

RUSSIAN AGRICULTURAL BANK GROUP
Condensed Interim Consolidated Financial
Information and Review Report
30 June 2007

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REVIEW REPORT

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REVIEW REPORT

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

Introduction

- 1 We have reviewed the accompanying condensed interim consolidated balance sheet of Russian Agricultural Bank and its subsidiaries (hereinafter - the "Group") as of 30 June 2007, and the related condensed interim consolidated statements of income, changes in equity and cash flows for the six months then ended. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim consolidated 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 interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
14 September 2007

In thousands of Russian Roubles

Approved for issue and signed on behalf of the Management Board on 14 September 2007.



Approved

Yevgeny Trusov
Chairman

Y.V. Trushin
Chairman of the Board

[Signature]

O.V. Nikonov
Chief Accountant

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Russian Agricultural Bank Group
Condensed Interim Consolidated Income Statement

	Note	Six months ended 30 June 2007 (unaudited)	Six months ended 30 June 2006 (unaudited)
<i>In thousands of Russian Roubles</i>			
Interest income		13 788 170	5 236 540
Interest expense		(6 593 835)	(2 343 123)
Net interest income		7 194 335	2 893 417
Provision for loan impairment	6	(1 576 987)	(1 221 235)
Net interest income after provision for loan impairment		5 617 348	1 672 182
Gains less losses/(losses, net of gains) from securities at fair value through profit or loss		31 204	(28 285)
Gains less losses/(losses, net of gains) from trading in foreign currencies		73 619	(56 289)
Foreign exchange translation gains less losses		1 197 927	610 759
Losses, net of gains from currency derivatives		(2 079 552)	(586 341)
Fee and commission income		412 867	230 481
Fee and commission expense		(36 563)	(15 427)
(Provision)/Recovery of provision for other assets		(2 236)	199
Other operating income		41 501	21 112
Administrative and other operating expenses		(4 437 455)	(1 777 773)
Profit before tax		818 660	70 618
Income tax expense		(234 605)	(25 123)
Profit for the period		584 055	45 495
Profit attributable to			
Equity holders of the Bank		584 017	45 458
Minority interest		38	37
Profit for the period		584 055	45 495
Earnings per share for profit attributable to the equity holders of the Bank, basic and diluted		28	4

The notes set out on pages 5 to 17 form an integral part of these condensed interim consolidated financial information

Russian Agricultural Bank Group
Condensed Interim Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Bank			Minority interest	Total equity
	Share capital	Retained earnings / (Accumulated deficit)	Total		
<i>In thousands of Russian Roubles</i>					
Balance at 1 January 2006	11 519 833	(488 568)	11 031 265	437	11 031 702
Profit for the period	-	45 458	45 458	37	45 495
Share issue	4 193 000	-	4 193 000	-	4 193 000
Dividends declared	-	(56 111)	(56 111)	(30)	(56 141)
Balance at 30 June 2006 (unaudited)	15 712 833	(499 221)	15 213 612	444	15 214 056
Balance at 1 January 2007	21 620 833	308 366	21 929 199	557	21 929 756
Profit for the period	-	584 017	584 017	38	584 055
Dividends declared	-	(226 450)	(226 450)	(15)	(226 465)
Balance at 30 June 2007 (unaudited)	21 620 833	665 933	22 286 766	580	22 287 346

Russian Agricultural Bank Group
Condensed Interim Consolidated Statement of Cash Flows

	Six months ended 30 June 2007 (unaudited)	Six months ended 30 June 2006 (unaudited)
<i>In thousands of Russian Roubles</i>		
Cash flows from operating activities		
Interest received	13 405 194	5 046 603
Interest paid	(4 790 289)	(1 927 482)
Income received from trading in securities at fair value through profit or loss	52 360	18 614
Income received/(losses, net of gains) from trading in foreign currencies	73 619	(55 991)
Losses, net of gains from currency derivatives	(652 359)	(18 527)
Fees and commissions received	412 867	230 481
Fees and commissions paid	(36 563)	(15 427)
Other operating income received	41 258	25 111
Staff costs paid	(2 553 275)	(1 083 353)
Other administrative and operating expenses paid	(1 489 108)	(675 423)
Income tax paid	(203 774)	(147 894)
Cash flows from operating activities before changes in operating assets and liabilities	4 259 930	1 396 712
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the Central Bank of the Russian Federation	(922 427)	(475 496)
Net increase in securities at fair value through profit or loss	(6 815 443)	(4 879 918)
Net decrease/(increase) in due from other banks	660 681	(2 735 527)
Net increase in loans and advances to customers	(69 414 503)	(48 770 545)
Net increase in other assets	(430 700)	(339 952)
Net (decrease)/increase in due to other banks	(390 981)	12 955 652
Net increase in customer accounts	14 115 216	11 257 275
Net increase in promissory notes issued	4 596 125	3 453 747
Net increase in other liabilities	2 982	43 410
Net cash used in operating activities	(54 339 120)	(28 094 642)
Cash flows from investing activities		
Acquisition of premises and equipment	(1 093 026)	(255 955)
Proceeds from disposal of premises and equipment	1 520	1 671
Dividends received	188	349
Acquisition of intangible assets	(91 629)	(33 449)
Net cash used in investing activities	(1 182 947)	(287 384)
Cash flows from financing activities		
Issue of ordinary shares	-	3 700 000
Proceeds from other borrowed funds	50 371 412	29 001 174
Proceeds from subordinated debts	5 180 200	-
Proceeds from syndicated loans	13 430 872	-
Repayment of other borrowed funds	-	(165 000)
Dividends paid	(15)	(30)
Net cash from financing activities	68 982 469	32 536 144
Effect of exchange rate changes on cash and cash equivalents	(66 068)	(124 733)
Net increase in cash and cash equivalents	13 394 334	4 029 385
Cash and cash equivalents at the beginning of the period	13 615 695	4 792 688
Cash and cash equivalents at the end of the period	27 010 029	8 822 073

The notes set out on pages 5 to 17 form an integral part of these condensed interim consolidated financial information

1 Introduction

This condensed interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") for the six months ended 30 June 2007 for Open Joint-Stock Company Russian Agricultural Bank (the "Bank") and its subsidiary, Closed Joint-Stock Company Chelyabinsky Commercial Land Bank (together referred to as the "Group"). The Group also consolidates a special purpose entity RSHB Capital S.A., a company incorporated in Luxembourg in 2005 and governed through its foundation documents under the laws of the Netherlands. RSHB Capital S.A. has been established as a special purpose vehicle for the sole purpose of issuing Eurobonds and lending the issue proceeds to the Bank.

The information about the consolidated subsidiary and the special purpose entity is presented below.

Name	Nature of business	Percentage of voting rights, %	Percentage of ownership	Jurisdiction
Subsidiary				
Closed Joint – Stock Company "Chelyabinsky Commercial Land Bank"	Bank	99,47%	99,47%	Russia
Special purpose entity				
RSHB Capital S.A.	Eurobonds issue	-	-	Luxembourg

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 corporate 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 100 thousand and repayment of 90% of individual deposits in excess of 100 thousand up to a limit of RR 400 thousand per individual in case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments.

The Bank has 74 (31 December 2006: 71) branches and 1 016 (31 December 2006: 762) 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 2007 was 14 959 (31 December 2006: 10 986).

Activities of the Group include deposit taking and commercial lending, foreign exchange dealing, cash operations and securities trading. These activities are conducted principally in Russia.

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

2 Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including the existence of a currency that is in practice not convertible in most countries outside of the Russian Federation, relatively high inflation and strong economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity. Management is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they could have on the financial position of the Group.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in the Russian Federation. 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.

3 Basis of Preparation and Significant Accounting Policies

This condensed interim consolidated financial information has been prepared in accordance with IAS 34. This condensed interim consolidated financial information does not provide all the information that is required in full consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2006, since this condensed interim consolidated financial information provides update of the previously reported financial information.

This condensed interim consolidated financial information comprises the condensed interim consolidated balance sheet as at 30 June 2007, corresponding amounts as at 31 December 2006, the condensed interim consolidated income statement, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the six months ended 30 June 2007, corresponding amounts for the six months ended 30 June 2006 and selected notes.

This condensed interim consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of financial instruments categorised as at fair value through profit or loss.

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

Changes in accounting policies. The accounting policies applied in the preparation of this condensed interim consolidated financial information is consistent with the accounting policies applied in the preparation of consolidated financial statements of the Group for the year ended 31 December 2006, except for the described below and the new standards introduced as at 1 January 2007 set out further below.

The Group changed its accounting policy for cash and cash equivalents and starting from 1 January 2007 also considers loans, deposits and reverse sale and repurchase agreements with other banks with original maturity of less than one month as part of cash equivalents. Where necessary, corresponding figures have been adjusted to conform with changes in accounting policies.

The effect of changes in accounting policies on the condensed interim consolidated balance sheet is as follows:

<i>In thousands of Russian Roubles</i>	31 December 2006
Increase in	
Cash and cash equivalents	299 916
Decrease in	
Due from other banks	299 916

3 Basis of Preparation and Significant Accounting Policies (Continued)

The effect of changes in accounting policies on the condensed interim consolidated statement of cash flow is as follows:

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2006 (unaudited)
Increase in	
Cash and cash equivalents at the end of the period	2 204 661
Net increase in due from other banks	2 281 722
Decrease in	
Effect of exchange rate changes on cash and cash equivalents	77 061

Changes in presentation. The presentation of this condensed interim consolidated financial information is consistent with the presentation of consolidated financial statements of the Group for the year ended 31 December 2006, except for the reclassifications in the tables below. The Group made voluntary changes in presentation as it believes that it will result in the condensed interim consolidated financial information providing reliable and more relevant information about the effects of transactions, other events or conditions on the Group's financial position, financial performance.

The effect of reclassifications on the condensed interim consolidated balance sheet is as follows:

<i>In thousands of Russian Roubles</i>	31 December 2006
Increase in	
Fair value of currency derivatives (asset)	170 404
Fair value of currency derivatives (liability)	641 254
Syndicated loans	2 615 630
Decrease in	
Other assets	170 404
Other liabilities	641 254
Due to other banks	2 615 630

The effect of reclassifications on the condensed interim consolidated income statement is as follows:

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2006 (unaudited)
Increase in	
Foreign exchange translation gains less losses	490 310
Decrease in	
Losses, net of gains from currency derivatives	490 310

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

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

Judgements made by management in the process of applying the accounting policies were consistent with the judgements disclosed in the annual consolidated financial statements for the year ended 31 December 2006. Management has not identified new areas of judgement. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Interim period measurement: Income tax expense is recognised in this interim condensed consolidated financial information based on management's best estimates of the weighted average annual income tax rate expected for the full financial year. Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

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 judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the assessed probability of default within pools of the total loans and advances to customers differs by +/- one percent, the provision would be approximately RR 26 608 thousand (31 December 2006: RR 35 056 thousand) higher or RR 47 205 thousand (31 December 2006: RR 36 954 thousand) lower. To the extent that the assessed loss identification period for three percent of not impaired loans differs by +/- one month, the provision would be approximately RR 37 229 thousand (31 December 2006: RR 71 837 thousand) higher or RR 36 795 thousand (31 December 2006: RR 70 999 thousand) lower.

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

5 Adoption of New or Revised Standards and Interpretations

As indicated in the consolidated financial statements of the Group for the year ended 31 December 2006, certain new standards, amendments and interpretations are mandatory for application from 1 January 2007. Their application did not have a material impact on this condensed interim consolidated financial information.

- *IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures* (effective for annual periods beginning on or after 1 January 2007). The IFRS introduced new disclosures to improve the information about financial instruments. The extended disclosure will provide more information about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Management of the Group made assessments and is of the opinion that IFRS 7 did not have an impact on the financial position of the Group and its financial performance. The Group will present such increased disclosures in the next full set of the consolidated financial statements of the Group.

5 Adoption of New or Revised Standards and Interpretations (Continued)

- *IFRIC 7, Applying the Restatement Approach under IAS 29* (effective for periods beginning on or after 1 March 2006). This interpretation is not applicable to the Group.
- *IFRIC 8, Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006); This interpretation is not applicable to the Group.
- *IFRIC 9, Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006). This interpretation is not applicable to the Group.
- *IFRIC 10, Interim Financial Reporting* (effective for annual periods beginning on or after 1 November 2006). The interpretation states that an entity cannot recover impairment losses recorded in the previous interim period for goodwill or investments in equity instruments or financial assets recognised at cost. The Management of the Group is of the opinion that this interpretation did not significantly affect the Group's condensed interim consolidated financial information.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted by the Group:

- *IAS 1 - Presentation of Financial Statements (Revised September 2007)* (effective from 1 January 2009). The International Accounting Standards Board issued a revised version of IAS 1 Presentation of Financial Statements in September 2007. The revision is aimed at improving users' ability to analyse and compare the information given in financial statements.
- *IFRS 8, Operating Segments* (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires a Group to report financial and descriptive information about its operating segments and specifies how an entity should report such information.
- *IAS 23, Borrowing Costs* (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised standard removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.
- *IFRIC 11, IFRS 2—Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007).
- *IFRIC 12, Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008).
- *IFRIC 13, Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008).
- *IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

6 Provision for Loan Impairment

Movements in the provision for loan impairment are as follows:

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2007 (unaudited)	Six months ended 30 June 2006 (unaudited)
Provision for loan impairment at 1 January	4 057 516	1 447 995
Provision for loan impairment during the period	1 576 987	1 221 235
Loans and advances to customers written off during the period as uncollectible	(34 057)	-
Provision for loan impairment at 30 June	5 600 446	2 669 230

7 Significant Risk Concentrations

As at 30 June 2007 cash and cash equivalents included the balance with one foreign bank in amount of RR 5 649 657 thousand or 21% of total cash and cash equivalents (31 December 2006: Maximum balance with other bank was RR 160 111 thousand or 1% of total cash and cash equivalents).

As at 30 June 2007 cash and cash equivalents included the balance with the Bank of Russia in amount of RR 5 703 102 thousand or 21% of total cash and cash equivalents (31 December 2006: RR 11 663 404 thousand or 86% of total cash and cash equivalents).

As at 30 June 2007 the Group had placements with two Russian banks with aggregated amount of RR 1 400 107 thousand, or 65% of total due from other banks (31 December 2006: placements with two Russian banks with aggregated amount of RR 1 853 779 thousand, or 65% of total due from other banks).

As at 30 June 2007 the Group had loans in the aggregate amount of RR 4 573 286 thousand (31 December 2006: RR 4 490 331 thousand) issued at 6,5% p.a. to the company which is 100% owned by the Government of the Russian Federation.

As at 30 June 2007 the Group had balances due to three foreign banks with aggregated amount of RR 26 549 527 thousand, or 76% of total due to other banks (31 December 2006: RR 26 824 889 thousand, or 76% of total due to other banks).

As at 30 June 2007, the Group has two customers with balances above 10% of the Group's equity (31 December 2006: three customers). The aggregate balance of these customers was RR 12 734 655 thousand, or 26% of total customer accounts (31 December 2006: RR 8 259 047 thousand, or 24% of total customer accounts).

8 Other Borrowed Funds, Syndicated Loans and Subordinated Debts

<i>In thousands of Russian Roubles</i>	30 June 2007 (unaudited)	31 December 2006
Issued Eurobonds	67 445 429	27 682 740
Bonds issued on domestic market	20 199 071	10 017 849
Total other borrowed funds	87 644 500	37 700 589
Syndicated loans	16 121 878	2 615 630
Subordinated debts	18 209 043	13 337 088

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

Other borrowed funds. As at 30 June 2007, 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.

Eurobonds with nominal value of USD 350 000 thousand (31 December 2006: USD 350 000 thousand) have maturity on 29 November 2010 and the semi-annual payment of coupon income. As at 30 June 2007 coupon rate was 6,875% p.a. (31 December 2006: 6,875% p.a.), yield to maturity 6,3% p.a. (31 December 2006: 6,0%p.a.).

Eurobonds with nominal value of USD 700 000 thousand (31 December 2006: USD 700 000 thousand) have maturity on 16 May 2013 and the semi-annual payment of coupon income. As at 30 June 2007 coupon rate was 7,175% p.a.(31 December 2006: 7,175% p.a.), yield to maturity 6,4% p.a. (31 December 2006: 6,1% p.a.).

In March 2007, the Group issued Eurobonds denominated in Swiss Francs with nominal value of CHF 375 000 thousand maturing on 29 March 2010 with the annual payment of coupon income. As at 30 June 2007 coupon rate was 3,583% p.a., yield to maturity 4,1% p.a.

In May 2007, the Group issued Eurobonds denominated in US Dollars with nominal value of USD 1 250 000 thousand maturing in 15 May 2017 with the semi-annual payment of coupon income. As at 30 June 2007 coupon rate was 6,299% p.a., yield to maturity 6,7% p.a.

In December 2004, the Group placed own bonds denominated in Russian Roubles in the nominal amount of RR 3 000 000 thousand maturing in June 2008 with the quarterly payment of coupon income. As at 30 June 2007 coupon rate was 7,2% p.a.(31 December 2006: 7,2% p.a.), yield to maturity 6,9% p.a. (31 December 2006: 7,0% p.a.).

In February 2006, the Group placed own bonds denominated in Russian Roubles in the nominal amount of RR 7 000 000 thousand maturing in February 2011 with the quarterly payment of coupon income. As at 30 June 2007 coupon rate was 7,85% p.a.(31 December 2006: 7,85% p.a.), yield to maturity 7,1% p.a. (31 December 2006: 7,3% p.a.).

In February 2007, the Group placed own bonds denominated in Russian Roubles in the nominal amount of RR 10 000 000 thousand maturing in February 2017 with the semi-annual payment of coupon income. As at 30 June 2007 coupon rate was 7,34% p.a., yield to the next repricing date in February 2010 of 6,9% p.a.

Syndicated loans. As at 30 June 2007, syndicated loans received by the Group amounted to RR 16 121 878 thousand (31 December 2006: RR 2 615 630 thousand).

In October 2006 the Group received a syndicated loan denominated in Euros from ten OECD banks in the nominal amount of EUR 75 000 thousand with maturity on October 2009 and with effective interest rate of 5,6% p.a.

In April 2007 the Group received 2 tranches of syndicated loan in US Dollars with the total amount of USD 520 000 thousand, 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).

Subordinated debts. As at 30 June 2007, subordinated debts received by the Group amounted to RR 18 209 043 thousand (31 December 2006: RR 13 337 088 thousand).

In September 2006 the Group received subordinated debt represented by USD 500 000 thousand Eurobonds issued by the Group through its special purpose entity, RSHB Capital S.A. The Eurobonds mature in September 2016 and carry interest payment at a rate of 6,97% p.a. (31 December 2006: 6,97% p.a.) and yield to the next repricing date in September 2011 of 6,8% p.a.(31 December 2006: 6,2% p.a.).

In June 2007 the Group received a subordinated debt in the nominal amount of USD 200 000 thousand with maturity in June 2017.

Russian Agricultural Bank Group
Selected Notes to the Condensed Interim Consolidated Financial Information – 30 June 2007

9 Segment Analysis

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

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

- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

Segment information for the main reportable business segments of the Group for the six months ended 30 June 2007 is set out below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Total
Six months ended 30 June 2007 (unaudited)			
External revenues	12 298 173	1 944 365	14 242 538
Total revenues	12 298 173	1 944 365	14 242 538
Total revenues comprise:			
- Interest income	11 850 866	1 937 304	13 788 170
- Fee and commission income	405 806	7 061	412 867
- Other operating income	41 501	-	41 501
Total revenues	12 298 173	1 944 365	14 242 538
Total expenses comprise:			
- Interest expense	(6 084 884)	(508 951)	(6 593 835)
- Fee and commission expense	(36 563)	-	(36 563)
- Other administrative and operating expenses	(4 157 699)	(279 756)	(4 437 455)
- Provisions	(1 331 599)	(247 624)	(1 579 223)
Total expense	(11 610 745)	(1 036 331)	(12 647 076)
Segment results	687 428	908 034	1 595 462
Unallocated expenses	-	-	(776 802)
Income tax expense	-	-	(234 605)
Profit for the period	-	-	584 055

Russian Agricultural Bank Group
Selected Notes to the Condensed Interim Consolidated Financial Information – 30 June 2007

9 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Group for the six months ended 30 June 2006 is set out below:

<i>In thousands of Russian Roubles</i>	Corporate banking	Retail banking	Total
Six months ended 30 June 2006 (unaudited)			
External revenues	5 259 651	228 482	5 488 133
Total revenues	5 259 651	228 482	5 488 133
Total revenues comprise:			
- Interest income	5 012 635	223 905	5 236 540
- Fee and commission income	225 904	4 577	230 481
- Other operating income	21 112	-	21 112
Total revenues	5 259 651	228 482	5 488 133
Total expenses comprise:			
- Interest expense	(2 087 087)	(256 036)	(2 343 123)
- Fee and commission expense	(15 427)	-	(15 427)
- Other administrative and operating expenses	(1 704 669)	(73 104)	(1 777 773)
- Provisions	(1 218 747)	(2 289)	(1 221 036)
Total expense	(5 025 930)	(331 429)	(5 357 359)
Segment results	233 721	(102 947)	130 774
Unallocated expenses	-	-	(60 156)
Income tax expense	-	-	(25 123)
Profit for the period	-	-	45 495

Geographical segments. The Group operates only in the Russian Federation. Substantially all revenues of the Group were received from contracting parties operating in the Russian Federation.

10 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 interim consolidated 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.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2006, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny.

10 Contingencies and Commitments (Continued)

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.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 30 June 2007 no provision for potential tax liabilities had been recorded (31 December 2006: no provision).

Capital expenditure commitments. At 30 June 2007 the Group had contractual capital expenditure commitments totalling RR 755 854 thousand (31 December 2006: RR 363 453 thousand).

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:

<i>In thousands of Russian Roubles</i>	30 June 2007 (unaudited)	31 December 2006
Not later than 1 year	524 163	354 309
Later than 1 year and not later than 5 years	859 650	576 604
Later than 5 years	638 878	358 519
Total operating lease commitments	2 022 691	1 289 432

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings 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 2007 the Group had no securities pledged under sale and repurchase agreements. At 31 December 2006 the Group had corporate bonds pledged under sale and repurchase agreements whose fair value was RR 152 573 thousand.

Mandatory cash balances with the CBRF in the amount of RR 2 639 850 thousand (31 December 2006: RR 1 717 423 thousand) represent mandatory reserve deposit which is not available to finance the Group's day to day operations.

11 Related Party Transactions

For the purposes of this condensed interim consolidated financial information, 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 (See Note 1).

Currently the Government of the Russian Federation does not provide to the general public or entities under its ownership/control a complete list of the entities which are owned or controlled directly or indirectly by the State. Judgement is applied by the Management in identification of related parties to be disclosed in the consolidated financial statements.

Key management personnel include only members of the Management Board, management of the subsidiary bank and their family members.

At 30 June 2007, the outstanding balances with related parties were as follows:

<i>In thousands of Russian Roubles</i>	30 June 2007 (unaudited)	31 December 2006
Cash and cash equivalents		
Cash balances with the CBRF (other than mandatory reserve deposits)	5 703 102	11 663 404
Mandatory cash balances with the Central Bank of the Russian Federation	2 639 850	1 717 423
Nostro accounts and interbank loans maturing within 30 days with state-controlled banks (contractual interest rate: 2%-6% p.a.)	6 456 671	206 952
Loans and advances at the period end		
State-owned companies (contractual interest rates 7%-21% p.a. (31 December 2006: 7%-22% p.a.))	8 947 666	8 701 696
Key managers and their family members (contractual interest rates 5%-13% p.a. (31 December 2006: 5%-11% p.a.))	6 134	5 993
Provision for loan impairment at the period end		
State-owned companies	(188 329)	(92 563)
Securities at fair value through profit or loss (contractual interest rates for debt securities 6%-18% p.a. (31 December 2006: 6%-17% p.a.))		
Federal loan bonds (OFZ bonds)	1 938 318	1 069 928
Municipal bonds	1 049 062	765 238
Corporate bonds	1 347 387	408 812
Corporate shares	114 015	85 173
Promissory notes of the state-controlled banks	558 405	18 765
Current income tax prepayment		
Federal budget	233 912	303 052
Other assets		
Federal budget	1 577	1 063

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11 Related Party Transactions (Continued)

<i>In thousands of Russian Roubles</i>	30 June 2007 (unaudited)	31 December 2006
Due to other banks		
Current term placements (contractual interest rates 1% - 6% p.a. (31 December 2006: 1%-11% p.a.))	200 016	714 194
Term deposits and current/settlement accounts as at the period end		
State-owned companies (contractual interest rates on deposits 2% - 8% p.a. (31 December 2006: 5%-9% p.a.))	11 450 172	4 525 505
Key managers and their family members (contractual interest rates 3% - 11% p.a. for both periods)	151 663	106 173
Current income tax liability		
Federal budget	-	3 190
Other liabilities		
Taxation payable	36 624	57 511
Dividends payable	226 450	-
Credit related commitments		
Guarantees issued	17 981	11 270
Import letters of credit	95 534	99 571
Undrawn credit lines	72 718	72 718

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

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2007 (unaudited)	Six months ended 30 June 2006 (unaudited)
Loans and advances to customers		
<i>Interest income for the period</i>		
State-owned companies	452 643	358 113
Key managers and their family members	246	178
Interest income from securities at fair value through profit or loss		
Government securities	93 068	69 262
State-owned companies	26 191	16 802
Result from operations with securities at fair value through profit or loss		
Government securities	(5 246)	(31 583)
State-owned companies	(1 926)	(6 200)
Provision for loan impairment		
State-owned companies	(95 766)	(60 815)
Cash and cash equivalents		
<i>Interest income</i>		
The Central Bank of the Russian Federation	40 187	6 335
Transactions with state-owned banks	42 694	11 719

Russian Agricultural Bank Group
Selected Notes to the Condensed Interim Consolidated Financial Information – 30 June 2007

11 Related Party Transactions (Continued)

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2007 (unaudited)	Six months ended 30 June 2006 (unaudited)
Due to other banks		
<i>Interest expense</i>		
Transactions with state-owned banks	(9 294)	(26 334)
Customer accounts		
<i>Interest expense for the period</i>		
State-owned companies	(69 985)	(31 907)
Key managers and their family members	(6 175)	(2 937)
Interest expense on subordinated debts	-	(1 757)
Net income/ (net losses) related to participation in the national project "Development of Agro-Industrial Sector", excluding taxes and staff costs	1 006	(276)
Other operating income (on guarantees and letters of credit issued)	926	84
Current income tax expense	(269 039)	(237 683)

In the six months period ended 30 June 2007 total remuneration of members of the Management Board amounted to RR 95 789 thousand (the six months ended 30 June 2006: RR 32 218 thousand).