profit for reporting segments to the Group's profit for the six months ended 30 June 2009 and the six months ended 30 June 2008 is as follows:

In millions of Russian Roubles	**For six months ended 30 June 2009 (unaudited)**	**For six months ended 30 June 2008 (unaudited)**
Total profit of reportable segments	**1 355**	**1 379**
Adjustments of provisions for impairment	1 374	663
Adjustments of deferred tax	576	106
Fair value of guaranties issued	182	-
Staff cost, paid under RAR out of retained earnings unallocated to segments	-	(279)
Accounting of derivative financial instruments at fair value	(2 569)	286
Revaluation of premises	(323)	-
Expenses from non-reportable segments	(139)	(33)
Current income tax unallocated to segments	(58)	(699)
Other	(62)	57
The Group's profit under IFRS (after tax)	**336**	**1 480**

Adjustments of provisions for impairment are related to the difference between the methodology applied to calculate provisions for loan impairment under the RAR used for preparation of management reporting and the methodology used for IFRS reporting. The provision under RAR is calculated based mainly on formal criteria depending on the financial position of the borrower, quality of debt service and collateral, whereas the provision under IFRS requirement is calculated based on incurred loss model.

Adjustments of derivative financial instruments to its fair value arise from the difference in the accounting treatment of currency swaps under RAR (which are the basis for management reporting) and IFRS reporting. Under RAR swap transactions are recognised as back-to-back deposits, whereas in IFRS financial statement such transactions are recognised at fair value. Refer to Note 16.

There is no concept of deferred tax accounting in RAR.

All other differences also resulted from the differences between RAR (used as the basis for management reporting) and IFRS.

During the six months ended 30 June 2009, the Group didn't change the organisational structure in a manner that causes the composition of its reportable segments to change, but some allocation of expenses has been changed: current income tax, except for the adjustment related to the income tax prepayment was allocated to the reporting segments in the management reporting for six months ended 30 June 2009, while this expense was not allocated in the management reporting for six months ended 30 June 2008.

15 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the Group's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in this condensed consolidated interim financial information.

Tax legislation. Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

15 Contingencies and commitments (Continued)

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

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

The Management of the Group believes that its interpretation of the relevant legislation is reliable and the Group's tax, currency and customs positions will be confirmed. Therefore, as at 30 June 2009 the Management has not created any provision for potential tax liabilities (31 December 2008: nil).

Capital expenditure commitments. At 30 June 2009 the Group had contractual capital expenditure commitments totaling RR 250 million (31 December 2008: RR 445 million).

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

In millions of Russian Roubles	**30 June 2009 (unaudited)**	**31 December 2008**
Not later than 1 year	1 443	1 220
Later than 1 year and not later than 5 years	3 373	2 963
Later than 5 years	2 777	2 420
Total operating lease commitments	**7 593**	**6 603**

Compliance with covenants. The Group is subject to certain covenants related to its borrowings primarily in respect of maintenance of capital adequacy ratio calculated in accordance with recommendations of Basle Committee on Banking Regulations. Non-compliance with these covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's Management believes that the Group is in compliance with the covenants.

Assets pledged and restricted. At 30 June 2009 the Group had pledged under secured loan from CBRF trading securities in the amount of RR 10 227 million, securities available for sale in the amount of RR 1 629 million, securities held to maturity in the amount of RR 4 354 million (31 December 2008: nil).

At 30 June 2009 the Bank's subsidiaries had pledged under the loan agreements with other banks premises and equipment for the total amount of RR 2 901 million (31 December 2008: nil).

Mandatory cash balances with the CBRF in the amount of RR 1 803 million (31 December 2008: RR 963 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

16 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions. Derivative financial instruments have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms.

The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. Liquidity risk on derivative financial instruments is managed by the Group's Treasury and the Capital Markets Department. Management of derivative financial instrument portfolio risks is carried out by authorized Group's bodies through establishing limits.

Foreign exchange swaps with settlement dates of more than 30 days are structured as loans issued in US Dollars, Euros, Swiss Francs and Japanese yen to four OECD banks with maturities from July 2009 to May 2023, and deposits in Russian Roubles received from the same four banks with similar maturities ("back to back loans"). These transactions were aimed at hedging the currency exposure of the Group.

International credit rankings of these banks were not less than BB- as at 30 June 2009 (as per Standard&Poor's or ratings of other analogous rating agencies).

Most of these agreements contain special procedures for counterparties upon the occurrence of a credit event or an event of default (including bankruptcy, failure to pay, obligation acceleration, repudiation/moratorium or restructuring of any Bank's obligation on its debts, falling of ratings, providing incorrect or misleading representation). The subjects of such events are the Group, in some instances, the counterparty of the agreement, and/or the Russian Federation. No further payment obligation between the parties is due, if a credit event or default event happens and the Group receives a formal Event Notice from its counterparty. Contracts for other of these swap agreements state that in the case of a default event the agreement will be terminated with a mark-to-market payment.

16 Derivative Financial Instruments (Continued)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions at 30 June 2009 and covers the contracts with settlement dates after the respective balance sheet date:

In millions of Russian Roubles	**Contracts with positive fair value (unaudited)**	**Contracts with negative fair value (unaudited)**	**Total**
Foreign exchange swaps with settlement dates of more than 30 days: fair values at the balance sheet date, of			
USD receivable on settlement (+)	113 016	39 096	152 112
USD payable on settlement (-)	(23 436)	(29 946)	(53 382)
RR receivable on settlement (+)	17 731	22 507	40 238
RR payable on settlement (-)	(83 576)	(33 819)	(117 395)
CHF receivable on settlement (+)	15 208	-	15 208
RR payable on settlement (-)	(10 605)	-	(10 605)
Euros receivable on settlement (+)	3 352	3 317	6 669
RR payable on settlement (-)	(2 548)	(3 319)	(5 867)
JPY receivable on settlement (+)	2 919	-	2 919
RR payable on settlement (-)	(2 687)	-	(2 687)
Foreign exchange forward deals with settlement dates up to 2 days: fair values at the balance sheet date, of			
USD receivable on settlement (+)	-	528	528
RR payable on settlement (-)	-	(528)	(528)
RR receivable on settlement (+)	15 922	-	15 922
USD payable on settlement (-)	(15 830)	-	(15 830)
Foreign exchange forward deals with settlement dates from 2 to 30 days: fair values at the balance sheet date, of			
Euros receivable on settlement (+)	88	-	88
RR receivable on settlement (+)	-	310	310
USD payable on settlement (-)	(86)	(312)	(398)
Term contracts on purchase of securities: fair value at the balance sheet date, of			
Long position in securities (+)	77	71	148
USD payable (-)	(77)	(71)	(148)
Term contracts on sale of securities: fair value at the balance sheet date, of			
USD receivable (+)	-	180	180
Short position in securities (-)	-	(182)	(182)
Futures contracts on purchase of shares: fair value at the balance sheet date, of			
Long position in shares (+)	26	6	32
RR payable on settlement (-)	(25)	(7)	(32)
Total net fair value	**29 469**	**(2 169)**	**27 300**

16 Derivative Financial Instruments (Continued)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions at 31 December 2008 and covers the contracts with settlement dates after the respective balance sheet date:

In millions of Russian Roubles	Contracts with positive fair value	Contracts with negative fair value	Total
Foreign exchange swaps with settlement dates of more than 30 days: fair values at the balance sheet date, of			
USD receivable on settlement (+)	88 069	32 160	120 229
USD payable on settlement (-)	-	(43 696)	(43 696)
RR receivable on settlement (+)	-	30 406	30 406
RR payable on settlement (-)	(62 730)	(22 268)	(84 998)
Euros receivable on settlement (+)	3 194	-	3 194
RR payable on settlement (-)	(2 277)	-	(2 277)
CHF receivable on settlement (+)	12 689	-	12 689
RR payable on settlement (-)	(8 168)	-	(8 168)
JPY receivable on settlement (+)	-	1 201	1 201
RR payable on settlement (-)	-	(1 815)	(1 815)
Foreign exchange forwards with settlement dates from 2 to 30 days: fair values at the balance sheet date, of			
RR receivable on settlement (+)	-	19 317	19 317
USD payable on settlement (-)	-	(19 558)	(19 558)
Total net fair value	**30 777**	**(4 253)**	**26 524**

As at 30 June 2009 receivables and payables on settlement of foreign exchange swaps included the balances with one foreign bank in the amount of RR 105 688 million and RR 92 221 million, respectively, or 49% of total receivables or payables on settlement of foreign exchange swaps (31 December 2008: RR 87 644 million and RR 73 945 million, or 52% of total receivables or payables on settlement on foreign exchange swaps).

The structure of gains less losses from derivative financial instruments is as follows:

In millions of Russian Roubles	30 June 2009 (unaudited)	30 June 2008 (unaudited)
Foreign exchange swaps with settlement dates of more than 30 days	4 278	(5 968)
Other financial derivative instruments	94	58
Total gain less losses from derivative financial instruments	**4 372**	**(5 910)**

17 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 or operational decisions.

The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

The Group's related parties are entities under common control, except for key management and their family members set specifically.

17 Related Party Transactions (Continued)

The outstanding balances with related parties were as follows:

In millions of Russian Roubles	**30 June 2009 (unaudited)**	**31 December 2008**
Cash and cash equivalents		
Cash balances with the CBRF (other than mandatory reserve deposits)	9 859	27 841
Mandatory cash balances with the CBRF	1 803	963
Nostro accounts and placement with state-controlled banks with original maturities of less than one month (contractual interest rate: 5%-30% p.a. (2008: 2%-20% p.a.))	11 663	4 880
Trading securities (contractual interest rate: 7%-12% p.a. (2008: 7%-10% p.a.))		
Municipal bonds	263	355
Corporate bonds and Eurobonds	14 287	6 307
Investment securities available for sale (contractual interest rate: 7%-15% p.a. (2007: 7%-11% p.a.))		
State Eurobonds	3 047	51
Municipal bonds and Eurobonds	592	146
Corporate bonds and Eurobonds	1 685	1 168
Corporate shares	5	5
Investment securities held to maturity (contractual interest rate: 6%-10% p.a.(2008: 6%-10% p.a.))		
Federal loan bonds (OFZ)	4 110	4 126
Municipal bonds	1 262	1 262
Corporate bonds and Eurobonds	1 743	2 004
Promissory notes of the Banks, controlled by government	-	1
Due from other banks		
Current term placements in the Banks, controlled by government (contractual interest rate: 1%-8% p.a. (2008: 8% p.a.))	-	14 690
Loans and advances		
State-controlled companies (contractual interest rate: 7%-24% p.a. (2008: 7%-21% p.a.))	68 664	30 146
Key management and their family members (contractual interest rate: 5%-15% p.a. (2008: 5%-8% p.a.))	33	34
Provision for loan impairment at the period end		
State-owned companies	(426)	(266)
Current income tax prepayment	102	177
Due to other banks		
Current term placement, attracted from CBRF (contractual interest rate: 9%-19% p.a. (2008: 6%-13% p.a.))	33 680	105 827
Current term placements, attracted from the Banks, controlled by government (contractual interest rate: 5%-16% p.a. (2008: 2%-12% p.a.))	21 919	23 932
Term deposits and current/settlement accounts		
State-owned companies (contractual interest rate for term deposits: 5%-15% p.a. (2008: 3%-13% p.a.))	130 363	51 123
Key managers and their family members (contractual interest rate for term deposits: 4%-13% p.a. (2008: 4%-13% p.a.))	462	312

17 Related Party Transactions (Continued)

In millions of Russian Roubles	30 June 2009 (unaudited)	31 December 2008
Subordinated debts (contractual interest rate 8% p.a.)	25 000	25 000
Revaluation reserve for available for sale securities	(74)	(284)
Credit related commitments		
Undrawn credit lines (without commitments to extend credit, which are contingent upon customer's maintaining specific credit standards)	812	4 001
Letters of credit	-	50
Guarantees issued	22	20

The income and expense items with related parties were as follows:

In millions of Russian Roubles	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Interest income on cash and cash equivalents		
The Central Bank of the Russian Federation	164	31
Transactions with state-controlled banks, including placements with original maturities less than one month	132	68
Interest income on trading securities		
Government securities	13	202
State-controlled companies	604	133
Results from operations with trading securities		
Government securities	(92)	(175)
Securities of state-controlled companies	(342)	(53)
Interest income on available for sale securities		
Government securities	85	42
State-controlled companies	71	6
Result from operations with investment securities available for sale		
Government securities	80	-
Interest income on due from other banks		
State-controlled banks	178	-
Interest income on investment securities held to maturity		
Government securities	182	-
State-controlled companies	66	-
Interest income on loans and advances to customers		
State-controlled companies	2 738	519
Key managers and their family members	1	1
Provision for loan impairment on loans and advances to customers		
State-controlled companies	(160)	(54)

17 Related Party Transactions (Continued)

In millions of Russian Roubles	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Interest expense on due to other banks		
The Central Bank of the Russian Federation	(4 840)	(2)
Transactions with state-controlled banks	(769)	(231)
Interest expense on customer accounts		
State-controlled companies	(5 561)	(129)
Key managers and their family members	(21)	(12)
Interest expense on subordinated debts	(992)	-
Current income tax expense	(862)	(709)

In the six months period ended 30 June 2009 total remuneration of members of the Management Board amounted to RR 78 million (the six months ended 30 June 2008: RR 109 million).

18 Business Combinations

During six months ended 30 June 2009 the Group acquired from its borrowers as part of the loan restructuring the following entities:

Name	Nature of business	Effective percentage of ownership at 30 June 2009	Acquisition date
Business combinations (June):			
Open Joint-Stock Company Albashskiy elevator	Grain storage	75,00%	25 June 2009
Open Joint-Stock Company Beloglinskiy elevator	Grain storage	80,41%	25 June 2009
Open Joint-Stock Company Velichkovskiy elevator	Grain storage	80,03%	25 June 2009
Open Joint-Stock Company Eyanskiy elevator	Grain storage	76,68%	25 June 2009
Open Joint-Stock Company Krilovskiy elevator	Grain storage	75,64%	25 June 2009
Open Joint-Stock Company Ladoshskiy elevator	Grain storage	80,34%	25 June 2009
Open Joint-Stock Company Malorossiyskiy elevator	Grain storage	75,75%	25 June 2009
Open Joint-Stock Company Rovnenskiy elevator	Grain storage	75,13%	25 June 2009
Open Joint-Stock Company Stepnyanskiy elevator	Grain storage	75,01%	25 June 2009
Open Joint-Stock Company Umanskiy elevator	Grain storage	97,88%	25 June 2009
Business combinations (March-April):			
Open Joint-Stock Company Rassvet	Cattle farming	99,03%	31 March 2009
Open Joint-Stock Company Luzhskiy kombikormoviy zavod	Compound animal feedstuff	87,53%	27 April 2009
Open Joint-Stock Company Luzhskiy Myasokombinat	Meet processing	98,43%	27 April 2009

The acquired subsidiaries contributed the following revenue and profit/(loss) to the Group for the period from the date of acquisition to 30 June 2009:

(Unaudited) *In millions of Russian Roubles*	Revenue	Profit/(loss)
Business combinations (March-April)	259	11
Business combinations (June)	8	(2)

18 Business Combinations (Continued)

If the acquisition had occurred on 1 January 2009, the acquired subsidiaries would have contributed the following revenue and profit/(loss) to the Group for the six months ended 30 June 2009:

(Unaudited) *In millions of Russian Roubles*	**Revenue**	**Profit/(loss)**
Business combinations (March-April)	518	23
Business combinations (June)	3 052	(103)

The consideration paid by the Group for the above acquisitions was based on the results of an external independent appraisal of the acquiree's business taken as a whole. However, in accordance with IFRS 3 "Business Combinations", the Group must account for acquisitions based on fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed. These two different approaches can lead to differences and as set out in the table below, may result in recognition of goodwill.

Details of the assets and liabilities acquired and goodwill arising from business combination (March-April 2009) are as follows:

(Unaudited) *In millions of Russian Roubles*	**IFRS carrying amount immediately before business combination**	**Attributed fair value**
Cash and cash equivalents	42	42
Loans and advances to customers	76	76
Premises and equipment	608	2 051
Trade receivables	480	480
Other assets	284	284
Due to other banks	(953)	(953)
Net deferred tax assets/(liabilities)	(11)	(299)
Trade payables	(332)	(332)
Other liabilities	(2)	(2)
Fair value of net assets of subsidiaries	**192**	**1 347**
Less: non-controlling interests		(100)
Fair value of acquired interest in net assets of subsidiaries		**1 247**

18 Business Combinations (Continued)

Details of the assets and liabilities acquired and goodwill arising from business combination (June 2009) are as follows:

(Unaudited) *In millions of Russian Roubles*	**IFRS carrying amount immediately before business combination**	**Attributed fair value**
Cash and cash equivalents	2	2
Premises and equipment	218	8 007
Trade receivables	1 845	1 845
Other assets	84	84
Net deferred tax assets/(liabilities)	209	(1 349)
Trade payables	(2 976)	(2 976)
Fair value of net assets of subsidiaries	**(618)**	**5 613**
Less: non-controlling interests		(1 161)
Fair value of acquired interest in net assets of subsidiaries		**4 452**

The purchase consideration comprises of the following:

(Unaudited) *In millions of Russian Roubles*	**Business combination (March-April)**	**Business combination (June)**
Purchase consideration		
Loans and advances to customers repayment	1 247	3 152
Cash paid	-	1 598
Total purchase consideration	**1 247**	**4 750**
Fair value of acquired interest in net assets of subsidiary	1 247	4 452
Goodwill	-	298

The goodwill is primarily attributable to the expected profitability resulted from the synergy between acquired businesses.

(Unaudited) *In millions of Russian Roubles*	**Business combination (March-April)**	**Business combination (June)**
Outflow of cash and cash equivalents on acquisition		
Cash paid	-	1 598
Cash and cash equivalents of subsidiaries acquired	(42)	(2)
Outflow of cash and cash equivalents on acquisition	(42)	**1 596**

19 Principal Consolidated Subsidiaries and Special Purpose Entity

As at 30 June 2009, the Bank's principal consolidated subsidiaries were as follows:

Name	Nature of business	Direct control, %	Indirect control, %	Effective percentage of ownership	Country of incorporation
Subsidiaries					
Closed Joint-Stock Company Chelyabinsky Commercial Land Bank	Bank	99,47%	-	99,47%	Russia
Limited Liability Company TD Agrotorg	Trading entity	99,00%	-	99,00%	Russia
Limited Liability Company TD Krasnodar-Agro	Trading entity	-	99,00%	99,00%	Russia
Limited Liability Company Buryatmyasprom	Canning factory	-	99,00%	99,00%	Russia
Limited Liability Company TD Agrotorg Murmaskiy	Trading entity	-	99,00%	99,00%	Russia
Limited Liability Company TD Agrotorg Samarskiy	Trading entity	-	99,00%	99,00%	Russia
Limited Liability Company TD Agrotorg Tulskiy	Trading entity	-	99,00%	99,00%	Russia
Open Joint-Stock Company Rassvet	Cattle farming	99,03%	-	99,03%	Russia
Open Joint-Stock Company Luzhskiy kombikormoviy zavod	Compound animal feedstuff	75,60%	11,93%	87,53%	Russia
Open Joint-Stock Company Luzhskiy Myasokombinat	Meet processing	-	98,43%	98,43%	Russia
Open Joint-Stock Company Albashskiy elevator	Grain storage	75,00%	-	75,00%	Russia
Open Joint-Stock Company Beloglinskiy elevator	Grain storage	80,41%	-	80,41%	Russia
Open Joint-Stock Company Velichkovskiy elevator	Grain storage	80,03%	-	80,03%	Russia
Open Joint-Stock Company Eyanskiy elevator	Grain storage	76,68%	-	76,68%	Russia
Open Joint-Stock Company Krilovskiy elevator	Grain storage	75,64%	-	75,64%	Russia
Open Joint-Stock Company Ladoshskiy elevator	Grain storage	80,34%	-	80,34%	Russia
Open Joint-Stock Company Malorossiyskiy elevator	Grain storage	75,75%	-	75,75%	Russia
Open Joint-Stock Company Rovnenskiy elevator	Grain storage	75,13%	-	75,13%	Russia
Open Joint-Stock Company Stepnyanskiy elevator	Grain storage	75,01%	-	75,01%	Russia
Open Joint-Stock Company Umanskiy elevator	Grain storage	97,88%	-	97,88%	Russia
Special purpose entity					
RSHB Capital S.A.	Eurobond issue		-	-	Luxembourg

RSHB Capital S.A. was registered in Luxembourg in 2005. The Company is owned by the foundations established under the laws of the Netherlands and has been established as a special purpose vehicle for the sole purpose of issuing Eurobonds and lending the issue proceeds to the Bank (refer to the Note 10).

20 Subsequent Events

Bonds issued on domestic market with the put option dated 9 October 2009 were not presented for the redemption by any of the holders. Refer to Note 10.