RUSSIAN AGRICULTURAL BANK GROUP

International Financial Reporting Standards

Condensed Consolidated Interim Financial Information and Review Report

30 June 2010

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 Open Joint Stock Company Russian Agricultural Bank and its subsidiaries (hereinafter - the "Group") as of 30 June 2010, 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 fair 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

12 October 2010
Moscow, Russian Federation

Russian Agricultural Bank Group
Condensed Consolidated Interim Statement of Financial Position

In millions of Russian Roubles	Note	30 June 2010 (unaudited)	31 December 2009
ASSETS			
Cash and cash equivalents		62 855	94 958
Mandatory cash balances with the Central Bank of the Russian Federation		3 235	2 974
Trading securities		8 200	18 022
Repurchase receivable		-	3 467
Other financial instruments at fair value through profit or loss	6	8 116	4 070
Derivative financial instruments	15	21 503	28 289
Due from other banks		40 484	37 792
Loans and advances to customers	7	652 465	584 407
Investment securities available for sale		15 507	7 800
Investment securities held to maturity		8 618	7 732
Deferred income tax asset		1 148	400
Goodwill		298	298
Intangible assets		1 448	1 023
Premises and equipment		27 562	27 446
Current income tax prepayment		132	229
Other assets	12	9 809	11 757
TOTAL ASSETS		**861 380**	**830 664**
LIABILITIES			
Derivative financial instruments	15	93	167
Due to other banks	8	108 207	192 010
Customer accounts		315 799	230 303
Promissory notes issued		17 880	12 567
Other borrowed funds	9	249 808	216 484
Syndicated loans	9	-	7 570
Deferred income tax liability		1 737	1 815
Other liabilities	12	4 532	7 842
Subordinated debts	9	47 043	46 370
TOTAL LIABILITIES		**745 099**	**715 128**
EQUITY			
Share capital		107 798	106 973
Revaluation reserve for premises		830	842
Revaluation reserve for investment securities available for sale		3	14
Retained earnings		6 459	6 572
Net assets attributable to the Bank's owners		**115 090**	**114 401**
Non-controlling interests		**1 191**	**1 135**
TOTAL EQUITY		**116 281**	**115 536**
TOTAL LIABILITIES AND EQUITY		**861 380**	**830 664**

Approved for issue and signed on behalf of the Management Board on 12 October 2010.

D.N. Patrushev
Chairman of the Management Board

E.A. Romankova
Chief Accountant

The notes set out on pages 6 to 22 form an integral part of this Condensed Consolidated Interim Financial Information.

In millions of Russian Roubles	Note	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)
Interest income		50 307	43 792
Interest expense		(26 756)	(28 554)
Net interest income		**23 551**	**15 238**
Provision for loan impairment	7	(12 909)	(5 622)
Net interest income after provision for loan impairment		**10 642**	**9 616**
Fee and commission income		1 426	1 396
Fee and commission expense		(164)	(185)
Gains less losses / (losses net of gains) from trading securities		813	(188)
Losses net of gains arising from other financial instruments at fair value through profit or loss		(339)	(62)
Gains less losses arising from disposal of investment securities available for sale		106	36
Foreign exchange translation losses net of gains		(3 326)	(5 889)
Gains less losses from foreign exchange swaps with settlement dates of more than 30 days		1 767	4 278
Losses net of gains arising from other derivative financial instruments		(167)	(1 084)
Gains less losses from dealings in foreign currencies		92	208
Recovery of /(provision for) impairment of other assets and litigation		207	(45)
Gains from early redemption of other borrowed funds and buy-back of subordinated debts		21	1 956
Gains less losses from non-banking activities	11	469	174
Other operating income		122	47
Administrative and other operating expenses		(11 400)	(9 668)
Profit before tax		**269**	**590**
Income tax expense		(106)	(254)
Profit for the period		**163**	**336**
Other comprehensive income			
Investment securities available for sale:			
- Revaluation of securities at fair value		93	1 401
- Disposal of securities		(106)	17
- Impairment losses recycled to profit or loss		-	33
Revaluation of premises		-	(278)
Income tax recorded directly in other comprehensive income		2	(234)
Other comprehensive income for the period, net of tax		**(11)**	**939**
Total comprehensive income for the period		**152**	**1 275**
Profit is attributable to:			
Owners of the Bank		107	333
Non-controlling interests		56	3
Profit for the period		**163**	**336**
Total comprehensive income is attributable to:			
Owners of the Bank		96	1 272
Non-controlling interests		56	3
Total comprehensive income for the period		**152**	**1 275**

In millions of Russian Roubles	Note	Attributable to owners of the Bank: Share capital	Revaluation reserve for premises	Revaluation reserve for securities available for sale	Retained earnings	Total	Non-controlling interests	Total equity
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		45 000	-	-	-	45 000	-	45 000
Business combinations		-	-	-	-	-	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**
Balance at 1 January 2010		**106 973**	**842**	**14**	**6 572**	**114 401**	**1 135**	**115 536**
Total comprehensive income for the period, net of tax		-	-	(11)	107	96	56	152
Realised revaluation reserve for premises, net of tax		-	(12)	-	12	-	-	-
Share issue	10	825	-	-	-	825	-	825
Dividends declared		-	-	-	(232)	(232)	-	(232)
Balance at 30 June 2010 (unaudited)		**107 798**	**830**	**3**	**6 459**	**115 090**	**1 191**	**116 281**

In millions of Russian Roubles	Note	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)
Cash flows from operating activities			
Interest received		48 458	42 064
Interest paid		(25 832)	(27 757)
Income received / (losses incurred) from trading in securities and other financial instruments at fair value through profit or loss		608	(845)
Income received from foreign exchange swaps with settlement dates of more than 30 days		8 488	3 833
Losses incurred from other derivative financial instruments		(176)	(1 415)
Income received from dealings in foreign currencies		92	208
Fees and commissions received		1 426	1 177
Fees and commissions paid		(164)	(147)
Other operating income received		365	226
Staff costs paid		(6 579)	(5 176)
Administrative and other operating expenses paid		(3 228)	(2 752)
Income tax paid		(847)	(787)
Cash flows from operating activities before changes in operating assets and liabilities		**22 611**	**8 629**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(261)	(840)
Net decrease/(increase) in trading securities and repurchase receivable		13 656	(9 042)
Net increase in other financial instruments at fair value through profit or loss		(4 027)	(822)
Net (increase)/decrease in due from other banks		(1 197)	47 131
Net increase in loans and advances to customers		(77 531)	(101 555)
Net decrease/(increase) in other assets		109	(703)
Net decrease in due to other banks		(84 967)	(95 211)
Net increase in customer accounts		86 924	88 374
Net increase/(decrease) in promissory notes issued		3 832	(2 776)
Net (decrease)/increase in other liabilities		(1 750)	219
Net cash used in operating activities		**(42 601)**	**(66 596)**
Cash flows from investing activities			
Acquisition of premises and equipment		(1 327)	(1 974)
Proceeds from disposal of premises and equipment		272	129
Acquisition of intangible assets		(563)	(262)
Acquisition of investment securities available for sale		(13 367)	(6 571)
Proceeds from disposal of investment securities available for sale		5 619	2 857
Acquisition of investment securities held to maturity		(1 194)	(1 201)
Proceeds from redemption of investment securities held to maturity		475	2 815
Acquisition of subsidiaries net of cash disposed of		-	(1 554)
Net cash used in investing activities		**(10 085)**	**(5 761)**

In millions of Russian Roubles	Note	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)
Cash flows from financing activities			
Issue of ordinary shares	10	825	45 000
Proceeds from other borrowed funds		40 658	38 977
Repayment of other borrowed funds		(11 707)	(10 433)
Repayment of syndicated loans		(7 374)	-
Proceeds from placement of bought-back subordinated debts		-	163
Net cash from financing activities		**22 402**	**73 707**
Effect of exchange rate changes on cash and cash equivalents		**(1 819)**	**4 921**
Net increase in cash and cash equivalents		**(32 103)**	**6 271**
Cash and cash equivalents at the beginning of the period		94 958	83 177
Cash and cash equivalents at the end of the period		**62 855**	**89 448**

Significant non-cash movements for the six months ended 30 June 2010.

As a result of subsidiaries' netting receivables and payables the following significant non-cash changes of the Group's condensed consolidated interim statement of financial position occurred:

- Decrease of other assets for the amount of RR 1 801 million; and
- Decrease of other liabilities for the amount of RR 2 482 million.

Other non-cash transactions relate to elimination of accruals, foreign exchange 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 ("IAS 34") for the six months ended 30 June 2010 for Open Joint Stock Company Russian Agricultural Bank (the "Bank") and its subsidiaries (together referred to as the "Group").

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 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 per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank has 78 (31 December 2009: 78) branches in the Russian Federation. The Bank's registered address is 119034 Russia, Moscow, Gagarinsky lane 3.

The number of the Group's employees at 31 June 2010 was 35 280 (31 December 2009: 33 134).

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 activities. These activities are conducted principally in Russia.

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

2 Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. Despite strong economic growth in recent years, the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010 the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased money market liquidity levels. Management is unable to reliably determine the effects on the Group's future financial position of any potential deterioration in the economic recovery and stability in the currency, equity and money markets.

In summer 2010, the Government declared drought emergency in several Russian regions. This event had significant negative consequences, including increase in consumer prices for certain food products. The Russian Government announced state support for drought-affected regions.

Borrowers of the Group were adversely affected by the financial and economic environment, which in turn has had an impact on their ability to repay the amounts owed. Deteriorating economic conditions for borrowers were reflected in revised estimates of expected future cash flows in impairment assessments.

The market in Russia for many types of collateral, especially real estate, has been severely affected by the volatile global financial markets, resulting in a low level of liquidity for certain types of assets. As a result, the actual realisable value on future foreclosure may differ from the value ascribed in estimating allowances for impairment at the end of the reporting period. Under International Financial Reporting Standards (‘IFRS’), impairment losses on financial assets expected as a result of future events, no matter how likely, cannot be recognised until such events arise.

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.

Management is unable to reliably determine the effects on the Group's future financial position of any potential 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 development 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 IAS 34, *Interim Financial Reporting,* and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRS.

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

At 30 June 2010 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 31.1954 (31 December 2009: USD 1 = RR 30.2442).

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 the accounting policies applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2009. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the consolidated financial statements for the year ended 31 December 2009, became effective for the Group from 1 January 2010. These have not significantly affected the condensed consolidated interim financial information of the Group.

Voluntary changes in presenting financial statements. Starting from the consolidated financial statements for the year ended 31 December 2009, the Group has voluntarily changed presentation of consolidated financial information in order to ensure a fair and more relevant disclosure of the effect of operations, other events and circumstances on the Group’s financial position and results.

3 Summary of Significant Accounting Policies (Continued)

The changes in presenting the condensed consolidated interim statement of comprehensive income and condensed consolidated interim statement of cash flows are as follows:

	Six months ended 30 June 2009 (unaudited)	
In millions of Russian Roubles	**Condensed consolidated interim statement of comprehensive income**	**Condensed consolidated interim statement of cash flows**
Increase in		
Gains less losses from foreign exchange swaps with settlement dates of more than 30 days	4 278	3 833
Gains less losses arising from dealings in foreign currencies	208	208
Losses net of gains arising from other derivative financial instruments	(1 084)	(1 415)
Gains less losses from non-banking activities	174	-
Decrease in		
Gains less losses from derivative financial instruments	4 372	3 596
Losses net of gains from trading in foreign currencies	(970)	(970)
Other operating income	174	-

4 Critical Accounting Estimates, and Judgements 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 2009.

Judgements that have the most significant effect on the amounts recognised in the condensed consolidated interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

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. The fair value of held-to-maturity securities is RR 8 728 million (31 December 2009: RR 7 283 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 profit or loss, the Group makes judgements as to whether there is any objective 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 borrowers' financial situation (assessed on the basis of internal rating system) or 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 363 million (31 December 2009: RR 354 million) higher or RR 377 million (31 December 2009: RR 352 million) lower.

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

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 fair values reported in the condensed consolidated interim financial information.

Subordinated debt from Vnesheconombank. In October 2008, the Group received a subordinated debt from Vnesheconombank ('VEB') 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 debt was originally recognized and subsequently carried on the statement of financial position at amortised contractual value.

If there was evidence that the market interest rate for such a debt was higher than the contractual interest rate, the amortised contractual value of the debt would have been replaced by (i) amortised value of the debt determined based on the fair value of the debt at the date of origination, and (ii) unamortised value of the government grant embedded in such a low interest debt; in this case there would have been no impact on the profit or loss 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 14.

5 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 July 2010 or later and which the Group has not early adopted.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

5 New Accounting Pronouncements (Continued)

Classification of Rights Issues - Amendment to IAS 32 (issued on 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 Group does not expect the amendments to have any material effect on its consolidated financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The Group does not expect IFRIC 19 to have any material effect on its consolidated financial statements.

Amendments to IFRIC 14, Prepayments under pension plans with minimum financing requirements (are effective for annual periods beginning on or after 1 January 2011). This amendment has a limited impact as it is applied only by companies which should make minimum prepayments under defined benefit plans. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amendment is not expected to have any impact on the Group's future consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010 with effect from 1 January 2011). The improvements include individual changes and explanations to the following standards and interpretations:

IFRS 1:

(i) Companies whose activities are subject to tariff regulation may use as a deemed cost of certain fixed and intangible assets their carrying value at which they were recognised in accordance with the previously used GAAP. Companies which use this exemption upon transfer to IFRS should test each asset for impairment in accordance with IAS 36;

(ii) an exemption that allows to use deemed cost arising upon revaluation, required due to such reasons as privatisation which took place no later that the date of transfer to IFRS, is now applicable to revaluation performed during the period included in the first IFRS financial statements;

(iii) A first-time adopter who changes its accounting policy and the procedure for exemptions allowed in IFRS 1 after publication of interim financial information in accordance with IAS 34, when preparing annual IFRS financial statements for the first time, should explain this change and include information on its impact in the data reconciliation required by IFRS 1.

IFRS 3:

(i) Measurement of non-controlling interests at fair value or pro rata the buyer’s share in net assets of the acquired company shall be applicable only to those instruments that are present ownership interests and entitle the holder to a proportionate share of net assets in the event of liquidation. All other components included in non-controlling interests are measured at fair value except for cases when IFRS require another basis of valuation;

(ii) Guidance on IFRS 3 applies to all share-based payment transactions within business combination including retained and voluntarily changed share-based payments;

(iii) Agreements stipulating contingent consideration from business combinations that occurred before the effective date of IFRS 3 (revised in 2008) should be recognised in accordance with the previous version of IFRS 3 (issued in 2004).

5 New Accounting Pronouncements (Continued)

IFRS 7:

The amendments clarify disclosures about financial instruments, primarily:

(i) By adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks;

(ii) By removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired;

(iii) By replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect; and

(iv) By clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period.

IAS 1 - Companies may provide analysis of other comprehensive income by items in the statement of changes in equity or in the notes to the financial statements.

IAS 27 – Amendments to IAS 21, IAS 28 and IAS 31 arising from revision of IAS 27 in 2008 are applied prospectively.

IAS 34 – Much focus is placed on disclosure principles in IAS 34 relating to material events and transactions including changes in the fair value definition and the necessity to provide specified information disclosed in the recent annual report.

IFRIC 13 clarifies the term “fair value” in the context of determining prize scores within customer incentive programmes.

The Group is currently assessing the impact of these improvements on its consolidated 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 consolidated financial statements and effective for its annual periods beginning on or after 1 January 2011.

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 is an option to separate embedded derivative and value host contract at amortised cost.

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

In March 2010, the Group placed funds with the same OECD bank in the total amount of USD 200 million, with maturity in April 2014 and interest rates of 10.0% and 10.4% p.a. The contracts have embedded derivatives FTD (“first to default”), linked to credit events associated with quasi-sovereign issuers.

In April 2010, the Group placed funds with another OECD bank in the total amount of USD 40 million, with maturity in March 2013 and an interest rate of 10.25% p.a. The contract has an embedded derivative linked to a credit risk of a quasi-sovereign issuer.

7 Loans and Advances to Customers

In millions of Russian Roubles	**30 June 2010 (unaudited)**	**31 December 2009**
Loans to legal entities		
- Loans to corporates	575 575	503 568
- Lending for food interventions	45 777	42 666
- Deals with securities purchased under “reverse-repo agreements”	-	894
- Investments in agricultural cooperatives	676	702
Loans to individuals	73 262	66 527
Total loans and advances to customers (before provision for loan impairment)	**695 290**	**614 357**
Less: Provision for loan impairment	(42 825)	(29 950)
Total loans and advances to customers	**652 465**	**584 407**

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

Movements in provisions for loan impairment are as follows:

In millions of Russian Roubles	**For the six months ended 30 June 2010 (unaudited)**	**For the six months ended 30 June 2009 (unaudited)**
Provision for loan impairment at 1 January	**29 950**	**16 557**
Provision for loan impairment during the period	12 875	5 622
Loans and advances to customers written off during the period as uncollectible	-	(17)
Provision for loan impairment at 30 June	**42 825**	**22 162**

Information on related party balances is disclosed in Note 16.

8 Due to Other Banks

In millions of Russian Roubles	**30 June 2010 (unaudited)**	**31 December 2009**
Borrowings from other banks with term to maturity		
- less than 30 days	7 264	29 050
- from 31 to 180 days	21 630	3 779
- from 181 days to 1 year	4 402	23 388
- from 1 year to 3 years	34 986	11 670
- more than 3 years	32 548	53 913
Borrowings from the CBRF with term to maturity		
- sale and repurchase agreements less than 30 days	-	3 000
- less than 30 days	881	190
- from 31 to 180 days	5 216	64 019
- from 181 days to 1 year	1 172	2 917
Correspondent accounts and overnight placements of other banks	108	84
Total due to other banks	**108 207**	**192 010**

9 Other Borrowed Funds, Syndicated Loans and Subordinated Debts

In millions of Russian Roubles	**30 June 2010 (unaudited)**	**31 December 2009**
Eurobonds issued	182 121	158 841
Bonds issued on domestic market	67 687	57 643
Total other borrowed funds	**249 808**	**216 484**
Syndicated loans	**-**	**7 570**
Subordinated debts	**47 043**	**46 370**

Other borrowed funds. As at 30 June 2010, other borrowed funds consist of US Dollars, Russian Roubles and Swiss Francs denominated Eurobonds issued by the Group through its special purpose entity, RSHB Capital S.A. as well as 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 issued							
US Dollars	350	29 November 2005	29 November 2010	-	6.875%	6 months	2.28%
US Dollars	630	16 May 2006	16 May 2013	-	7.175%	6 months	5.06%
US Dollars	1 126	14 May 2007	15 May 2017	-	6.299%	6 months	6.44%
Swiss Francs	150	30 April 2008	30 April 2012	-	6.263%	1 year	3.42%
US Dollars							
• tranche A	702	29 May 2008	14 January 2014	-	7.125%	6 months	5.46%
• tranche B	894	29 May 2008	29 May 2018	-	7.750%	6 months	6.68%
US Dollars	1 000	11 June 2009	11 June 2014	-	9.000%	6 months	5.44%
Russian Roubles	29 600	25 March 2010	25 March 2013		7.500%	6 months	7.89%
Bonds issued on domestic market							
Russian Roubles	7 000	22 February 2006	16 February 2011	-	7.850%	3 months	4.72%
Russian Roubles	10 000	22 February 2007	9 February 2017	17 February 2014	9.250%	6 months	8.00%
Russian Roubles	10 000	10 October 2007	27 September 2017	7 October 2011	11.500%	6 months	6.57%
Russian Roubles	5 000	22 February 2008	9 February 2018	24 August 2010	13.350%	6 months	4.23%
Russian Roubles	4 700	17 June 2008	5 June 2018	16 June 2011	6.900%	6 months	5.34%
Russian Roubles	10 000	9 December 2008	27 November 2018	8 December 2011	13.500%	6 months	13.94%
Russian Roubles	5 000	26 November 2009	14 November 2019	26 November 2012	10.100%	6 months	7.78%
Russian Roubles	5 000	26 November 2009	14 November 2019	26 November 2012	10.100%	6 months	7.64%
Russian Roubles	5 000	10 February 2010	29 January 2020	8 February 2013	9.000%	6 months	7.85%
Russian Roubles	5 000	11 February 2010	30 January 2020	11 February 2013	9.000%	6 months	7.12%

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

As at 31 December 2009 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 issued							
US Dollars	350	29 November 2005	29 November 2010	-	6.875%	6 months	2.31%
US Dollars	630	16 May 2006	16 May 2013	-	7.175%	6 months	5.34%
Swiss Francs	375	29 March 2007	29 March 2010	-	3.583%	1 year	4.05%
US Dollars	1 125	14 May 2007	15 May 2017	-	6.299%	6 months	6.24%
Swiss Francs	150	30 April 2008	30 April 2012	-	6.263%	1 year	5.86%
US Dollars							
• tranche A	702	29 May 2008	14 January 2014	-	7.125%	6 months	5.54%
• tranche B	891	29 May 2008	29 May 2018	-	7.750%	6 months	6.37%
US Dollars	1 000	11 June 2009	11 June 2014	-	9.000%	6 months	5.61%
Bonds issued on domestic market							
Russian Roubles	7 000	22 February 2006	16 February 2011	-	7.850%	3 months	8.88%
Russian Roubles	10 000	22 February 2007	9 February 2017	22 February 2010	7.340%	6 months	6.98%
Russian Roubles	10 000	10 October 2007	27 September 2017	7 October 2011	11.50%	6 months	10.14%
Russian Roubles	5 000	22 February 2008	9 February 2018	24 August 2010	13.350%	6 months	8.70%
Russian Roubles	5 000	17 June 2008	5 June 2018	17 June 2010	13.950%	6 months	7.69%
Russian Roubles	10 000	9 December 2008	27 November 2018	8 December 2011	13.500%	6 months	13.94%
Russian Roubles	5 000	26 November 2009	14 November 2019	26 November 2012	10.100%	6 months	9.92%
Russian Roubles	5 000	26 November 2009	14 November 2019	26 November 2012	10.100%	6 months	9.67%

Syndicated loans. As at 30 June 2010, syndicated loans received by the Group were fully repaid (31 December 2009: RR: 7 570 million).

In April 2007, the Group attracted 2 tranches of syndicated loans 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 the first tranche (tranche A) of the syndicated loan totalling USD 270 million within the maturity period. In April 2010, the Group redeemed the second tranche (tranche B) of the syndicated loan totalling USD 250 million within the maturity period.

Subordinated debts. At 30 June 2010, the Group's subordinated debts totalled RR 47 043 million (31 December 2009: RR 46 370 million).

In September 2006, the Group attracted a subordinated debt totalling 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 2009: 6.97% p.a.), and current market yield to the next repricing date, i.e. in September 2011 at 7.74% p.a. (31 December 2009: 7.72% p.a.). The Group may repay this subordinated debt at the nominal value within the last 5 years prior to its maturity date.

In June 2007, the Group attracted a subordinated debt totalling USD 200 million maturing in June 2017. The Group may early repay this subordinated debt at the nominal value within the last 5 years prior to its maturity date.

In October 2008, the Group attracted a subordinated debt of RR 25 000 million from Vnesheconombank with maturity date in December 2019 and interest rate of 8.0% p.a. The Bank may early repay this subordinated debt at the nominal value upon prior approval of the Bank of Russia.

Information on related party balances is disclosed in Note 16.

10 Share Capital

In February 2010, the Bank increased its share capital by issuing 825 ordinary shares with the total nominal amount of RR 825 million. All shares were purchased by the Bank's sole shareholder - the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

11 Gains less Losses from Non-Banking Activities

In millions of Russian Roubles	**Six months ended 30 June 2010 (unaudited)**	**Six months ended 30 June 2009 (unaudited)**
Sales of goods	1 593	954
Cost of goods sold	(1 821)	(780)
Financial result from netting receivables and payables	614	-
Other	83	-
Total gains less losses from non-banking activities	**469**	**174**

Revenue from sales and cost of sales arise from the activity of the agricultural and manufacturing subsidiaries of the Bank and primarily represent revenue from the sale of sugar, combined fodder and canned products.

12 Significant Risk Concentrations

As at 30 June 2010, cash and cash equivalents and placements with other banks included the balances with one large Russian bank and one foreign bank rated AA- (under S&P) in the amount of RR 35 036 million, or 34% of total cash and cash equivalents and due from other banks (31 December 2009: balances with the same banks totalled RR 86 406 million, or 65% of total cash and cash equivalents and due from other banks).

As at 30 June 2010, cash and cash equivalents included the balances with the Bank of Russia in the amount of RR 33 067 million, or 53% of total cash and cash equivalents (31 December 2009: RR 17 691 million, or 19% of total cash and cash equivalents).

As at 30 June 2010, the Group's loan portfolio included loans issued to a state-controlled borrower in the amount of RR 45 777 million, or 7% of gross loan portfolio (31 December 2009: loans issued to the same borrower in the amount of RR 42 666 million, or 7% of gross loan portfolio).

As at 30 June 2010, the Group had the balances due to three foreign banks, with the balance above 10% of the Group's equity each and the aggregate amount of RR 59 837 million, or 55% of total due to other banks (31 December 2009: due to the same banks with the balance above 10% of the Group's equity each and the aggregate amount of RR 61 166 million, or 32% of total due to other banks).

As at 30 June 2010, the Group had two customers with the balance above 10% of the Group's equity (31 December 2009: three customers). The aggregate balance of such customer accounts was RR 69 232 million, or 22% of total customer accounts (31 December 2009: RR 53 674 million, or 23% of total customer accounts).

As at 30 June 2010, other assets included receivables related to trade activity of subsidiaries in the total amount of RR 850 million (31 December 2009: RR 2 893 million).

As at 30 June 2010, other liabilities included payables related to activity of subsidiaries in the total amount of RR 1 041 million (31 December 2009: RR 4 124 million).

13 Segment Analysis

Operational decision making is the responsibility of the Management Board. 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 reportable segments.

The Management Board of the Bank assesses efficiency of operating segments based on financial performance indicators calculated on the basis of statutory accounts data and not adjusted for intersegment income and expenses. Intersegment income and expenses are used by Chief Operating Decision Maker (CODM) for information purposes, rather than for determination of profit or loss of operating segments.

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

In January 2010 the North-Caucasian federal district has been segregated from Southern federal district in accordance with the Order of the President of Russian Federation. This resulted in the changes in the management accounts reflected also in the segment reporting. Below are the segment results of regional branches, which comprised the Southern federal district in 2009:

In millions of Russian Roubles	
For the six months ended 30 June 2009 (unaudited)	
Revenue from external customers	2 327
- Income from loans and advances to customers, due from other banks and other placed funds	88
- Fee and commission income from other operations	(1 339)
Intersegment income and expense*	2 327
Profit/(loss) of the reportable segments	**1 073**
Total assets (unaudited)	
31 December 2009	67 391

*Intersegment income and expenses are used by CODM for information purposes, rather than for determination of profit or loss of operating segments.

Segment reporting of the Group's income and expenses for the six months ended 30 June 2010 and for the six months ended 30 June 2009 and segment reporting of the Group's assets at 30 June 2010 and 31 December 2009 are as follows:

13 Segment Analysis (Continued)

In millions of Russian Roubles	Head office	Central federal district	Volga federal district	Krasnodar branch	Siberian federal district	North-West federal district	North-Caucasian federal district**	Southern federal district without Krasnodar branch)	Far-Eastern federal district	Ural federal district	Total
For the six months ended 30 June 2010 (unaudited)											
Revenue from external customers:											
- Income from loans and advances to customers, due from other banks and other placed funds	8 347	11 119	8 988	5 900	4 955	3 358	3 409	1 836	1 633	1 101	50 646
- Fee and commission income from other operations	1 008	702	510	375	327	156	154	85	120	73	3 510
Intersegment income and expense*	24 881	(6 122)	(5 244)	(3 878)	(2 903)	(1 899)	(2 168)	(1 162)	(841)	(664)	-
Profit/(loss) of the reportable segments	**(17 231)**	**4 232**	**3 154**	**4 762**	**1 147**	**925**	**2 627**	**566**	**489**	**226**	**897**
For the 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	2 279	-	3 707	1 164	863	42 806
- Fee and commission income from other operations	225	506	442	294	220	139	-	154	80	51	2 111
Intersegment income and expense*	20 750	(5 441)	(4 851)	(3 066)	(2 424)	(1 458)	-	(2 224)	(697)	(589)	-
Profit/(loss) of the reportable segments	**(18 931)**	**6 021**	**3 419**	**4 228**	**2 495**	**1 536**	**-**	**1 715**	**303**	**569**	**1 355**
Total assets (unaudited)											
30 June 2010	1 165 676	257 028	202 075	126 002	110 631	84 488	73 817	40 443	36 491	22 255	2 118 906
31 December 2009	1 054 144	232 220	184 657	108 797	98 221	81 029	-	103 486	34 169	20 402	1 917 125

*Intersegment income and expenses are used by CODM for information purposes, rather than for determination of profit or loss of operating segments.

** The North-Caucasian federal district segregated from the Southern federal district in January 2010.

13 Segment Analysis (Continued)

Reconciliation of reportable segments' profit to the Group's IFRS profit for the six months ended 30 June 2010 and the six months ended 30 June 2009 is as follows:

In millions of Russian Roubles	**Six months ended 30 June 2010 (unaudited)**	**Six months ended 30 June 2009 (unaudited)**
Profit of reportable segments	**897**	**1 355**
Adjustments of provision for impairment	1 201	1 374
Adjustment of deferred income tax	796	576
Carrying value of guaranties issued	-	182
Accounting for derivative financial instruments at fair value	(1 335)	(2 569)
Accounting for financial assets and liabilities carried at amortised cost	(887)	(252)
Accrued staff costs	(514)	(560)
Accounting of securities and other financial instruments at fair value through profit or loss	(61)	779
Revaluation of premises	-	(323)
Income/(expenses) of non-reportable segments, including effect of consolidation	123	(139)
Current income tax unallocated to segments	10	(58)
Other	(67)	(29)
The Group's profit under IFRS (after tax)	**163**	**336**

Adjustments of provision for impairment are related to the difference between the methodology applied to calculate provisions for loan impairment under the Russian Accounting Rules ("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 their 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 gross settled swap transactions are recognised as back-to-back deposits, whereas in the IFRS financial statement such transactions are recognised at fair value. Refer to Note 15.

Adjustments to financial assets and liabilities at amortised cost resulted from accruals of interest income/expenses using effective interest rate method.

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.

14 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of own estimates and internal and external professional advice the Group's management is of the opinion that no material losses will be incurred. As at 30 June 2010, the Group did not create a provision for losses on these claims in the condensed consolidated interim financial information (31 December 2009: RR 200 million).

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 and sophisticated approach in their interpretation of the legislation and tax examinations. This includes the 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.

14 Contingencies and Commitments (Continued)

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 in this respect has been contradictory.

The management of the Group believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Therefore, as at 30 June 2010 the management has not created any provision for potential tax liabilities (31 December 2009: nil).

Capital expenditure commitments. At 30 June 2010, the Group has contractual capital expenditure commitments totalling RR 545 million (31 December 2009: RR 175 million).

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

In millions of Russian Roubles	**30 June 2010 (unaudited)**	**31 December 2009**
Not later than 1 year	1 639	1 531
Later than 1 year and not later than 5 years	3 898	3 591
Later than 5 years	2 542	2 713
Total operating lease commitments	**8 079**	**7 835**

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 Basel Committee on Banking Regulations. Non-compliance with such 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. The Group had the following assets pledged:

In millions of Russian Roubles	**30 June 2010 (unaudited)**	**31 December 2009**
Under secured loans from the CBRF		
- loans to customers	13 540	48 125
- trading securities	-	5 760
- securities available for sale	-	1 628
- securities held to maturity	-	5 016
Under repo agreements		
- corporate securities	-	3 410
- municipal bonds	-	57

In addition, mandatory cash balances with the CBRF in the amount of RR 3 235 million (31 December 2009: RR 2 974 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 30 June 2010, the Bank's subsidiaries pledged premises and equipment under loan agreements with other banks production premises and equipment for the total amount of RR 1 810 million (31 December 2009: RR 1 790 million).

15 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 standardised contractual terms and conditions. Derivative financial instruments have potentially favourable (assets) or unfavourable (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 instruments may fluctuate significantly from time to time. Liquidity risk on derivative financial instruments is managed by the Group's Treasury and the Capital Markets Department within powers of departments. Management of derivative financial instrument portfolio risks is carried out by the authorized Group's bodies through establishing limits.

Foreign exchange swaps with settlement dates of more than 30 days are structured as loans issued by the Bank in US Dollars, Swiss Francs and Japanese yen to five OECD banks with maturities from August 2010 to May 2023, and deposits in Russian Roubles received from the same five banks with the same maturities ("back to back loans"). These transactions were aimed at economically hedging the currency exposure of the Group.

As at 30 June 2010, international credit ratings of these banks were not less than BB- (as per Standard&Poor's or other similar 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 and/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 mutual 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. Other of these swap agreements, in case of a default event, will be terminated with a mark-to-market payment.

The table below reflects gross positions in derivative financial instruments before the netting of any counterparty positions as at 30 June 2010 and covers the contracts with settlement dates after the respective end of the reporting period:

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 end of the reporting period, of			
USD receivable on settlement (+)	128 807	9 372	138 179
RR payable on settlement (-)	(108 432)	(9 422)	(117 854)
CHF receivable on settlement (+)	4 572	-	4 572
RR payable on settlement (-)	(3 673)	-	(3 673)
JPY receivable on settlement (+)	1 893	1 909	3 802
RR payable on settlement (-)	(1 804)	(1 926)	(3 730)
Foreign exchange forwards with settlement dates of up to 2 days: fair values at the end of the reporting period, of			
USD receivable on settlement (+)	1 969	16 252	18 221
RR payable on settlement (-)	(1 968)	(16 267)	(18 235)
RR receivable on settlement (+)	188	6 396	6 584
USD payable on settlement (-)	(188)	(6 407)	(6 595)
Foreign exchange forwards with settlement dates from 2 to 30 days: fair values at the end of the reporting period, of			
Euros receivable on settlement (+)	115	38	153
USD payable on settlement (-)	(114)	(38)	(152)
Foreign exchange forwards with settlement dates of more than 30 days: fair value at the end of the reporting period, of			
USD receivable on settlement (+)	6 262	-	6 262
RR payable on settlement (-)	(6 124)	-	(6 124)
Total net fair value	**21 503**	**(93)**	**21 410**

15 Derivative Financial Instruments (Continued)

The table reflects gross positions before the netting of any counterparty positions as at 31 December 2009 and covers the contracts with settlement dates after the respective reporting 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 end of the reporting period, of			
USD receivable on settlement (+)	163 198	-	163 198
USD payable on settlement (-)	(30 011)	-	(30 011)
RR receivable on settlement (+)	25 130	-	25 130
RR payable on settlement (-)	(133 987)	-	(133 987)
Euros receivable on settlement (+)	-	3 317	3 317
RR payable on settlement (-)	-	(3 429)	(3 429)
CHF receivable on settlement (+)	16 098	-	16 098
RR payable on settlement (-)	(12 209)	-	(12 209)
JPY receivable on settlement (+)	1 761	1 806	3 567
RR payable on settlement (-)	(1 694)	(1 824)	(3 518)
Foreign exchange forwards with settlement dates from 2 to 30 days: fair values at the end of the reporting period, of			
RR receivable on settlement (+)	2 780	3 586	6 366
USD payable on settlement (-)	(2 777)	(3 622)	(6 399)
USD receivable on settlement (+)	-	272	272
RR payable on settlement (-)	-	(273)	(273)
Term contracts on the sale of securities: fair values at the end of the reporting period, of			
RR receivable on settlement (+)	-	187	187
Short position (-)	-	(187)	(187)
Total net fair value	**28 289**	**(167)**	**28 122**

16 Related Party Transactions

For the purposes of this condensed consolidated interim 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.

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

The Group early adopted amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).

This condensed consolidated interim financial information discloses the most significant transactions with the state-controlled companies.

The Group has the following insignificant transactions with related parties:

- interest income on cash equivalents, trading securities, securities available for sale, securities held to maturity, due from other banks;
- interest expenses on due to other banks;
- results from operations with trading securities and securities available for sale;
- other.

16 Related Party Transactions (Continued)

As a result of application of the revised IAS 24, the Group has disclosed as comparatives only individually significant transactions and balances, including commitments.

The outstanding balances with related parties were as follows:

In millions of Russian Roubles	30 June 2010 (unaudited)	31 December 2009
Loans and advances to customers		
State-controlled companies (contractual interest rate: 7%-12% p.a. (2009: 7%-12% p.a.))	47 993	44 794
Key management personnel and their family members (contractual interest rate: 5%-22% p.a. (2009: 5%-22% p.a.))	30	32
Term deposits and current/settlement accounts		
State-controlled companies (contractual interest rate: 3%-9% p.a. (2009: 7%-16% p.a.))	87 949	64 438
Key management personnel and their family members (contractual interest rate: 2%-10% p.a. (2009: 2%-13% p.a.))	360	532
Subordinated debts		
State-controlled companies (contractual interest rate: 8% p.a.)	25 000	25 000
Off-balance sheet		
Sureties with state-controlled banks	-	35 059

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

In millions of Russian Roubles	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited) – revised	Six months ended 30 June 2009 (unaudited) – initially presented
Interest income on loans and advances to customers			
State-controlled companies	1 688	1 576	2 738
Key management personnel and their family members	1	1	1
Interest expense on customer accounts			
State-controlled companies	(2 603)	(5 373)	(5 561)
Key management personnel and their family members	(22)	(21)	(21)
Interest expense on subordinated debts			
State-controlled companies	(992)	(992)	(992)

For the six months ended 30 June 2010 total remuneration of the members of the Management Board amounted to RR 81 million (for the six months ended 30 June 2009: RR 78 million).

17 Events After the Reporting Date

On 1 September 2010, the Group placed commercial bonds of BO-01 series with a nominal value of RR 5 000 million and commercial bonds of BO-05 series with a nominal value of RR 10 000 million with maturity date in August 2013 and put option date in August 2012 at the MICEX stock exchange. Interest rate of 1–4 coupons on these bonds is 7.20% p.a., coupon is paid semi-annually.

In July 2010, Federal Law No. 173-FZ, On Additional Measures to Support the Financial System of the Russian Federation, was amended to reduce the interest rate on subordinated debt attracted by the Group from Vnesheconombank from 8.0% p.a. to 6.5% p.a.