IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the document following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the document. In accessing the document, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THE FOLLOWING DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the attached document or make an investment decision with respect to any securities, investors must be (i) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) that are also "qualified purchasers" as defined in Section 2(A)(51) of the U.S. Investment Company Act of 1940, as amended, or (ii) non-U.S. persons (as defined in Regulation S under the Securities Act) outside the United States who are not acting for the account or benefit of U.S. Persons. By accessing these materials, you shall be deemed to have represented to us that you (i) are a qualified institutional buyer and a qualified purchaser or (ii) are outside the United States and are not a U.S. Person and are not acting for the account or benefit of a U.S. Person.

Under no circumstances shall the attached document constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities being offered, in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the securities described herein (the "**Securities**") are reminded that any subscription or purchase may only be made on the basis of the information contained in the attached document. This document may only be provided to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

The Securities are not eligible for placement and circulation in the Russian Federation, unless, and to the extent, otherwise permitted by Russian law. The information provided in the attached document is not an offer, or an invitation to make offers, sell, exchange or otherwise transfer securities in the Russian Federation or to or for the benefit of any Russian person or entity.

The attached document and information contained herein does not constitute an advertisement or an offer of any securities in the Russian Federation. It is not intended to be, and must not be, distributed or circulated in the Russian Federation unless and to the extent otherwise permitted under Russian law.

You are reminded that the attached Document has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Document to any other person.

The attached document does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of Barclays Bank PLC, J.P. Morgan Securities plc, BNP PARIBAS, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Goldman Sachs International, HSBC Bank plc, ING N.V., London Branch, Merrill Lynch International, Mitsubishi UFJ Securities International plc, The Royal Bank of Scotland plc, SIB (Cyprus) Limited, UBS Limited (the "**Permanent Dealers**") or any affiliate of the Permanent Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Permanent Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither

Sberbank of Russia, SB Capital S.A., the Permanent Dealers, nor any person who controls them nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request from Sberbank of Russia, SB Capital S.A. or the Permanent Dealers.

U.S.$30,000,000,000
Programme for the Issuance of Loan Participation Notes
to be issued by, but with limited recourse to,

SB Capital S.A.

for the purpose of financing loans to

Sberbank of Russia

Under the programme for the issuance of Loan Participation Notes (the "**Programme**") described in this base prospectus (the "**Base Prospectus**"), SB Capital S.A. (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue loan participation notes (the "**Notes**") on the terms set out herein, as completed by a final terms (each such final terms "**Final Terms**") setting out the specific terms of each issue or in a separate prospectus specific to such issue (the "**Drawdown Prospectus**") as described under "Supplemental Base Prospectus and Drawdown Prospectus" below. In the case of Notes which are the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.$30,000,000,000 (or the equivalent in other currencies). Notes will be issued in Series (as defined in "*Overview of the Programme*") and the sole purpose of issuing each Series will be to finance either a senior loan (a "**Senior Loan**") or a subordinated loan (a "**Subordinated Loan**" and, together with a Senior Loan, the "**Loans**" and each a "**Loan**") to Sberbank of Russia ("**Sberbank**" or the "**Borrower**") as borrower, on the terms of either: (i) in relation to a Senior Loan, a facility agreement between the Issuer and Sberbank dated May 12, 2006, as amended by an amendment agreement dated July 24, 2007 and a deed of amendment dated October 16, 2012 and as may be further amended from time to time (the "**Facility Agreement**"), as amended and supplemented in respect of a specific Series by a loan supplement to be dated each Trade Date (as defined in the Trust Deed) of the relevant Series (the "**Loan Supplement**" and, together with the Facility Agreement, the "**Senior Loan Agreement**"), or (ii) in relation to a Subordinated Loan, a subordinated loan agreement to be entered into between the Issuer and Sberbank to be dated on or before the Trade Date of the relevant Series (the "**Subordinated Loan Agreement**") the form of which will be set out in a Drawdown Prospectus in respect of the relevant Series. In this Base Prospectus, "**Loan Agreement**" shall mean either (i) a Senior Loan Agreement (in respect of a Senior Loan) or (ii) a Subordinated Loan Agreement (in respect of a Subordinated Loan), as applicable. The relevant Final Terms in respect of the issue of any Series of Notes will specify whether a Loan being financed by such Series of Notes is a Senior Loan (such Series of Notes being a "**Senior Series**") or a Subordinated Loan (such Series of Notes being a "**Subordinated Series**"). Subject as provided in the Trust Deed (as defined herein) the Issuer will (a) charge, in favour of BNY Corporate Trustee Services Limited as trustee (the "**Trustee**"), by way of a first fixed charge as security for its payment obligations in respect of each Series of Notes and under the Trust Deed, certain of its rights and interests under the relevant Loan Agreement and the relevant Account (as defined in the relevant Loan Supplement or the Subordinated Loan Agreement, as the case may be), but excluding any Reserved Rights (as defined in the "Terms and Conditions of the Notes"), and (b) assign, in favour of the Trustee, certain of its other rights under the relevant Loan Agreement, but excluding any Reserved Rights (as defined in the "Terms and Conditions of the Notes"), in each case for the benefit of the holders of the corresponding Series of Notes (the "**Noteholders**"), all as more fully described under "*Overview of the Programme*".

In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of a Series of Notes, the obligation of the Issuer to make any such payment constitutes an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of such Series of Notes, for an amount equivalent to all principal, interest and additional amounts (if any) actually received from Sberbank by or for the account of the Issuer pursuant to the relevant Loan Agreement. The Issuer will have no other financial obligation under the Notes. **Noteholders will be deemed to have accepted and agreed that they will be relying solely on the credit and financial standing of Sberbank in respect of the payment obligations of the Issuer under the Notes**.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE FACTORS DESCRIBED UNDER THE SECTION ENTITLED "RISK FACTORS" IN THIS BASE PROSPECTUS.

THE NOTES AND THE CORRESPONDING LOANS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AS AMENDED AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")). THE NOTES MAY BE OFFERED AND SOLD (I) WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("QIBS"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), THAT ARE ALSO QUALIFIED PURCHASERS ("QPS"), AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") IN

RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144A (THE "RULE 144A NOTES") AND (II) TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S (THE "REGULATION S NOTES"). THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE RULE 144A NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS, SEE "*SUBSCRIPTION AND SALE*" AND "*TRANSFER RESTRICTIONS*".

Under Russian law, the Notes are securities of a foreign issuer. The Notes are not eligible for initial offering and public circulation in the Russian Federation, unless otherwise permitted by Russian law. Neither the issue of the Notes nor a securities prospectus in respect of the Notes has been, or is intended to be, registered with the Federal Service for Financial Markets of the Russian Federation (the "FSFM"). The information provided in this Base Prospectus is not an offer, or an invitation to make offers, to sell, exchange or otherwise transfer the Notes in the Russian Federation or to or for the benefit of any Russian person or entity.

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application will be made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for Notes issued under the Programme within 12 months of the Base Prospectus to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC (the "**Financial Instruments Directive**") or which are to be offered to the public in any Member State of the European Economic Area. The Central Bank of Ireland has been requested by the Issuer to provide the United Kingdom Financial Services Authority with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive so that the Notes issued under the Programme may be admitted to the official list of the United Kingdom Financial Services Authority ("**UKLA**") and to trading on the regulated market of the London Stock Exchange. The regulated market of the London Stock Exchange is a regulated market for the purposes of the Financial Instruments Directive. Accordingly, application may be made for Notes issued under the Programme to be admitted to trading on the regulated market of the London Stock Exchange. Unlisted Notes may also be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Irish Stock Exchange, listed on the official list of the UKLA and admitted to trading on the regulated market of the London Stock Exchange or listed on any other stock exchange or any other market.

Sberbank has a long-term issuer default rating of "BBB", a short-term issuer default rating of "F3" and a viability rating of "bbb" from Fitch Ratings CIS Ltd. Fitch Ratings CIS Ltd is established in the European Union and is registered under the Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, Fitch Ratings CIS Ltd. is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation. Sberbank has a foreign currency deposit rating of "Baa1/Prime-2", a deposit rating in local currency of "A3/Prime-2" and a financial strength rating of "D+" from Moody's Investors Service Ltd. Moody's Investors Service Ltd. is established in the European Union and registered under the CRA Regulation and, as such, is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation. Both rating agencies have rated Sberbank's outlook as "stable".

Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to Sberbank. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Final Terms. For more information on the ratings of the Programme, see "*Business*".

Regulation S Notes of each Series which are sold in an "**offshore transaction**" within the meaning of Regulation S, will initially be represented by interests in a global unrestricted Note in registered form (each a "**Regulation S Global Note**"), without interest coupons, which will be deposited with a common depositary for, and registered in the name of a nominee of, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on its Issue Date. Beneficial interests in a Regulation S Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg. Rule 144A Notes of each Series sold to QIBs that are also QPs, as referred to in, and subject to the transfer restrictions described in, "*Subscription and Sale*" and "*Transfer Restrictions*", will initially be represented by interests in a global restricted Note in registered form (each a "**Rule 144A Global Note**" and, together with any Regulation S Global Notes, the "**Global Notes**"), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**") on its Issue Date. Beneficial interests in a Rule 144A Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "*Overview of the Provisions Relating to the Notes in Global Form*". Individual definitive Notes in registered form will only be available in certain limited circumstances as described herein.

The price and amount of Notes to be issued under the Programme will be determined by the Issuer, Sberbank and each relevant Dealer at the time of issue in accordance with prevailing market conditions. The minimum denomination of any Notes issued under the Programme shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes). Notes resold pursuant to Rule 144A will be issued in denominations of U.S.$200,000 (or its equivalent in other currencies rounded upwards as agreed between the Issuer, Sberbank and the relevant Dealers).

Arrangers and Permanent Dealers

Barclays **J.P. Morgan**

Permanent Dealers

BNP PARIBAS **BofA Merrill Lynch** **Citigroup** **Deutsche Bank** **DZ BANK AG** **Goldman Sachs International**

HSBC **ING** **Mitsubishi UFJ Securities** **The Royal Bank of Scotland** **SIB (Cyprus)** **UBS Investment Bank**

The date of this Base Prospectus is October 16, 2012.

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Directive (as defined below) and for the purpose of giving information with regard to the Issuer and Sberbank which, according to the particular nature of the Issuer, Sberbank, the Notes and the Loans, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and Sberbank.

Each of the Issuer and Sberbank accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of each of the Issuer and Sberbank (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Sberbank's legal name is Sberbank of Russia, and the address of its registered office is 19 Vavilova Street, 117997 Moscow, Russian Federation. The telephone number of the registered office is +7 495 974-6677. The Issuer's legal name is SB Capital S.A. The Issuer is registered with the Register of Commerce and Companies, Luxembourg under number B-115914. Its registered address is 2, Boulevard Konrad Adenauer, L-1115 Luxembourg. The Issuer may be reached by telephone at +352-421-22-462.

Sberbank has derived market and industry data relating to Sberbank's business from providers of industry and market data, namely the Central Bank of the Russian Federation (the "**CBR**"), the Federal State Statistics Service ("**Rosstat**"), Interfax Information Services ("**Interfax**"), the International Monetary Fund (the "**IMF**"), BP Statistical Review of World Energy 2011, the Russian Ministry of Finance, Business Monitor International, the Economist Intelligence Unit, the Financial Times, the World Bank, State Corporation "Agency for Deposits Insurance", Invest funds, the Russian Federal Tax Service, the Russian Federal State Statistics Service, Bloomberg, the European Banking Federation, Bank Societe Generale Vostok and Dealogic. The data released by the CBR ("**CBR data**") related to market shares referred to in this Base Prospectus is based on RAS, and market shares with respect to loans and deposits have been determined by value. Such information appears in the sections of this Base Prospectus entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business*" and "*The Banking Sector in Russia*". Where information has been sourced from a third party, this information has been accurately reproduced and so far as Sberbank or the Issuer is aware and is able to ascertain from information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, Sberbank, the Dealers or the Arrangers (each as defined under "*Overview of the Programme*") to subscribe for or purchase any of the Notes.

The distribution of this Base Prospectus and the offer of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, Sberbank, the Dealers and the Arrangers to inform themselves about and to observe any such restrictions. Further information with regard to restrictions on offers and sales of the Notes and the distribution of this Base Prospectus is set out under "*Subscription and Sale*".

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risk of investing in the Notes and the information contained in this Base Prospectus; have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes; understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets; and be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

No person is authorised to provide any information or make any representation not contained in this Base Prospectus and any information or representation not contained in this Base Prospectus and any information or representation so contained must not be relied upon as having been authorised by, or on behalf of, the Issuer, Sberbank, the Trustee (as defined under "*Overview of the Programme*"), any of the Dealers or the Arrangers. The delivery of this Base Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date. The website of Sberbank does not form any part of the contents of this Base Prospectus.

Neither the delivery of this Base Prospectus nor the offer, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or Sberbank since the date of this Base Prospectus.

None of the Arrangers or the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus, nor to the fullest extent permitted by law, do any of the Dealers or Arrangers accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer, or Sberbank, or the Issue and offering of the Notes. The Arrangers and each Dealer accordingly disclaim all and any liability, whether arising in tort or contract or otherwise (save as referred to above), which it might otherwise have in respect of this Base Prospectus or any such statement. This Base Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of Sberbank, the Issuer, the Trustee, the Arrangers or the Dealers that any recipient of this Base Prospectus or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers or the Dealers undertakes to review the financial condition or affairs of Sberbank or the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers. Furthermore, none of the Issuer, Sberbank, the Trustee, the Arrangers or the Dealers or any of the respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under relevant legal investment or similar laws. Each investor should consult with their own advisers as to the legal, tax, business, financial and related aspects of purchase of the Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Base Prospectus. Any consents or approvals that are needed in order to purchase any Notes must be obtained. Sberbank, the Issuer, the Arrangers and the Dealers are not responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether, or the extent to which, any Notes constitute a legal investment for investors whose investment authority is subject to legal restrictions. Such investors should consult their legal advisers regarding such matters.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which would permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the United Kingdom, the Russian Federation and the Republic of Italy. (See "*Subscription and Sale*" and "*Transfer Restrictions*".)

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**relevant persons**"). Any Notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

For the purposes of this Base Prospectus, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

The Notes are not eligible for placement and circulation in the Russian Federation unless and to the extent otherwise permitted by Russian law. The information provided in this Base Prospectus is not an offer, or an invitation to make offers, sell, exchange or otherwise transfer the Notes in the Russian Federation or to or for the benefit of any Russian person or entity.

In connection with the issue of any Series of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of Notes and 60 days after the date of the allotment of the relevant Series of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

The price and amount of Notes to be issued under the Programme will be determined by Sberbank and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE DEALERS OR THE ARRANGERS AS TO THE ACCURACY, COMPLETENESS OR VERIFICATION OF THE INFORMATION SET FORTH IN THIS DOCUMENT, AND NOTHING CONTAINED IN THIS DOCUMENT IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE. NONE OF THE DEALERS OR THE ARRANGERS ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY, COMPLETENESS OR VERIFICATION OF THE CONTENTS OF THIS BASE PROSPECTUS, NOR TO THE FULLEST EXTENT PERMITTED BY LAW, DO ANY OF THE DEALERS OR ARRANGERS ACCEPT ANY RESPONSIBILITY FOR THE CONTENTS OF THIS BASE PROSPECTUS OR FOR ANY OTHER STATEMENT, MADE OR PURPORTED TO BE MADE BY THE ARRANGER OR A DEALER OR ON ITS BEHALF IN CONNECTION WITH THE ISSUER, OR SBERBANK, OR THE ISSUE AND OFFERING OF THE NOTES. THE ARRANGERS AND EACH DEALER ACCORDINGLY DISCLAIM ALL AND ANY LIABILITY, WHETHER ARISING IN TORT OR CONTRACT OR OTHERWISE (SAVE AS REFERRED TO ABOVE), WHICH IT MIGHT OTHERWISE HAVE IN RESPECT OF THIS BASE PROSPECTUS OR ANY SUCH STATEMENT.

EACH PERSON CONTEMPLATING MAKING AN INVESTMENT IN ANY NOTES ISSUED UNDER THIS PROGRAMME FROM TIME TO TIME MUST MAKE ITS OWN INVESTIGATION AND ANALYSIS OF THE CREDITWORTHINESS OF SBERBANK AND THE ISSUER AND ITS

OWN DETERMINATION OF THE SUITABILITY OF ANY SUCH INVESTMENT, WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH INVESTMENT.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA 421-B**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ADDITIONAL INFORMATION

Neither the Issuer nor Sberbank is required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934 (the "**Exchange Act**"). For so long as either the Issuer or Sberbank is not a reporting company under Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer or Sberbank, as the case may be, will, upon request, furnish to each holder or beneficial owner of Notes that are "restricted securities" (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Notes pursuant to Rule 144A under the Securities Act or otherwise, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

LIMITATIONS ON SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

Sberbank is an open joint stock company incorporated under the laws of the Russian Federation and the majority of the assets of Sberbank and substantially all of the assets of its directors and officers are located in Russia. As a result, it may not be possible for investors to:

- effect service of process within the United Kingdom or the United States upon any such person; or
- enforce, in the English or U.S. courts, judgments obtained outside English or U.S. courts against any such person in any action.

In addition, it may be difficult for the Noteholders to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom and the United States, liabilities predicated upon English laws or the U.S. federal securities laws.

Courts in Russia will generally recognise judgments rendered by a court in any jurisdiction outside Russia if:

- an international treaty providing for the recognition and enforcement of judgments in civil cases exists between Russia and the country where the judgment is rendered; or
- a federal law is adopted in Russia providing for the recognition and enforcement of foreign court judgments.

No such treaty for the reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters exists between Russia and the United States or the United Kingdom and no relevant federal law on enforcement of foreign court judgments has been adopted in Russia.

In the absence of an applicable treaty, enforcement of a final judgment rendered by a foreign court may still be recognised by a Russian court on the basis of reciprocity, if courts of the country where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. While Russian courts have recently recognised and enforced English court judgments on these grounds, the existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognise and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English court.

Even if an applicable international treaty is in effect or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Russian law. For example, a Russian court may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would contradict Russian public policy.

Each Loan Agreement will be governed by English law and will provide the option for disputes, controversies and causes of action brought by any party thereto against Sberbank to be settled by arbitration in accordance with the Rules of the London Court of International Arbitration ("**LCIA**"). The Russian Federation is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958. However, it may be difficult to enforce arbitral awards in the Russian Federation due to:

- the inexperience of the Russian courts in enforcing international commercial arbitral awards;
- official and unofficial political resistance to enforcement of awards against Russian companies in favour of foreign investors; and
- the Russian courts' inability or unwillingness to enforce such orders.

Furthermore, any arbitral award pursuant to arbitration proceedings in accordance with the Rules of the LCIA and the application of English law to the Loan Agreement may be limited by the mandatory provisions of Russian laws relating to the exclusive jurisdiction of Russian courts and the application of

Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies and credit organisations in particular.

SUPPLEMENTAL BASE PROSPECTUS AND DRAWDOWN PROSPECTUS

The Issuer will, in connection with the admission of Notes to the Official List and to trading on the Main Securities Market and the admission of the Notes to the official list of the UKLA and to trading on the regulated market of the London Stock Exchange, in the event of any significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Irish Stock Exchange or the London Stock Exchange.

The terms and conditions applicable to a Series of Notes which is the subject of a Drawdown Prospectus will be the Terms and Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Series of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. The Issuer and Sberbank may agree with any Dealer that a Series of Notes may be issued in a form not contemplated by the Terms and Conditions, in which event a supplemental Base Prospectus or a Drawdown Prospectus, if appropriate, will be published which will describe the effect of the agreement reached in relation to such Notes. The Issuer and Sberbank may agree with any Dealer that the Loan to be financed by the issue of the relevant Series will be made on terms different to those set out in the Facility Agreement, in which event a Drawdown Prospectus will be prepared in connection with such Series of Notes. The Issuer and Sberbank may agree with any Dealer the form of any future Subordinated Loan Agreement, in which event a Drawdown Prospectus will be published for use in connection with any subsequent issue of any Subordinated Series to be admitted to the Official List and to trading on the Main Securities Market or to the official list of the UKLA and to trading on the regulated market of the London Stock Exchange.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Base Prospectus are not historical facts and constitute "forward-looking statements". Forward-looking statements are identified by words such as "believes", "anticipates", "expects", "estimates", "intends", "plans", "will", "may" and similar expressions, but these expressions are not the exclusive means of identifying such statements. Forward-looking statements appear, without limitation, under the headings "*Overview of Sberbank*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*". Sberbank may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. Examples of such forward-looking statements include, but are not limited to:

- statements of Sberbank's plans, objectives or goals, including those related to its strategy, products or services;
- statements of future economic performance;
- statements of general economic developments in Russia or the other countries in which the Group operates; and
- statements of assumptions underlying the types of statements referred to above.

Forward-looking statements that may be made by Sberbank from time to time (but that are not included in this Base Prospectus) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the global financial crisis and European debt crisis and their impacts its impact on the global and Russian economies and financial markets;
- the challenging conditions in the Russian economy, including the Russian banking sector;
- declines and increased volatility in global and Russian securities markets;
- fluctuations in prices of securities issued by Russian entities and for oil, gas, precious metals and other commodities;
- the impact, or lack thereof, of the measures that Russia has enacted or may enact in the future to support the Russian banking sector;
- inflation, interest rate and exchange rate fluctuations in Russia;
- the effects of, and changes in, the policies of the Russian government and regulations promulgated by the CBR;
- the effects of competition in the geographic and business areas in which the Group conducts its operations;
- the effects of changes in laws, regulations, taxation or accounting standards or practices in the jurisdictions where the Group conducts its operations;
- the ability of Sberbank to increase or maintain market share for its products and services and control expenses;
- acquisitions or divestitures;
- the Group's expansion in various geographic and business areas;

- technological changes; and
- the success of Sberbank at managing the risks associated with the aforementioned factors.

This list of important factors is not exhaustive. When relying on forward-looking statements, prospective investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which Sberbank and the Group operate. Such forward-looking statements speak only as of the date on which they are made and are not subject to any continuing obligations under the listing rules of the Irish Stock Exchange. Accordingly, Sberbank and the Group do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Sberbank and the Group do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

This Base Prospectus includes the unaudited condensed interim consolidated financial statements of the Group as of and for the six months ended June 30, 2012 (the "**Condensed Interim Consolidated Financial Statements**") which are set forth on pages F-2 through F-57 and the audited consolidated financial statements of the Group as of and for the years ended December 31, 2011 and 2010 (the "**2011 and 2010 Annual IFRS Financial Statements**") which are set forth on pages F-58 through F-285, except for the audited consolidated financial statements of the Group as of and for the year ended December 31, 2009 (the "**2009 Annual IFRS Financial Statements**"), which are incorporated by reference in this Base Prospectus. See "*Information Incorporated by Reference*". The 2011 and 2010 Annual IFRS Financial Statements, together with the 2009 Annual IFRS Financial Statements and the Condensed Interim Consolidated Financial Statements shall be referred to as the "**IFRS Financial Statements**". The IFRS Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"). In the Condensed Interim Consolidated Financial Statements, Sberbank changed its presentation of financial information to show figures in billions of Roubles, rather than millions of Roubles. For consistency, and in line with Sberbank's most recent presentation, unless otherwise noted, the financial data set forth in this Prospectus is presented in billions of Roubles, reflecting rounding where appropriate.

The audited financial statements of the Issuer as of and for the years ended December 31, 2011, December 31, 2010 and December 31, 2009 (the "**Issuer Financial Statements**") are incorporated by reference in this Base Prospectus. See "Information Incorporated by Reference".

The accounts used by Sberbank's management to plan, manage and monitor the performance of the business on a day-to-day basis are based on information prepared in accordance with Russian Accounting Standards ("**RAS**"). Whenever RAS data is referenced in this Base Prospectus, it has been identified as such. In addition, Sberbank analyses financial information relating to its key subsidiaries. Sberbank typically produces financial statements in accordance with IFRS on a quarterly basis six to eight weeks after the end of the relevant period.

Independent Auditors

The 2011 and 2010 Annual IFRS Financial Statements and the 2009 Annual IFRS Financial Statements have been audited in accordance with International Standards on Auditing by CJSC Ernst & Young Vneshaudit ("**Ernst & Young**"), independent auditors, who have expressed an unqualified opinion on those financial statements, as stated in their reports appearing herein. The Condensed Interim Consolidated Financial Statements have been reviewed in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", but not audited by Ernst & Young, who have expressed an unqualified conclusion on those financial statements, as stated in their report appearing herein. The address of Ernst & Young is Sadovnicheskaya Naberezhnaya 77, Building 1, Moscow 115035, Russian Federation. Ernst & Young are independent auditors. Ernst & Young is a member of the Non-profit Partnership "Audit Chamber of Russia". The Issuer Financial Statements, as stated in their report herein, have been audited in accordance with International Standards on Auditing as adopted in Luxembourg by the Commission de Surveillance du Secteur Financier, by FPS Audit S.à r.l., independent auditors, with a registered office at 46, Bd Grande-Duchesse Charlotte B.P. 2650, L- 1026 Luxembourg.

Reclassifications

In the 2011 Annual IFRS Financial Statements, the presentation of certain items, relating principally to the medium-term note programme (the "**Programme**"), was revised and the comparative 2010 amounts shown in those financial statements amended to be presented on a consistent basis. The reclassifications are disclosed in detail in the 2011 Annual IFRS Financial Statements. The financial information included in this Base Prospectus reflects those reclassifications for each period covered by the IFRS Financial Statements. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations— Significant Accounting Policies*".

Certain Definitions

In this Base Prospectus, all references to:

"**CAGR**" are to compound annual growth rate;

"**CBR**" are to the Central Bank of Russia;

"**CEE**" are to the following Central & Eastern European countries: Albania, Bosnia & Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Slovakia, Slovenia and Serbia;

"**CIS**" are to the Commonwealth of Independent States and its member states (excluding Russia) as of the date of this Base Prospectus, being Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan;

"**companies**" are to privately-owned companies and companies partly or wholly owned by state authorities;

"**EEA**" are to the European Economic Area;

"**EU**" are to the European Union;

"**Group**" are to Sberbank and its subsidiaries collectively;

"**legal entities**" are to state authorities and companies, collectively;

"**Russia**" are to the Russian Federation;

"**Sberbank**" are to Sberbank of Russia as a standalone entity; and

"**state authorities**" are to federal, regional and municipal authorities.

Certain Currencies

In this Base Prospectus, all references to:

"**U.S. dollar**", "**U.S.$**" and "**$**" are to the lawful currency of the United States;

"**RUB**" and "**Rouble**" are to the lawful currency of Russia; and

"**EUR**", "**Euro**" or "**€**" are to the single currency of the Eurozone Member States.

The Group's functional currency and presentation currency is the Rouble.

Rounding

Certain figures included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Exchange Rate Information

The table below sets forth, for the periods and dates indicated, the high, low, period end and period average exchange rate between the Rouble and the U.S. dollar, based on the official exchange rate quoted by the CBR for the relevant period. Fluctuations in the exchange rate between the Rouble and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of the IFRS Financial Statements and other financial information presented in this Base Prospectus.

	Rub Per $1.00			
	High	**Low**	**Period End**	**Period Average[(1)]**
Period				
2007	26.58	24.26	24.55	25.58
2008	29.38	23.13	29.38	24.86
2009	36.43	28.67	30.24	31.72
2010	31.78	28.93	30.48	30.37
2011	32.68	27.26	32.20	29.35
January 2012	31.93	30.36	30.36	31.24
February 2012	30.41	28.95	28.95	29.88
March 2012	29.67	29.02	29.33	29.38
April 2012	29.80	29.27	29.36	29.49
May 2012	32.45	29.37	32.45	30.80
June 2012	34.04	32.13	32.82	32.88
July 2012	32.99	31.95	32.19	32.50
August 2012	32.54	31.48	32.29	31.96
September 2012	32.57	30.59	30.92	31.52

(1) The average rates are calculated as the average of the daily exchange rates on each business day (which rate is announced by the CBR for each such business day) and on each non-business day (which rate is equal to the exchange rate on the previous business day).

No representation is made that the Rouble or U.S. dollar amounts referred to herein could have been or could be converted into Roubles or U.S. dollars, as the case may be, at these rates, at any particular rate or at all. **The exchange rate between the Rouble and the U.S. dollar has fluctuated significantly during the periods covered by the IFRS Financial Statements. The CBR rate on October 13, 2012 was RUB 30.97 = $1.00.**

Industry and Market Data

In this Base Prospectus, Sberbank refers to information regarding its business, the business of its competitors and the market in which it operates and competes. Sberbank obtained this information in part from various third party sources and in part from Sberbank's own internal estimates. Sberbank has obtained market and industry data relating to Sberbank's business from providers of industry and market data, namely the CBR, the Federal State Statistics Service ("**Rosstat**"), Interfax Information Services ("**Interfax**"), the International Monetary Fund (the "**IMF**") and BP Statistical Review of World Energy 2011, the Russian Ministry of Finance, Business Monitor International, the Economist Intelligence Unit, the Financial Times, the World Bank, State Corporation "Agency for Deposits Insurance", Investfunds, the Russian Federal Tax Service, Bloomberg, the European Banking Federation, Bank Societe Generale Vostok and Dealogic. In addition, the data released by the CBR ("**CBR data**") related to market shares referred to in this Base Prospectus is based on RAS, and market shares with respect to loans and deposits have been determined by value. Unless otherwise note, CBR data relating to market share and other industry-related data is cited as of July 1, 2012.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. Sberbank has relied on the accuracy of the information from industry publications, surveys and forecasts without carrying out an independent verification thereof and cannot guarantee their accuracy or completeness. Such information appears in the sections of this Base Prospectus entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business*" and "*The Banking Sector in Russia*". Sberbank confirms that such third party information has been accurately reproduced, and as far as Sberbank is aware and is able to ascertain from information published by such third parties, no facts have been omitted from the information in this Base Prospectus that would render it inaccurate or misleading. See "*Risk Factors—Other Risks—Sberbank has not independently verified information regarding its competitors and market share or the official data of Russian government agencies and the CBR*".

Some of the information contained in this Base Prospectus has been derived from the official data of Russian government agencies and the CBR. Some of the official data published by Russian federal, regional and local governments may not be complete or researched to the standard of Western countries. Some official data released by the Russian government may be inaccurate. Official statistics, including those produced by the CBR, may also be produced to a different standard than those used in Western countries. Any discussion of matters relating to Russia in this Base Prospectus must, therefore, be subject to uncertainty due to the potential incompleteness or inaccuracy of available official and public information.

In addition, in many cases, Sberbank has made statements in this Base Prospectus regarding the Russian banking industry and Sberbank's position in this industry based on its own experience and investigation of market conditions. Sberbank cannot assure you that any of its assumptions are accurate or correctly reflect its position in the industry, and its statements have not been verified by any independent sources. See "*Risk Factors—Other Risks—Sberbank has not independently verified information regarding its competitors and market share or the official data of Russian government agencies and the CBR*".

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

TABLE OF CONTENTS

Page

RISK FACTORS

An investment in the Notes involves a high degree of risk. Investors should carefully consider the following information about these risks, together with the information contained elsewhere in this Base Prospectus, before they decide to purchase the Notes. The actual occurrence of any of the following risks could adversely affect the Issuer and/or Sberbank's and/or the Group's operating results and financial condition. In that case, the value of the Notes could also decline and investors could lose all or part of their investment.

The risks and uncertainties discussed below are those that the Issuer and Sberbank believe are material, but these risks and uncertainties may not be the only ones that the Issuer and Sberbank face. Additional risks and uncertainties, including those of which the Issuer and Sberbank are not currently aware or deem immaterial, may also have an adverse effect on the Issuer and/or Sberbank's and/or the Group's operating results and financial condition or result in other events that could lead to a decline in the value of the Notes.

Risks Relating to Sberbank's Business and Industry

The instability of the global and the Russian economies and financial markets and the ongoing European sovereign debt crisis could have a material adverse effect on Sberbank's business, liquidity and financial condition

Instability of global and Russian economies

The majority of the Group's assets and customers are located in, or have businesses related to, Russia. In addition, as of July 1, 2012, and according to Sberbank's calculations based on CBR data, Sberbank's total assets accounted for 28.2 per cent. of all Russian banking sector assets. As a result, the Group is substantially affected by the health of the Russian economy, which is, to a significant degree, dependent on exports of key commodities, such as oil, gas, iron ore and other raw materials. The Russian economy was severely impacted by the weakening global economic conditions and the turmoil in global financial markets, particularly in the second half of 2008 and first half of 2009. Falling global prices of these commodities in the second half of 2008 and first half of 2009 resulted in sharp decreases in Russian government revenues and the revenues of privately held Russian companies operating in these sectors, which, in turn, had a severely negative effect on the overall Russian economy. For example, according to information published by Rosstat, Russia's gross domestic product ("**GDP**") experienced a real decline of 7.9 per cent. in 2009, compared to a 5.2 per cent. increase in real terms in 2008, before returning to growth in 2010 and 2011. Furthermore, the value of the Rouble relative to the U.S. dollar remains vulnerable to any future possible decline in global commodity prices. There can be no assurance that future declines in, or periods of significant volatility of, commodity prices will not lead again to GDP contraction or slower GDP growth, or adversely affect the Rouble/U.S. dollar exchange rate. Any of these factors could adversely affect the financial condition of Sberbank's customers and may result, among other things, in a reduction in Sberbank's capital adequacy ratios, a decrease in the funds that its customers hold on deposit with Sberbank, a reduction in the demand for loans, foreign currency, investment and other banking transaction services that these customers carry out with Sberbank, as well as a general deterioration in the quality of Sberbank's loan book, leading to possible defaults and/or the need for increased provisions.

Instability of the global and Russian banking sectors

The volatility and market disruption in the global banking sector has continued throughout 2009, 2010, 2011 and into the six months ended June 30, 2012. In particular, global financial markets have experienced increased volatility since the second half of 2011, a period which has seen the sovereign rating downgrades of, among other countries, the United States, France, Austria, Greece, Ireland, Portugal, Spain and Italy and continued concerns over the stability of the European monetary system and the stability of certain European economies, notably Greece, Ireland, Portugal, Spain and Italy. Though repeated summits of, and attempts by, European leaders to find a lasting solution to market concerns about such countries' ability to repay their debt have produced bail-out packages and restructuring agreements for certain sovereign debtors such as Greece and certain European countries have been adopting fiscal austerity plans to address concerns over their credit profile, there remain continuing doubts concerning the successful implementation of these measures, and, thus, the continuing stability of the European monetary system and economy, which result in significant financial market volatility. No assurance can be given that a further economic downturn or financial crisis will not occur, or that measures to support the banking system, if taken to overcome a crisis, will be sufficient to restore stability in the global banking sector and financial markets in the short term or beyond. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which Sberbank operates and the business and economic condition and prospects of Sberbank's counterparties, customers, suppliers or creditors, directly or indirectly, in ways which are difficult to predict.

The global financial crisis in 2008-2009 led to reduced liquidity and increased credit risk premiums for certain market participants and resulted in a reduction of available financing. Although the liquidity position in the Russian banking sector has generally improved since the peak of the global financial crisis, with balances of both retail and corporate deposits flowing back into the system, should the economic situation worsen again in Russia or globally, there can be no assurance that the lack of liquidity experienced in the Russian banking system during the height of the recent financial crisis will not return. Any further turmoil in the global or Russian banking sectors could adversely affect Sberbank's business and operating results due to decreases in Sberbank's net interest income, decreases in the demand for Sberbank's credit products, significantly increased loan provision charges, loan losses and write-offs.

Furthermore, certain Russian banks have experienced other difficulties that have caused them to become insolvent and have their licenses revoked, such as the International Industrial Bank, or to recognise large loan impairment provision losses that required steps to replenish their capital, as in the case of the Bank of Moscow. Similar problems at other Russian banks may cause doubts among investors or depositors about the effectiveness of banking supervision in Russia and the reliability of bank financial statements, even under IFRS. This could result in investors or depositors, as the case may be, reducing their exposure to Russian bank equities, debt or deposits, including those of Sberbank, which could be materially adverse to Sberbank's business, financial condition, results of operations and prospects, as well as the price of the Notes.

In October 2011, Moody's Investor Services, Inc., the international rating agency, adjusted its ratings outlook for the Russian banking system from "stable" to "negative". The change reflected concerns that market volatility was weakening Russia's operating environment, which could potentially negatively affect Russian banks through a system-wide liquidity contraction, slower credit growth and pressured asset quality over the next 12 to 18 months. In January 2012, Fitch Ratings Ltd. lowered its credit outlook of the Russian Federation from positive to stable based on perceived increased political uncertainty and the global economic outlook.

Should the ongoing crisis lead to a meaningful worsening of the global macroeconomic situation and/or impact commodity prices and global trade flows, Russia's overall economic and financial position in the medium term could also be negatively affected, as could its sovereign credit rating.

In March 2012, the former Russian President, Dmitry Medvedev, instructed the Government, together with the CBR, to propose draft legislative amendments regarding a decrease of the state participation in state-controlled banks to below 50 per cent. plus one voting share. The timeframe of such amendments, which will be subject to the regular legislative process, is currently uncertain. Any reduction of the CBR's holding in Sberbank below 50 per cent. plus one voting share could have a negative impact on Sberbank's credit rating.

There can be no assurance that Sberbank or Russia will be able to maintain their current credit ratings, and any deterioration in the general economic environment or Sberbank's financial condition could lead to downgrades. Any such downgrades could adversely affect Sberbank's liquidity and competitive position and undermine confidence in Sberbank, which could lead to increased borrowing costs and restrict Sberbank's access to capital markets. An increase to Sberbank's cost or reduction in availability of funding could render it unable to meet deposit withdrawals on demand or at their contractual maturity, to service the credit facilities of existing customers or to fund new loans, investments and businesses. Furthermore, reduced liquidity and cost of capital could adversely affect Sberbank's ability to repay its own borrowings as they mature, to meet covenants and other obligations under its own financing facilities or to raise further financing, for example, by issuances of debt securities, at favourable terms to Sberbank or at all. Should Sberbank's access to new financing become limited, it could be forced to sell unencumbered assets to meet its liabilities. In a time of reduced liquidity, Sberbank could be unable to sell some of its assets, or it could be forced to make such sales at depressed prices, which in either case could adversely affect Sberbank's results of operations and financial condition.

Sberbank bears significant credit risk

Credit risk in respect of corporate banking customers

Loans to legal entities constituted 75.3 per cent. of the Group's total loans and advances to customers before provision for loan impairment as of June 30, 2012, and 78.5 per cent., 78.7 per cent. and 78.3 per cent. as of December 31, 2011, 2010 and 2009, respectively. Sberbank's ability, due to its large funding and capital base, to extend large loans to Russia's largest companies has resulted in a degree of borrower concentration in its loan portfolio. As of June 30, 2012, Sberbank's twenty largest corporate customers accounted for 21.6 per cent. of its gross loan portfolio, compared with 23.3 per cent., 22.6 per cent. and 22.8 per cent. as of December 31, 2011, 2010 and 2009, respectively.

Sberbank believes that the industry composition of its loan portfolio is diversified and representative of Russia's industries and client segments. However, Russia's largest companies are concentrated in relatively few industries, and a future downturn in one or more of the industries in which Sberbank's largest corporate borrowers operate, or changes in the credit quality of such borrowers, may negatively affect Sberbank's financial condition, results of operations and prospects.

In particular, borrowers in the trade and construction industries accounted for 16.8 per cent., 18.9 per cent., 22.8 per cent. and 25.2 per cent. of the Group's total loans and advances to customers before provision for loan impairment as of June 30, 2012 and December 31, 2011, 2010 and 2009, respectively. These industries were directly affected by the deterioration in economic conditions in Russia during the global financial crisis. This may result in, among other things, decreases in the value of the collateral underlying these borrowers' obligations and the need to increase such collateral (see "*—The volume and type of collateral securing Sberbank's loans may prove inadequate, or a decline in the value or illiquidity of such collateral may adversely affect Sberbank's performance, and Sberbank may also face difficulties enforcing and dealing with such collateral*"), increased non-performing loans, higher loan impairment provisions and, ultimately, defaults on their obligations. Credit risk also emanates from Sberbank's provision of specialised loans (often relating to investment and project financing as well as developers' financing) for which little or no cash flow may exist in the early stages of the term and which generally demonstrate higher impairment rates. Also, given the absence of any cash flows in the early stages of the lending term, it could take longer for Sberbank to detect a deterioration in the creditworthiness of borrowers under these specialised loans than it would in respect of normal corporate borrowers.

Sberbank has sought to increase lending to medium-sized business customers and small businesses, in respect of which higher interest rates can be charged. However, lending to Sberbank's medium-sized business customers and small and micro-business customers generally carries a greater risk of default than lending to its largest and large corporate customers. It can also lead to an increase in overdue amounts and, consequently, to higher loan impairment provisions.

Credit risk in respect of retail banking customers

As of June 30, 2012, 24.7 per cent. of the Group's total loans and advances to customers before provision for loan impairment consisted of loans to individuals, compared with 21.5 per cent., 21.3 per cent. and 21.7 per cent. as of December 31, 2011, 2010 and 2009, respectively. The Group may not have sufficient or reliable data on the financial profiles, credit histories or creditworthiness of its retail banking customers, given that such customer data in Russia and other CIS countries has not been assembled and aggregated on a mass scale for as long as it has in other more developed markets. Also, the sharing of customer information between different banks, credit bureaus and government or private databases in Russia and other CIS countries is not as developed as it is in such other markets. As a result, there is an increased risk that Sberbank may not become aware of events of default or potential events of default of its retail customers on a timely basis or at all, which could have a material adverse effect on its financial condition and results of operations. In addition, the growth of retail lending in 2010, 2011 and the first six months of 2012 has led to an increase in general purpose loans, both secured and unsecured. The collateral securing these retail general purpose loans may ultimately prove insufficient should such loans become non-performing. See "*—The volume and type of collateral securing Sberbank's loans may prove inadequate, or a decline in the value or illiquidity of such collateral may adversely affect Sberbank's performance, and Sberbank may also face difficulties enforcing and dealing with such collateral*".

Any future downturn of the Russian economy and/or fluctuations in the inflation rate or the Rouble may adversely affect Sberbank's corporate and/or retail borrowers' ability to repay their loans, as was the case during the global financial crisis in 2008-2009, which may adversely affect Sberbank's financial condition, results of operations and prospects.

Sberbank's provisions for impaired or non-performing loans may prove to be inadequate, and its renegotiated loans may not continue to perform

In 2008 and 2009, many of the Group's borrowers were affected by the deterioration of economic conditions, which affected their ability to service or repay the amounts due to the Group and decreased the value of collateral pledged against loans extended by the Group. In 2009, the effects of the global financial crisis were particularly evident, with the Group's non-performing loans amounting to RUB458.7 billion, or 8.4 per cent. of the gross loan portfolio, as of December 31, 2009. The amount of non-performing loans in the Group's gross loan portfolio decreased to RUB452.3 billion, or 7.3 per cent. of the gross loan portfolio before provision for loan impairment, as of December 31, 2010, and continued to decrease to RUB407.5 billion, or 4.9 per cent. of the gross loan portfolio before provision for loan impairment, as of December 31, 2011, and RUB320.4 billion, or 3.4 per cent. of the gross loan portfolio before provision for loan impairment, as of June 30, 2012. Sberbank's provision for loan impairment against non-performing loans as of June 30, 2012 represented 89.1 per cent. of total non-performing loans. If Sberbank's provisions for non-performing loans were to prove inadequate, it may lead to an increase in loan impairment charges or write-offs, which could have an adverse effect on Sberbank's business, financial condition, results of operations and prospects.

In addition, since the onset of the global financial crisis, the amount of renegotiated loans held by the Group increased from RUB646.8 billion as of December 31, 2009, to RUB747.7 billion as of December 31, 2010, increasing further to RUB1,031.6 billion as of December 31, 2011, before decreasing slightly to RUB1,011.5 billion as of June 30, 2012. A proportion of such loans, absent the renegotiation of their terms, would have been in default and included in non-performing loans.

Sberbank monitors corporate loans post-disbursement, irrespective of whether loan performance is regular or a borrower's financial condition or performance requires Sberbank to recognise a loan as a problem or potential problem asset. If Sberbank reveals one of its standardised risk alert signals, a loan administrator must classify the loan as one of three types of problem assets: (i) "yellow zone" (meaning a potential problem asset); (ii) "red zone" and (iii) "black zone" (both (ii) and (iii) are deemed problem assets). Depending on the client category of the borrower and type of problem assets, a tailored or pre-determined loan recovery strategy is employed. See "*Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans*". Also, if during the post-disbursement monitoring of a loan Sberbank reveals facts indicating the potential deterioration of the borrower's financial condition and a risk of default on its payments, the monitoring division can revise the borrower's credit rating, subject to confirmation by an underwriter.

In addition, beginning in 2009, Sberbank arranged its overdue loan recovery from retail clients as a two-step process: "soft" (pre-court) and "hard" (in-court enforcement) stages. The "soft" stage applies to retail loans which are no more than 90 days overdue. For pre-court recovery of overdue retail loans, Sberbank uses two key methods: text message reminders are sent to overdue borrowers on their cell phones and a retail loans recovery division of more than 3,000 Sberbank employees across all branches contacts overdue borrowers via phone or in person at their known address. Sberbank also supports the "soft" collection stage by workouts of retail borrowers' indebtedness, depending on the borrower's willingness to perform its obligations to Sberbank and the results of the cost-benefit analysis performed by Sberbank.

Following 90 days after a borrower's default, the "hard" collection stage begins, usually involving in-court enforcement of a borrower's indebtedness by Sberbank's legal department.

For a more detailed description of how Sberbank monitors and recovers its non-performing loans, see "*Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans—Post-Disbursement Management of the Corporate Loan Portfolio and Recovery of Non-Performing Loans" and "Risk Management—Credit Risk Management—Retail Lending Policies—Monitoring of the Retail Loan Portfolio and Recovery of Non-Performing Loans*".

Despite efforts to monitor impaired and non-performing loans, there can be no assurance that Sberbank's efforts will be effective, or that renegotiated loans will continue to perform, either of which could cause Sberbank to have greater provisions and/or loan losses in future periods than otherwise currently anticipated, which could have a materially adverse effect on its financial condition, results of operations and prospects.

The volume and type of collateral securing Sberbank's loans may prove inadequate, or a decline in the value or illiquidity of such collateral may adversely affect Sberbank's performance, and Sberbank may also face difficulties enforcing and dealing with such collateral

A substantial portion of Sberbank's loans to corporate customers and individuals is secured by collateral such as real property, land lease rights, production equipment, vehicles, aircraft, ships, securities, precious metals, raw materials, inventory and the rights to equity ownership in certain businesses. Downturns in various industries and markets, in particular real estate, and the general deterioration of economic conditions in Russia during the recent global financial crisis resulted, and any similar crisis in the future may also result, in declines in the value of collateral securing a number of Sberbank's secured loans to levels below the amounts of the outstanding principal and accrued interest and other amounts on the loans. The reduced collateral values may not be sufficient to cover uncollectible amounts on Sberbank's secured loans, which may require Sberbank to reclassify the degree of risk on the loans and establish additional provisions for loan impairment.

Russian law provides for certain formalities and procedures to be followed when enforcing collateral, many of which are complex and time-consuming. There can be no assurance that Sberbank will always be able to comply with these formalities and procedures and ultimately enforce its rights against the collateral supporting its loans. In addition, any failure to adequately assess the value of collateral pledged against loans to corporate customers and individuals, enforce its rights to collateral and/or recover the expected value of collateral successfully may expose Sberbank to loan losses, which may materially adversely affect its business, financial condition, results of operations and prospects. In addition, where necessary, Sberbank employs collection agents to assist with loan and collateral enforcement, which could result in reputational harm.

As a consequence of enforcing collateral, Sberbank has acquired, and may in the future acquire, controlling or minority stakes in companies operating in diverse sectors ranging from oil to real estate development and construction that require industry expertise for their effective management and are not core to Sberbank's business and in respect of which Sberbank has no operational or management expertise. Although Sberbank has a separate department for problem loans and a specialised subsidiary, LLC Sberbank Capital ("**Sberbank Capital**"), to manage distressed debt and assets acquired by Sberbank as a consequence of enforcing the collateral securing that debt, it may not have an adequate number of personnel with sufficient experience to secure control over and manage those assets effectively.

Sberbank, through Sberbank Capital, may be unable to divest its ownership in assets acquired as a result of the enforcement of collateral at a value not less than the outstanding principal plus accrued interest and other amounts due on the relevant loans for some time following their acquisition, or at all. As a result, Sberbank may have to manage these assets for a substantial period of time, with certain assets held by Sberbank Capital expected to be owned for more than five years. The occurrence of any of these circumstances could be materially adverse to Sberbank's financial condition, results of operations and prospects.

Competition in all segments of the Russian banking market is intensifying

The Russian market for the provision of banking services is highly competitive, and Sberbank faces competition across its product lines, particularly corporate and retail lending, from both domestic and foreign banks. According to the CBR, as of July 1, 2012, there were approximately 965 credit institutions licensed to conduct banking operations in Russia. In addition to facing competition in Russia, Sberbank's subsidiaries, branches and representative offices in the CIS and elsewhere compete with national and/or international banks and financial service organisations in the relevant jurisdictions. Sberbank may also face increasing competition from telecommunications companies, including mobile telephone network operators and internet service providers, in the area of money transfer and cash settlement services. Any failure by Sberbank to compete effectively with the banks and other enterprises with which it competes could result in a reduction of Sberbank's share of the relevant market, which could adversely affect Sberbank's business, financial condition, results of operations and prospects.

Sberbank faces competition in the retail deposit market

Throughout its history, Sberbank has had the largest market share in the Russian retail deposit market. Although Sberbank continues to retain its market-leading position in retail deposits, its market share declined from 76 per cent. as of January 1, 2001 to 46.1 per cent. as of July 1, 2012, according to Sberbank's calculations under RAS (based on CBR data). In an attempt to increase their competitiveness with Sberbank and attract clients, peer banks generally price their deposits higher than Sberbank, with the result that interest rates on deposits offered by other banks in the Russian retail deposit market could be perceived by customers as more competitive and such other banks may increase their market share. Although Sberbank believes that it could maintain its market share at its targeted level of above 45 per cent. by increasing the interest rates payable on its retail deposits, the additional interest expense that could result from such an increase would have a negative impact on Sberbank's interest margins and, ultimately, its profitability.

Sberbank faces competition in providing banking services to legal entities

Banking services to legal entities account for a significant proportion of Sberbank's business. The development of cross-border banking has resulted in intense competition for servicing cash flows and providing lending services to major Russian enterprises and exporters. Major international banks have expanded their lending services rapidly in the Russian market, offering financing at a comparatively low cost to Russian corporate borrowers. In addition, before the global financial crisis of 2008-2009, banks operating in Russia were able to expand the volume of their corporate lending using relatively inexpensive funding raised in the international financial markets. These competitive pressures, together with intense competition for good quality corporate borrowers, could compel Sberbank to reduce its interest rates on loans to legal entities, and any such reduction could have a negative impact on Sberbank's interest margins and, ultimately, its profitability. In addition, there is a risk that the increased competition will reduce Sberbank's share of the corporate loan market.

During periods of excess liquidity, Sberbank may not be able to deploy such excess liquidity efficiently or may elect to deploy its excess liquidity in ways that it has not historically done, which could expose it to increased volatility

As a result of increased competition for high quality Russian corporate borrowers and its large retail deposit base, historically Sberbank has experienced periods of excess Rouble liquidity that it has to deploy. Due to competition, Sberbank may not be able to deploy all of its excess liquidity with high quality borrowers. Accordingly, during such periods, Sberbank may invest its excess liquidity in ways which could result in lower, or even negative, returns and/or expose Sberbank to increased investment risks and its earnings to greater volatility.

Sberbank is subject to market risk

Interest rate risk

Rising interest rates along the yield curve can increase the cost of Sberbank's borrowed funds faster and at a higher rate than the yield on its assets, due to a mismatch in the maturities of its assets and liabilities that are sensitive to interest rate changes or a mismatch in the degree of interest rate sensitivity of assets and liabilities with a similar maturity. At the same time, decreasing interest rates can reduce the yield on Sberbank's assets faster and at a higher rate than the decrease in the cost of its borrowed funds. Additionally, a significant decline in the Russian inflation rate may result in a decline in interest yield for Sberbank. Any of these occurrences could reduce Sberbank's interest margin, which could have an adverse effect on Sberbank's business, financial condition, results of operations and prospects.

Currency risk

Sberbank maintains open currency positions and may trade currency for its own account, which gives rise to exposure to currency risk. Sberbank's foreign currency liquidity decreased in 2010, primarily as a result of Sberbank making large foreign currency-denominated loans, but also due to the withdrawal of foreign currency deposits as the Rouble strengthened. In order to cover the potential deficit in its foreign currency liquidity, Sberbank raised foreign currency funds through its Programme, syndicated loans and repurchase transactions with foreign currency securities. Although the Rouble steadily appreciated against the U.S. dollar during the first half of 2011 and the three months ended March 31, 2012, it experienced periods of depreciation in the second half of 2011, and has continued to do so in the third quarter of 2012. Historically, the Rouble has had periods of material depreciation against the U.S. dollar. For example, the Rouble depreciated against the U.S. dollar by almost 50 per cent. and against the Euro by almost 40 per cent. from October 2008 to February 2009, due in part to significant declines in the prices of oil and commodities, which are the principal generators of Russia's export earnings. A material depreciation of the Rouble against the U.S. dollar and the Euro could adversely affect Sberbank in a number of ways, including, among other things, by increasing the actual cost to Sberbank of financing its U.S. dollar and euro-denominated liabilities and making it more difficult for Russian borrowers to service their U.S. dollar and euro-denominated borrowings from Sberbank, which could have a material adverse effect on Sberbank's business, financial condition, results of operations and prospects.

Risks relating to Sberbank's proprietary securities operations

Sberbank engages in proprietary securities operations. It conducts trading and investment operations with Russian government securities and also conducts proprietary trading activities in corporate debt and equity securities and municipal securities. Sberbank has a high volume of Russian government and CBR debt securities in its securities portfolio, some of which are classified as securities held for trading and available for sale, and any adverse price and/or interest rate movements affecting these securities may negatively affect Sberbank's business, financial condition, results of operations and prospects. The acquisition of Troika Dialog has resulted in additional exposure to securities operations related to client business or proprietary inventory. Such exposure has in the past created trading losses in certain market environments, and it is possible that trading losses may materialise in the future. See "*—Sberbank faces risks in relation to recently completed, announced and other potential acquisitions*".

Sberbank is subject to liquidity risk

Sberbank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and margin and other calls on cash-settled derivative instruments. Nevertheless, Sberbank does not maintain cash resources to meet all of these needs. Although Sberbank has introduced liquidity risk management procedures and analyses its assets through scenario analysis and stress testing, Sberbank cannot completely eliminate liquidity risk, particularly during periods of financial instability, such as the recent global financial crisis, which resulted in a decline in growth in both retail and corporate deposits in the Russian banking market and a large number of customers in Russia having to withdraw their savings to cover their general living expenses and/or over concerns about the safety of their deposits given the difficulties experienced by the Russian banking system.

Sberbank's exposure to on-demand and less than one month deposits is particularly significant in respect of its corporate customers. As of June 30, 2012, RUB962.6 billion, or 37.1 per cent. of Sberbank's total corporate customer accounts had a maturity classified as on-demand or less than one month, compared with RUB973.9 billion, or 44.2 per cent., and RUB861.8 billion, or 47.4 per cent., of Sberbank's total corporate customer accounts as of December 31, 2011 and 2010, respectively. Also, Russian law allows the immediate withdrawal of retail deposits, including term deposits, at any time. To account for this requirement, Sberbank holds liquidity reserves in excess of the regulatory minimum. However, there can be no assurance that unplanned withdrawals of deposits by Sberbank's customers will not lead to significant liquidity gaps, which Sberbank may not be able to cover without incurring additional expenses, or at all.

Sberbank is subject to systemic risk

In view of the relative lack of liquidity and relatively high cost of funds that have prevailed in the interbank lending market since the start of the global financial crisis, Sberbank may be subject to the risk of deterioration of the commercial soundness and/or perceived soundness of other financial institutions within and outside Russia. Sberbank routinely executes a high volume of transactions with numerous counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. Financial institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk, commonly referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which Sberbank interacts on a daily basis, which could have an adverse effect on Sberbank's ability to raise new funding.

Sberbank's business entails operational risks

Sberbank is a very large organisation, with 17 regional head offices, 57 principal branches, 442 branches and 18,545 sub-branches and other outlets throughout Russia and more than 240,000 employees as of June 30, 2012, as well as foreign subsidiaries. Consequently, Sberbank is inherently exposed to many types of operational risk, including a risk of failure of internal processes or systems, fraud by employees, borrowers or customers, unauthorised transactions by employees, non-compliance with internal procedures and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems.

Given Sberbank's high transaction volume, errors may be repeated or compounded before they are discovered and rectified. If Sberbank's internal control systems fail to detect or contain operational risks in the future, Sberbank may suffer substantial losses. For example, between 2005 and 2007, a certain number of loans were originated from two of Sberbank's Moscow branches based on false data submitted by the borrowers. This was possible due to (i) the absence of an effective independent loan underwriting function, and (ii) the branches having excessive loan approval authority. The compromised loans did not exceed RUB21.3 billion in aggregate, according to Sberbank's management accounts. RUB2.5 billion, or approximately 12 per cent., of such loans have since been written off as bad debts, and the rest have been provided for in Sberbank's financial statements. The redesign of Sberbank's corporate and retail lending processes (including the introduction of a fully independent loan underwriting function, a significant reduction of branch loan approval authority and a comprehensive data verification system) should help to prevent the occurrence of cases of such nature and scale in the future.

In addition, although Sberbank has implemented comprehensive measures in accordance with applicable Russian and international legislation aimed at preventing the use of Sberbank as a vehicle for money laundering and/or terrorist financing and at ensuring compliance with applicable sanctions programmes (as defined below) there can be no assurance that attempts to launder money or finance terrorist activities through Sberbank will not be made or that its measures related to anti-money laundering, anti-terrorist financing and compliance with applicable sanctions programmes will be completely effective. Although there have been no accusations in the ten years preceding the date of this Base Prospectus that Sberbank laundered money, financed terrorism or breached applicable sanctions programmes, if Sberbank were to be accused of having done so, it could face Russian or international sanctions, and its reputation, ability to conduct business and financial performance could be materially adversely affected. See "*Risk Management—Anti-Money Laundering and Sanctions Programmes Compliance*".

Sberbank may be unable to retain its senior management

Sberbank's senior management team is essential to the implementation of its business strategy. The senior management team, headed by its President and Chairman of the Executive Board, Mr. Herman O. Gref, was formed between late 2007 and the end of 2010, during which period a number of senior managers formerly employed by the Russian government and major Russian and international banking, financial and corporate institutions joined Sberbank. The continued success of Sberbank's business and Sberbank's ability to execute its business strategy effectively will depend, in large part, on the efforts of such senior Sberbank personnel. Although Sberbank currently provides incentives for senior management through the variable portion of their remuneration, closely linked to Sberbank's financial performance and the achievement of certain strategic objectives, it does not currently provide a management equity-linked incentive plan similar to those provided by other large banking groups in Russia and internationally. The loss of a significant proportion of Sberbank's senior management team could materially adversely affect Sberbank's business, financial condition, results of operations and prospects.

Competition for well-trained and experienced personnel

Sberbank's success depends in part on its continued ability to attract, retain and motivate qualified and experienced banking and management personnel. However, competition in the Russian banking industry for personnel with relevant expertise is intense, especially in regions outside Moscow, due to the relatively small number of available qualified individuals compared to the demand. In order to recruit qualified and experienced employees and to minimise the possibility of their departure to other banks, Sberbank attempts to provide attractive compensation packages in a manner consistent with evolving standards in the Russian labour market. The intense competition for experienced banking personnel was the primary reason for Sberbank's staff costs increasing by 25.3 per cent. in 2010, to RUB161.2 billion, from RUB128.6 billion in 2009, despite the average number of the Group's employees during 2010 being 1.4 per cent. lower than in 2009. Sberbank also provides internal and external training opportunities and uses other methods of personnel development, although it does not offer any form of equity-linked incentive plan as is customary for many of its international and Russian peers. This and other factors may adversely affect Sberbank's ability to recruit and/or retain the necessary personnel or manage its personnel needs successfully, which could materially adversely affect its business, financial condition, results of operations and prospects.

There can be no assurance that Sberbank's business strategy will be successful

Sberbank's senior management team has developed a business strategy focused on maintaining Sberbank's position as a market leader in corporate and retail banking services in Russia, while expanding the scope of its operations, as well as the range of its products and services. Sberbank's business development strategy for the period until 2014 ("**Strategy – 2014**") was approved by Sberbank's Supervisory Board in October 2008. See "*Business—Strategy and Strategic Goals*". There can be no assurance, however, that Sberbank will be able to achieve the targets set out in its Strategy – 2014, including financial targets, market positions, qualitative indicators and international targets. For example, in order to keep its headcount (on an unconsolidated basis) between 200,000 and 220,000 employees and reduce operating expenses to achieve its targeted cost-income ratio of around 40 per cent. (under RAS), Sberbank believes that it will be necessary to reduce its average headcount on an annual basis by between 3 per cent. and 5 per cent. from 2008 to 2014 (excluding subsidiaries and future acquisitions), which could have an adverse effect on employee motivation and be difficult to manage for political reasons. In addition, although it already benefits from a large, well-developed, infrastructure, no assurance can be given that Sberbank will be able to manage the continued growth that is anticipated by its Strategy – 2014 adequately. Any failure successfully to implement Strategy – 2014 could materially adversely affect Sberbank's business, financial condition, results of operations and prospects.

The streamlining of Sberbank's sub-divisions and its branch modernisation programme may not be successful

Sberbank has recently completely streamlining the management and organisational structure of its sub-divisions throughout Russia by creating "principal branches" in the majority of sub-federal units of Russia to complement the existing 17 regional head offices, which typically cover three to eight sub-federal units of Russia. See "*Business—Organisation and Management of the Group*". In addition, since 2010, Sberbank has been implementing a programme of modernisation and optimisation of its branch network, including a roll-out of "new format" branches, by refurbishing and/or relocating some of its existing branches to make them more attractive, customer-friendly and efficient. See "*Business—Strategy and Strategic Goals—Branch Network Optimisation*".

Sberbank has invested, and continues to invest, significant sums in streamlining the management and organisational structure of its sub-divisions and its branch modernisation and optimisation programme. However, there can be no assurance that either of these initiatives will be successful. The failure of, or any significant delays to, either of these initiatives could materially adversely affect Sberbank's business, financial condition, results of operations and prospects.

Sberbank faces risks in relation to recently completed, announced and other potential acquisitions

Sberbank has an acquisition strategy with the aim of, among other things, diversifying its geographic profile. In line with this strategy, Sberbank may contemplate the acquisition of various banking and other financial assets in Russia and abroad, including in jurisdictions with which its senior management have little familiarity. In particular, Sberbank recently completed its acquisition of Volksbank International AG ("**VBI**"), the Central and Eastern European division of Oesterreichische Volksbanken, excluding its business in Romania. Sberbank has also been actively pursuing acquisition opportunities in CEE and Turkey and has recently acquired 99.85 per cent. of the share capital of DenizBank AS ("**DenizBank**") in Turkey. The feasibility of any future acquisitions by Sberbank depends on a range of factors, which are not always within Sberbank's control, such as prevailing economic conditions, and obtaining all required governmental and corporate consents and approvals in the relevant jurisdictions. Accordingly, there can be no assurance that such acquisitions will be completed successfully, on a timely basis or at all.

In connection with its recently completed, announced and potential acquisitions (including the acquisition of VBI, Troika Dialog and DenizBank), Sberbank faces the risk of integrating acquired assets into its business and operational processes, in particular adapting the acquired businesses' core personnel, management systems, corporate cultures, IT platforms and risk management systems, among other things, into Sberbank's operating environment, all of which demand a significant amount of senior management's time. There can be no assurance that Sberbank will be successful in integrating the operations and management of acquired businesses in line with Strategy – 2014 or at all. A failure successfully to integrate such businesses, retain their staff and/or achieve the anticipated synergies could have a material adverse effect on Sberbank's financial condition, results of operations, prospects and strategy. Sberbank's risk profile may also be adversely impacted, depending on the business of the acquired entity.

The integration of Troika Dialog will take place over the course of a three-year period, during which Troika Dialog will continue to operate as a stand-alone entity, with some of its businesses being integrated with the corporate services of Sberbank, and Mr. Ruben Vardanian, Troika Dialog's current CEO, will remain in his current position. Troika was loss-making in 2011, and the success of Troika Dialog as part of Sberbank is untested at this stage, and therefore its contribution to the Group's results remains difficult to estimate. Troika Dialog's continued success depends to a large extent on the efforts of its key employees, and no assurance can be given that such employees will not resign from their employment before the expiry of the three-year period, which may materially adversely affect Troika Dialog's, and therefore Sberbank's, business and results of operations. In addition, one of the drivers for Sberbank's acquisition of Troika Dialog was the potential ability to cross-sell Sberbank's products to Troika Dialog's customers and vice-versa. There can be no assurance that such cross-selling opportunities will exist, however, or that Sberbank and/or Troika Dialog will exploit any such opportunities that do exist successfully. In addition, the acquisition of Troika Dialog increases the scale of Sberbank's capital markets business and its exposure to potential losses associated with price fluctuations in the financial markets and, therefore, the value of securities on Sberbank's balance sheet or the size of its off-balance sheet exposure. While Sberbank is in the process of implementing a unified market risk management system throughout its global markets operations, including those of Troika Dialog, there can be no assurance that it will be able to prevent such losses from occurring in the future.

VBI was loss-making in 2011, and the acquisition of VBI exposes Sberbank to broader geographic risk, since the majority of VBI's assets are located in jurisdictions in which Sberbank has not previously operated and its management has little experience. Also, VBI's business profile and balance sheet quality are materially different from those of Sberbank. These differences include, for example, a large share of foreign-currency denominated loans, a higher ratio of non-performing loans, a materially lower level of loan loss provisions and, therefore, lower loan loss coverage ratio, a lower share of collateralised loans, a lower stand-alone capital ratio than Sberbank, a more limited deposit base and a significantly lower level of profitability than Sberbank. As a result, the VBI acquisition could have a dilutive effect on some of Sberbank's balance sheet and profitability ratios, including in particular its loan loss coverage ratio, as well as lead to the creation of additional loan loss provisions.

The acquisition of DenizBank will also expose Sberbank to broader geographic risks through its extensive operations in Turkey, including exposure to the Turkish economy, which has, from time to time, experienced, among other factors, significant inflation, currency volatility, financial crises, bank failures and political instability, all of which, if they were to happen again, could potentially have an adverse impact on the value of Sberbank's investment in DenizBank and on Sberbank's performance once DenizBank is fully consolidated into Sberbank's financial statements. In addition, risk management systems at DenizBank may not yet be as sophisticated and developed as those at Sberbank. As a result, deteriorating or problem assets at DenizBank may be discovered only over time, and Sberbank may need to recognise losses on such assets and devote significant time and resources to align the risk management systems at DenizBank with those of the Group. While Sberbank's agreement with the sellers contains certain representations, warranties, indemnities and other protections in relation to DenizBank and its group, there can be no assurance that such protections will be effective or enforceable against the selling party, or that Sberbank will not face future losses. The reduction of the Group's core tier 1 capital ratio under Basel I principles following the acquisition of DenizBank is not expected to exceed 100 basis points.

Sberbank faces risks associated with some of its lending fees and commissions being declared invalid under Russian law

Historically, Sberbank, much like other major Russian banks, has charged a range of fees and commissions in connection with its lending services, in addition to the interest rate payable on its loans ("**lending fees**"). The lending fees have included a fee for maintaining loan accounts (an "**account fee**"), a fee for loan disbursements and a facility fee.

In November 2009 and March 2010, the Supreme Arbitration Court of the Russian Federation issued two judgments that declared charging an account fee to retail borrowers a violation of Russian consumer protection laws. In response to these judgments, Sberbank abolished all its retail lending fees, including account fees, as of April 19, 2010. Following the decisions of the Supreme Arbitrage Court, retail customers of Sberbank have claimed refunds of the account fees charged by Sberbank prior to April 19, 2010. As of September 1, 2012, the courts have upheld approximately 179,900 of such claims totaling approximately RUB3.3 billion. A further 37,300 claims totaling approximately RUB1.9 billion are currently pending, and have been provided for in Sberbank's financial statements. The aggregate amount of the claims filed to date is considerably smaller than the universe of potential claims by retail borrowers eligible to file claims. Sberbank estimates that if all such borrowers were to file claims and all their claims were to be upheld by the courts, it could incur substantial additional expenses, which, together with associated costs, could be as high as RUB30 billion. There is a risk that such expenses could be higher, if the courts determine on a larger scale to extend the statute of limitations on such claims beyond the general three-year limitations period.

In September 2011, the Supreme Arbitration Court of the Russian Federation issued guidance regarding corporate lending fees (the "**SAC Guidance**"). The SAC Guidance provides that corporate lending fees are valid, save for lending fees that form neither the consideration for a separate benefit to a customer nor a part of an agreed cost of borrowing. Thus, there is a risk that a court could invalidate a corporate lending fee, such as a loan disbursement fee, charged by Sberbank to its customers if the court finds that it meets both of the above criteria for an invalid fee. As of August 1, 2012, the number and amount of claims regarding corporate lending fees filed in response to the SAC Guidance were negligible. However, should corporate borrowers pursue refund claims on a significantly larger scale, and if Russian courts interpret the SAC Guidance adversely to Sberbank in these cases, Sberbank could incur additional costs, which could be material.

Sberbank faces regulatory risks due to its market-leading position

As a result of its position as Russia's largest bank and its market-leading position in numerous segments of the Russian banking sector, Sberbank is subject to investigation from time to time by the Federal Antimonopoly Service (the "**FAS**"). For example, the FAS conducted an investigation in 2009 in relation to a tender held in 2006 to select insurers that were eligible to cooperate with Sberbank, as well as certain similar cooperation agreements with insurers that were entered into in 2008 and 2009. The FAS subsequently terminated its investigation without imposing any sanctions on Sberbank. However, no assurance can be given that the FAS will not take measures (whether as a result of its investigations or otherwise) in the future to restrict Sberbank's market shares and/or activities, which could potentially include imposing pricing controls, reducing the barriers to entry for competitors or requiring Sberbank to divest certain parts of its business. Any such action could have a material adverse effect on Sberbank's business, financial condition, results of operations and prospects.

Interests of Sberbank's shareholders may conflict with those of the Noteholders

Under currently applicable Russian banking legislation and Sberbank's charter, the CBR must hold a controlling stake (at least 50 per cent. plus one voting share) in Sberbank. In March 2012, Russian President Medvedev gave directions to the Government and the CBR to prepare changes to relevant legislation that would allow state ownership in state-owned banks to fall below the 50 per cent. plus one voting share threshold.

As of September 26, 2012 the CBR owned 52.32 per cent. of Sberbank's ordinary shares and 50.00 per cent. plus one ordinary share of its total share capital, which consists of ordinary and preference shares. As of the date of this Base Prospectus, the representatives of the CBR hold six out of the 17 seats on Sberbank's Supervisory Board and independent members (as defined under Russian law) who are not affiliated with the CBR, the Russian government or Sberbank hold eight seats. The Chairman of the CBR serves as the Chairman and the two First Deputy Chairmen of the CBR serve as Deputy Chairmen of Sberbank's Supervisory Board. See *"Management*".

In addition, as a recipient of a subordinated loan from the CBR under the framework set by Federal Law No. 173-FZ "On the Additional Measures to Support the Financial System of the Russian Federation", dated October 13, 2008, as amended (the "**Financial System Support Law**"), Sberbank is subject to additional supervision rights of the CBR set forth in the Financial System Support Law. See "*Banking Regulation in Russia—Russian Banking Regulation—Rights of the CBR under the Financial System Support Law and the CBR Law.*"

As far as Sberbank's management is aware, Sberbank has not experienced any administrative pressure from the CBR or the Russian government to extend loans or to provide preferential interest rates or prices to particular customers during the ten years preceding the date of this Base Prospectus. Sberbank makes all of its lending decisions on the basis of an analysis of the economic benefits and risks of making the loan. Its participation in state economic or social programmes, including lending and certain fee-based services ultimately is driven by considerations of profitability and economic expediency.

Nevertheless, Russian legislation gives considerable powers to both controlling shareholders and the Supervisory Board, and there can be no assurance that in the future the interests and actions of the CBR or the CBR's representatives on the Supervisory Board will be aligned with the interests of Noteholders.

In addition, certain members of Sberbank’s Supervisory Board are also members of the supervisory council of VTB. Since VTB is one of Sberbank’s principal competitors, this could conflict with the interests of the Noteholders.

Capital adequacy and other regulatory requirements may significantly limit Sberbank's commercial activities

Sberbank is required by the CBR to have a minimum RAS-based stand-alone capital adequacy ratio of 10 per cent. and of 11 per cent. to meet the requirements for participation in the Russian retail deposit insurance system, established by Federal Law No. 177-FZ "On the Insurance of Individuals' Deposits in the Banks of the Russian Federation" of December 23, 2003, as amended (the "**Deposit Insurance System**"). In addition, the Basel Committee on Banking Supervision (the "**Basel Committee**") recommends a minimum risk-based total capital adequacy ratio of 8 per cent., calculated in accordance with Basel I. Sberbank's RAS-based stand-alone capital adequacy ratio as of June 30, 2012 was 13.7 per cent., which exceeded the minimum required by the CBR. As of June 30, 2012, Sberbank's risk-based total capital adequacy ratio was 14.5 per cent. and its core capital adequacy ratio was 11.2 per cent., in each case calculated in accordance with Basel I. Both capital ratios exceed the minimum risk-based capital adequacy ratios recommended by Basel I. However, if Sberbank's capital position were to decline below the minimum statutorily required levels of capital adequacy, its banking licenses could be suspended or revoked and it could encounter difficulties in continuing to operate its business, implementing its Strategy – 2014 and obtaining funding, which could materially adversely affect its business, financial condition, results of operations and prospects.

In addition, the Basel Committee's capital adequacy guidelines ("**Basel II**") have been implemented in certain jurisdictions, including member states of the EU, and in December 2010 the Basel Committee published a revised set of guidelines ("**Basel III**"), the implementation of which will begin on January 1, 2013. The implementation of Basel II or Basel III in Russia and in certain other jurisdictions where the Group conducts its business has not occurred to date, and the effect that these revised guidelines will have on Sberbank's and the Group's capital requirements and capital position is uncertain. If any future alterations to the capital adequacy standards under Basel II or Basel III (or domestic regulations implementing Basel II or Basel III in the relevant jurisdictions) with regard to limits on the deployment and use of capital require Sberbank, its subsidiaries and/or the Group to maintain higher capital levels or limit the use of significant portions of its capital, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Requirements imposed by regulators, including capital adequacy requirements, are designed to ensure the integrity of the financial markets and to protect customers and other third parties with whom the Group deals. These requirements are not designed to protect the holders of the Notes. Consequently, these regulations may limit the Group's activities, including its lending, and may increase the Group's costs of doing business or require it to seek additional capital in order to maintain compliance with capital adequacy requirements or different varieties of funding to satisfy the CBR's liquidity requirements. See "*Banking Regulation in Russia—Russian Banking Regulation—Regulation of Mandatory Economic Ratios*" and "*Banking Regulation in Russia—Russian Banking Regulation—Regulation of Mandatory Reserves*". In addition, a breach of mandatory capital normative parameters in the Russian Federation could expose Sberbank to potential liability and other sanctions, including the revocation of its general banking licence.

Sberbank faces IT risks

Sberbank's banking business requires the development of communication channels and software, the creation and maintenance of large automated systems and considerable computer capacity throughout Russia. Sberbank positions itself as a universal commercial bank that offers high quality services to customers in all Russian regions. In line with its strategy to streamline its internal management platforms and processes, Sberbank continues to restructure its IT systems (a process that started in 2008), including the integration and unification of multiple core banking systems at its regional head offices which were not always interconnected or compatible, as well as the development of a modern, in-house, Management Information System ("**MIS**"). Matching the capacities of its information systems, network and technologies to the pace of its business development requires considerable expenditure. See "*Business—IT Infrastructure*".

Sberbank has invested and continues to invest considerable time and money in upgrading its technologies, centralising its information systems, creating appropriate duplicating capacities, developing internal audit functions and controlling the operation of its hardware and software, all in a timely way and taking into account international best practices. Nevertheless, Sberbank cannot guarantee that such upgrades or the restructuring of its IT systems will be carried out to completion, not cause any significant disruptions or temporary loss of functionality (such as the temporary inaccessibility of bank cards issued by Sberbank in July 2012), or fully eliminate the possibility of a systems failure that may, for some time, adversely affect its operational activities and lead to expenses that may adversely affect its financial performance.

Risks Relating to Russia

Sberbank is a Russian bank, and most of its fixed assets are located in, and most of its revenues are derived from, Russia.

Emerging markets such as Russia are subject to greater risks than more developed markets

Prospective investors should exercise particular care in evaluating the risks involved in investing in emerging market securities, such as the Notes, and must decide for themselves if, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who are familiar with and fully appreciate the significance of the risks involved in investing in such markets. Investors should be aware that emerging markets such as Russia are subject to greater risk than more developed markets, including in some cases significant economic, political and social, and legal and legislative risks. Prospective investors should also note that emerging economies are subject to rapid change and that the information set forth herein may become outdated relatively quickly. The Russian markets were highly volatile during the global financial crisis, which caused market regulators to suspend trading temporarily on the major domestic stock exchanges on several occasions, and those exchanges experienced significant overall declines during the peak of the financial crisis in 2008 and 2009. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy. Financial turmoil in other emerging or developing markets could materially adversely affect Sberbank's business, financial position, results of operations and prospects, as well as the price of the Notes. Prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

Fluctuations in the global economy may have an adverse impact on emerging markets' ability to attract future capital, as well as on Sberbank's financial condition and prospects

Companies located in emerging markets may be particularly susceptible to disruptions and reductions in the availability of credit or increases in financing costs, which could cause them to experience financial difficulty. Further, in periods of unstable economic and financial conditions, companies operating in emerging markets can face particularly severe liquidity constraints as investors move their money to more stable developed markets, as was the case during the global financial crisis.

The availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and thus, any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) in one market could affect the price or availability of funding for entities within any of these markets.

Changes in Russian government policy, other government actions or political tensions within Russia could adversely affect the value of investments in Russia

Future political instability could result in a worsening overall economic situation, including capital flight and a slowdown of investment and business activity. Following the Russian parliamentary elections in December 2011, controversy concerning alleged voting fraud in favour of the current ruling party, United Russia, led to unprecedented organised protests in several Russian cities, including protests in the Russian capital in which tens of thousands of individuals participated. Allegations of voting irregularities also appeared following the election of Vladimir Putin to the Russian presidency in March 2012, with a number of protests occurring throughout the country both before and after his May inauguration. Future shifts in governmental policy and regulation in Russia also could lead to political instability and disrupt or reverse political, economic and regulatory reforms, which could have a material adverse effect on the value of investments relating to Russia and the Notes in particular, as well as on Sberbank's business, its ability to obtain financing in the international markets and its financial position or prospects.

Emerging markets such as Russia are also subject to heightened volatility based on political and economic conflicts. Any disruption or reversal of the reform policies or any recurrence of political or governmental instability or significant and recurring terrorist attacks may lead to a deterioration in Russia's investment climate and trading volatility, which could materially adversely affect Sberbank's ability to raise equity or debt capital in the international markets, as well as its business, financial position, results of operations and prospects. See also "*—Risks of social and economic instability*", "*—Risks Relating to the Russian Legal System and Russian Legislation*" and "*—Risks Relating to the Russian Taxation System*".

Risks of social and economic instability

Over the last two decades, the Russian economy has experienced at various times:

- significant declines in its GDP;
- high levels of inflation;
- high levels of corruption and the penetration of organised crime into the economy;
- increases in, or high, interest rates;
- sudden price declines in the natural resources sector;

- instability in the local currency market;
- high levels of government debt relative to GDP;
- the lack of reform in the banking sector and a weak banking system, providing limited liquidity to Russian enterprises;
- the continued operation of loss-making enterprises due to the lack of effective bankruptcy proceedings;
- the use of fraudulent bankruptcy actions in order to take unlawful possession of property;
- widespread tax evasion;
- the growth of a black- and grey-market economy;
- pervasive capital flight;
- significant increases in unemployment and underemployment;
- ethnic and religious tensions;
- low personal income levels of a significant part of the Russian population; and
- a major deterioration of physical infrastructure.

Exchange rates, exchange controls and repatriation restrictions could restrict the growth of a market for the Rouble

The Rouble remains largely non-convertible outside of the Russian Federation. A market exists within the Russian Federation for the conversion of Roubles into other currencies, but it is limited in size and is subject to rules limiting such conversion. From August 1, 2008 through September 1, 2012, Russia's foreign currency and gold reserves decreased from U.S.$596.6 billion to U.S.$514.6 billion. Although Russia's current foreign currency and gold reserves may be sufficient to sustain the domestic currency market in the short term, there can be no assurance that the currency market will not further deteriorate in the medium or long term due to the lack of foreign currency funding available in the global markets. The lack of growth of the Russian currency market in the medium or long term could materially adversely affect Sberbank's business, financial condition, results of operation and prospects.

The Russian currency control regime may restrict Sberbank's operational flexibility

Notwithstanding the significant liberalisation of the Russian currency control regime, the current Russian currency control law still imposes certain limitations on currency operations. In particular, foreign currency operations between Russian residents are generally prohibited (except for certain specified operations, including foreign currency transactions between Russian authorised banks listed in the CBR Regulation No. 1425-U of April 28, 2004). Moreover, certain limitations that do not apply to Sberbank do apply to its customers, such as the requirement to notify the Russian tax authorities when opening a foreign bank account. See "*Banking Regulation in Russia—Russian Banking Regulation—Regulation of Currency Control*". These currency control restrictions may make certain foreign currency operations burdensome and financially unattractive and may restrict Sberbank's and its customers' operational flexibility.

If Russia were to return to higher and sustained inflation, Sberbank's results of operations could be adversely affected

According to Rosstat data, the inflation rate in Russia was approximately 11.9 per cent. in 2007, 13.3 per cent. in 2008 and 8.8 per cent. in each of 2009 and 2010. In 2011, inflation in Russia was 6.1 per cent., and in the six months ended June 30, 2012, the inflation rate was 3.2 per cent. Levels of inflation higher than those experienced in Russia from 2007 to 2010 could lead to market instability, a new financial crisis, reductions in consumer purchasing power and an erosion of consumer confidence. Any one of these events could lead to decreased demand for banking products and services, which could adversely affect Sberbank's business, financial condition, results of operations and prospects.

Russian capital markets are vulnerable to macroeconomic instability

During the global financial crisis, Russia experienced a significant decline in equity and debt market prices and a substantial net outflow of capital. There were periodic suspensions of Russian stock market trading, heavy volatility in the Russian equity markets and sharp declines in the share prices of Russian financial institutions. Although Russian capital markets have since rebounded significantly, they remain vulnerable to further macroeconomic instability, which could adversely affect Sberbank's ability to access funding and the price of the Notes.

Sberbank faces risks associated with Russia's relations with other CIS countries where it conducts business

In addition to Russia, Sberbank has banking subsidiaries in other CIS countries, including Belarus, Ukraine and Kazakhstan, which accounted for 0.85 per cent., 0.64 per cent. and 1.08 per cent. of its total assets, respectively, as of June 30, 2012. Sberbank may acquire or establish additional banking subsidiaries in the CIS and other emerging markets (as demonstrated by Sberbank's acquisition of VBI, which has operations across Central and Eastern Europe).

A military conflict arose in August 2008 between Russia and Georgia when Russian troops entered South Ossetia. Tensions between Russia and Ukraine also arose when Ukraine indicated that it might refuse to permit Russian warships participating in a blockade along the Georgian Black Sea coast to return to their home port. The relationship between Ukraine and Russia has become strained for other reasons as well, including, among other things, Ukraine's failure to pay or delay in paying arrears relating to the supply of energy resources and Ukraine's possible accession to NATO and the European Union. Russia's relations with Belarus have also recently been strained over gas supplies. Emerging markets such as Russia are also subject to heightened volatility based on diplomatic and military conflicts. The emergence of new or escalated tensions between Russia and Ukraine or Russia and Belarus, including the imposition of trade sanctions or embargoes, could negatively affect the Russian economy and those of other CIS countries, including Sberbank's current and future CIS markets, which could have a material adverse effect on Sberbank's business, results of operations, financial condition and prospects, as well as the price of the Notes.

In addition, Belarus has experienced a severe financial crisis since the start of 2011, which led the central bank of Belarus to announce in May 2011 a devaluation of its national currency, the Belarusian rouble, against major currencies, such as the U.S. dollar and Euro, in an attempt to reduce pressure on the currency and neutralise the "black market" internal currency market that had developed as a result of the country's severe foreign currency deficit. In mid-September 2011, the central bank of Belarus introduced new regulations regarding currency exchange on the internal currency market, resulting in the de facto co-existence of "official" currency exchange rates and those determined by supply and demand. Thus far, the new regulations have led to a further devaluation of the Belarusian rouble against major currencies, such as the U.S. dollar and Euro, but their potential long-term impact remains unclear. In September 2011, Standard & Poor's downgraded the credit rating of Belarus from "B/B" to "B-/C". Having received a U.S.$3 billion funding package from the Eurasian Economic Community in return for an agreement to privatise substantial state-owned assets, the Belarusian government announced in June 2011 that it was seeking a further rescue package, in an amount of up to U.S.$8 billion, from the IMF, and as a condition to providing any such assistance, the IMF required the Belarusian government to agree to a package of deep economic reform. The ongoing financial crisis in Belarus could have a material adverse effect on the business, financial condition, results of operations and prospects of Sberbank's banking subsidiary and transactions in or involving Belarus.

Moreover, the economic and political situation in Ukraine has often been unstable in recent years and could be negatively affected by a number of factors, including a downturn in steel prices impacting the country's macroeconomic performance, Ukraine's dependence on external funding sources and the legal case relating to ex-prime minister Yulia Tymoshenko straining Ukraine's foreign relations. For example, in 2011, due to non-compliance with certain conditions, Ukraine failed to receive a new tranche of a U.S.$15 billion loan from the IMF agreed in August 2010. In December 2011, Moody's Investors Service also lowered its outlook for Ukraine's credit rating from "stable" to "negative", while Standard & Poor's reduced its outlook from "stable" to "negative" in March 2012. According to estimates of the Ukrainian government, economic growth in 2012 in Ukraine will decrease to 3.9 per cent., compared with 5.0 per cent. in 2011. In addition, Ukraine is scheduled to make repayments to the IMF of approximately U.S.$2.4 billion in the second half of 2012 and approximately U.S.$5.7 billion in 2013. Any deterioration in the economic or political environment in Ukraine could have a material adverse effect on the business, financial condition, results of operations and prospects of Sberbank's banking subsidiary.

Risks Relating to the Russian Legal System and Russian Legislation

Weaknesses relating to the Russian legal system and Russian legislation

The Russian legal framework applicable to a market economy is still under development. Since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime established by the 1993 Federal Constitution (the "**Federal Constitution**"), the Civil Code, other federal laws and decrees, orders and regulations issued by the Russian President, the Russian government and federal ministries, which are, in turn, complemented by regional and local rules and regulations. These legal standards at times overlap with or contradict one another. The recent nature of much Russian legislation and the rapid evolution of the Russian legal system cast doubt on the enforceability and underlying constitutionality of certain laws and result in ambiguities, inconsistencies and anomalies.

In addition, the powers of the various Russian agencies (including the CBR) are not always clearly delineated, which may lead to administrative and/or legal conflicts and challenges to transactions authorised and/or entered into by the relevant agencies with third parties, including in connection with the issue and offering of the Notes.

Russia is a civil law jurisdiction, and, as such, judicial precedents generally have no binding effect on subsequent decisions. Among the risks of the current Russian legal system are: the limited availability of judicial and administrative guidance on interpreting Russian legislation; substantial gaps in the regulatory structure due to delay or absence of implementing legislation; the relative inexperience of judges and courts, especially in lower courts, in interpreting Russian legislation and in business and corporate law generally; the relative lack of independence of the judiciary; the difficulty in enforcing court judgments in practice; and corruption and bankruptcy procedures that are insufficiently developed and subject to abuse.

These weaknesses, and others, could limit the ability of holders of the Notes to have their rights upheld in a Russian court.

Significant changes in Russian banking and financial regulation could increase Sberbank's expenses

Like most of Russia's legislation on business activities, Russia's laws and regulations on banks and banking activities, as well as laws setting forth the fundamentals of financial markets legislation, were adopted in the 1990s and early 2000s and are subject to constant revision. In addition to the Federal Law of July 10, 2002, No. 86-FZ "On the Central Bank of the Russian Federation (Bank of Russia)", as amended (the "**CBR Law**"), the Federal Law of December 2, 1990, No. 395-I "On Banks and Banking Activity", as amended (the "**Banking Law**"), and the Federal Law of April 22, 1996, No. 39-FZ "On the Securities Market", as amended (the "**Securities Market Law**"), Russia has adopted and continues to develop new banking and financial market legislation.

The recent and proposed changes in Russian banking and financial regulation, including changes in mandatory reserve requirements and proposed changes to regulatory ratios, are aimed at bringing them closer to those of more developed countries. In addition, the State Duma is currently considering a draft of large-scale amendments to the Civil Code of Russia, which although generally aiming to clarify and streamline the existing rules and institutions, if adopted in the current form, may impose additional obligations on Russian banks. Among other amendments, it is proposed that a credit organisation become fully liable for an unauthorised debit of funds from a client's account, including when the credit organisation cannot verify that an unauthorised person issued the debit instruction. The credit organisation would bear the burden to prove that a client was not sufficiently diligent. It is difficult to forecast how the changes in banking and financial regulation will affect the Russian banking system, and no assurance can be given that the regulatory system will not change in a way that will increase Sberbank's expenses. See also "*Banking Regulation in Russia*".

Russian corporate governance requirements to which Sberbank is subject differ significantly from those applicable to comparable companies in other jurisdictions

Sberbank's corporate affairs are governed by its charter, its internal regulations and the laws governing Russian banks and companies incorporated in Russia. See "*Banking Regulation in Russia*". However, Russian's corporate governance requirements generally are not as developed or of the same standard as those of the United Kingdom or the United States, and the rights of shareholders, including the holders of the DSs, and the responsibilities of members of Sberbank's Supervisory Board and Sberbank's Executive Board under Russian law are different from, and may be subject to certain requirements not generally applicable to, corporations organised in the United Kingdom, the United States or other jurisdictions. See "*Management*".

In addition, despite recent initiatives to improve corporate transparency in Russia, there generally is less publicly available information about Russian companies than there is available for comparable companies in, for example, the United Kingdom or the United States. The relatively low level of corporate transparency in Russia could have a material adverse effect on Sberbank's business, financial condition, results of operations and prospects.

Some interested party transactions of Sberbank require the approval of disinterested directors or disinterested shareholders

Russian law requires a joint stock company that enters into transactions with certain related persons that are referred to as "interested party transactions" to comply with special prior approval procedures. Under Russian law, an "interested party" of a company includes: (i) any member of the board of directors or the executive body of the company, (ii) its chief executive officer (including managing organisation or hired manager), (iii) any person who, together with its affiliates, owns at least 20 per cent. of the company's voting shares or (iv) a person who has the legal right to give mandatory instructions to the company, if any of the above persons, or a close relative or affiliate of any such person, is, in each case:

- a party to a transaction with the company, whether directly or as a representative or intermediary, or a beneficiary of the transaction;
- the owner, whether individually or collectively, of at least 20 per cent. of the shares in a company that is a party to a transaction with the company, whether directly or as a representative or intermediary, or a beneficiary of the transaction;
- a member of a governing body of a company that is a party to, or a beneficiary of, a transaction with the company, whether directly or as a representative or intermediary, or an officer of the managing organisation of such company; or
- in other cases provided for by the company's charter.

Under applicable Russian law, interested party transactions require approval by a majority of the disinterested directors or disinterested shareholders of the company. A majority vote of the disinterested shareholders of the company is required if (i) the number of disinterested directors is less than the required quorum for board of directors (supervisory council) meetings, (ii) the value of the transaction (or of a series of interrelated transactions) is equal to or exceeds 2 per cent. of the balance sheet value of the company's assets (determined under RAS according to its latest balance sheet) or (iii) the transaction (or a number of interrelated transactions) involves the issuance or sale by the company of ordinary shares or securities convertible into such shares, in an amount exceeding 2 per cent. of the company's issued ordinary shares. A failure to obtain the appropriate approval for a transaction may result in it being declared invalid upon a claim by the company or any of its shareholders.

Risks Relating to the Russian Taxation System

The Russian taxation system is relatively underdeveloped

The Russian Government is constantly reforming the tax system by redrafting parts of the Tax Code of the Russian Federation (the "**Russian Tax Code**"). These changes have resulted in some improvement in the tax climate. As of January 1, 2009 the corporate profits tax rate was reduced to 20 per cent. For individuals who are tax residents in the Russian Federation the current personal income tax rate is 13 per cent. The general rate of VAT is 18 per cent. Since January 1, 2010 the Unified Social Tax was replaced by social security charges payable to the Russian pension, social security and medical insurance funds. Since January 1, 2012 the total security charge has generally equalled 30 per cent. Since January 1, 2012 the new Russian transfer pricing legislation is in force.

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement. In accordance with the Constitution of the Russian Federation, laws that introduce new taxes or worsen a taxpayer's position cannot be applied retroactively. Nonetheless, there have been several instances when such laws have been introduced and applied retroactively.

Despite the Russian Government's taking steps to reduce the overall tax burden in recent years in line with its objectives, there is a possibility that the Russian Federation would impose arbitrary or onerous taxes and penalties in the future, which could have a material adverse effect on Sberbank's business, results of operations and financial condition.

In addition to the usual tax burden imposed on Russian taxpayers, these conditions complicate tax planning and related business decisions. These uncertainties could expose Sberbank to significant fines and penalties and potentially severe enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden, and could have a material adverse effect on Sberbank's business, results of operations and financial condition or prospects.

Generally, taxpayers are subject to tax audits for a period of three calendar years immediately preceding the year in which the decision to carry out a tax audit has been taken. Generally the tax authorities are prohibited from carrying out repeat on-site tax audits in respect of the same taxes for a tax period which has already been audited. The statute of limitations for the commission of a tax offence is also limited to three years from the date on which it was committed or from the date following the end of the tax period during which the tax offence was committed (depending on the nature of the tax offence). Nevertheless, based on current judicial interpretation, there may be cases where the tax offence statute of limitations may be extended beyond three years.

Tax audits or inspections may result in additional costs to Sberbank, in particular if the relevant tax authorities conclude that Sberbank did not satisfy its tax obligations in any given year. Such audits or inspections may also impose additional burdens on Sberbank by diverting the attention of management resources. The outcome of these audits or inspections could have a material adverse effect on Sberbank's business, results of operations, financial condition or the trading price of the Notes.

In October 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued a ruling concerning judicial practice with respect to unjustified tax benefits. In this context, a tax benefit means a reduction in the amount of a tax liability resulting, in particular, from a reduction of the tax base, the receipt of a tax deduction or tax concession or the application of a lower tax rate, and the receipt of a right to a refund (offset) or reimbursement of tax. The ruling provides that where the true economic intent of operations is inconsistent with the manner in which they have been taken into account for tax purposes a tax benefit may be deemed to be unjustified. The same conclusion may apply when an operation lacks a reasonable economic or business rationale. As a result, a tax benefit cannot be regarded as a business objective in its own right. On the other hand, the fact that the same economic result might have been obtained with a lesser tax benefit accruing to the taxpayer does not constitute grounds for declaring a tax benefit to be unjustified. Moreover, there are no rules and little practice for distinguishing between lawful tax optimisation and tax avoidance or evasion. The tax authorities have actively sought to apply this concept when challenging tax positions taken by taxpayers in court, and are anticipated to expand this trend in the future. Although the intention of this ruling was to combat tax law abuses, in practice there can be no assurance that the tax authorities will not seek to apply this concept in a broader sense than may have been intended by the Supreme Arbitration Court.

Recently the Government of the Russian Federation approved a new Model Treaty between the Russian Federation and foreign countries for the avoidance of double taxation and the prevention of tax evasion on income and property (hereinafter the "Russian Model Treaty"). The Russian Model Treaty was adopted as the basis for negotiating new treaties with the competent authorities of foreign countries. The most substantial changes that have been introduced by the Russian Model Treaty are the following:

(1) A competent authority may refuse to grant concessions established by a treaty, *inter alia*, if: (a) more than 50 per cent. of the equity interests in the foreign company belong, directly or indirectly, to parties that are not resident in the state in which the company operates (however, this provision does not apply if the owner of the equity interests engages in significant business activity in the country in which the foreign company is located, save where such business solely consists of the mere ownership of assets and/or the performance of auxiliary operations); or (b) if the receipt of a concession applicable to the payment of dividends, interest or royalties is one of the main reasons for seeking to apply the treaty;

(2) The Russian government has effectively incorporated the right to apply the thin capitalisation rules in accordance with the requirements of Russian tax legislation to interest income payable abroad with respect to "controlled debt" (defined below).

Under the thin capitalisation rules established by the Russian tax legislation "controlled debt" includes loans and other debts which are provided by any foreign corporate shareholder of Sberbank owning directly or indirectly more than a 20 per cent. share in Sberbank's charter capital and, potentially, loans from affiliates of Sberbank's foreign corporate shareholder (each 20 per cent. direct or indirect shareholder, or affiliate, hereafter a "Related Party") and, potentially, loans and other debts secured by such Related Parties.

The above changes to the Russian Model Treaty evidence the Russian tax authorities' desire to challenge the availability of the tax relief provided by double tax treaties and to insist on the application of the Russian thin capitalisation rules to interest payments.

The above conditions create tax risks in the Russian Federation that are more significant than the tax risks typically found in countries with more developed taxation, legislative and judicial systems. These tax risks impose additional burdens and costs on Sberbank's operations, including management resources. Further, these risks and uncertainties complicate Sberbank's tax planning and related business decisions, potentially exposing Sberbank to significant fines, penalties and enforcement measures, and could materially adversely affect Sberbank's business, results of operations and financial condition.

Furthermore, Russian tax legislation is consistently becoming more sophisticated. It is possible that new revenue raising measures could be introduced. Although it is unclear how any new measures would operate, the introduction of such measures may affect Sberbank's overall tax efficiency and may result in significant additional taxes becoming payable. We cannot offer prospective investors any assurance that additional tax exposures will not arise. Additional tax exposures could have a material adverse effect on Sberbank's business, results of operations, financial condition or prospects.

New Russian transfer pricing rules may subject Sberbank's transfer prices to challenge by the Russian tax authorities.

Since January 1, 2012 new transfer pricing legislation has been introduced to the Russian tax law.

In summary, this transfer pricing legislation results in new transfer pricing rules, in particular:

- the methods for monitoring the prices of controlled transactions have been expanded;
- the list of controlled transactions has been expanded to include:
    - cross-border transactions with certain types of commodities where the amount of income attributable to one counterparty exceeds RUB 60 million;
    - Russian domestic transactions between related entities if the total annual turnover of such transactions exceeds RUB 1 billion (RUB 3 billion for 2012 and RUB 2 billion for 2013);
    - transactions with residents of offshore jurisdictions included in the list established by the Ministry of Finance of the Russian Federation where the amount of income attributable to one counterparty exceeds RUB 60 million; and
    - transactions between Russian legal entities and related foreign legal entities.

The new transfer pricing law requires taxpayers to notify the Russian tax authorities of all controlled transactions (for 2012 and 2013 the notification should be made if the income attributable to one counterparty exceeds RUB 100 million and RUB 80 million, respectively). Taxpayers are also required to present to the Russian tax authorities transfer pricing documentation upon their request. The Russian transfer pricing legislation could have a material adverse effect on Sberbank's business, results of operations and financial condition.

Risks Relating to the Issuer, the Notes and the Trading Market

The Issuer is an SPV and payments under the Notes are limited to the amount of certain payments received under the relevant Loan Agreement

The Issuer is an SPV with no business other than issuing notes and advancing loans under the relevant Loan Agreement and has no assets other than such loans. The Issuer is only obliged to make payments under the Notes to the Noteholders in an amount equal to, and in the same currency as, sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer from Sberbank pursuant to the relevant Loan Agreement. Consequently, if Sberbank fails to meet its payment obligations under the relevant Loan Agreement in full, this will result in the Noteholders receiving less than the scheduled amount of principal, interest and additional amounts (if any) on the relevant due date.

No direct recourse of the Noteholders to Sberbank

Except as otherwise expressly provided in the "*Terms and Conditions of the Notes*" and in the Trust Deed, the Noteholders will not have any proprietary or other direct interest in the Issuer's rights under or in respect of the relevant Loan Agreement. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions of the relevant Loan Agreement or have direct recourse to Sberbank except through action by the Trustee under the Charge (as defined in the "*Terms and Conditions of the Notes*") or assignment of rights.

In addition, Noteholders should be aware that neither the Issuer nor the Trustee accepts any responsibility for the performance by Sberbank of its obligations under the relevant Loan Agreement. See "*Terms and Conditions of the Notes—1. Status*".

No existing market/market volatility

There is no existing market for the Notes. Application will be made for the Notes to be listed on the Official List and admitted to trading on the Main Securities Market, and application may be made for the Notes to be admitted to the official list of the UKLA and to trading on the regulated market of the London Stock Exchange. However, there can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected.

The market for securities issued by Russian issuers is influenced by economic and market conditions in other emerging markets. In view of the recent unprecedented market volatility and overall market downturn in connection with the global financial crisis, there can be no assurance that such market volatility will not persist or recur, or that such volatility will not adversely affect the price of the Notes.

Payments on the relevant Loan may be subject to Russian withholding tax

In general, interest payments on borrowed funds made by a Russian legal entity to a non-resident legal entity or organisation are subject to Russian withholding tax at a rate of 20 per cent. for legal entities and 30 per cent. for non-resident individuals, unless such withholding is reduced or eliminated pursuant to the terms of an applicable double tax treaty. Based on professional advice received, Sberbank believes that interest payments on the relevant Loan made to the Issuer should not be subject to withholding tax under the terms of the applicable Convention between the Grand Duchy of Luxembourg and the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital signed on June 28, 1993 (the "**Convention**").

The new protocol to the Convention was signed in 2011. The protocol introduces certain changes to the provisions of the Convention. Such changes include *inter alia* a limitation of benefits of a resident of one contracting state if the main purpose or one of the main purposes of the establishment and existence of such resident was receipt of treaty benefits; further exchange of information procedures are extended. Once the protocol is ratified and becomes effective, it may have an impact on future payments under the relevant Loan Agreement.

The application of tax benefits under the double tax treaty could be influenced by changes in the position of the Russian tax authorities to look beyond the mere form of the transaction while assessing the availability of treaty benefits.

The amendments to the Russian Tax Code introduced by the Federal Law #97-FZ dated June 29, 2012 (the "Amendments") should allow the interest on the Loan not to be subject to withholding. In particular, the Amendments introduce into the Russian Tax Code an exemption from the obligation to withhold tax from interest paid under transactions similar to the transactions described herein. The Amendments have recently been approved by the Russian State Duma, the Russian Council of the Federation and the President of the Russian Federation and have entered into force starting from July 1, 2012.

According to the Amendments, in respect of bonds issued prior to January 1, 2014, Russian borrowers are exempted from the obligation to withhold Russian withholding tax from interest payments made to foreign companies on debt obligations arising in connection with placement by these foreign companies of quoted bonds, provided that: (1) there is a double tax treaty between the Russian Federation and the jurisdiction of tax residence of the issuer; and (2) the issuer duly confirms its tax residence. The Amendments do not provide a tax exemption for the holders of Eurobonds from Russian tax on interest payments, although at present there is no mechanism or requirement for non-residents to self-assess and pay the tax.

For the purpose of the above Amendments, "quoted bonds" mean bonds and other debt obligations which qualified for listing and/or were admitted to trading on one or more foreign stock exchanges and/or the rights to which are recorded by a foreign depositary-clearing organisation, provided such foreign stock exchanges and depositary-clearing organisations are specified in the list approved by the FSFM in consultation with the Ministry of Finance of the Russian Federation. Until such list is adopted, bonds and other debt obligations which qualified for listing and/or were admitted to trading on one or more foreign stock exchanges and/or the rights to which are recorded by any foreign depositary-clearing organisation are to be recognised as "quoted bonds". From publicly available information, this list has not been drafted yet.

The Amendments apply retrospectively to interest payments made after January 1, 2007, which, given the general three year limitation for tax audits, should mean that tax agents in the above situation should not be challenged for not having withheld tax in prior periods.

According to the Amendments, the above exemption established for the interest payments is also applicable to (i) income payable by a Russian legal entity in connection with a guarantee, surety or other security granted by such Russian organisation with respect to a debt obligation to a foreign organization and/ or with respect to quoted bonds; and (ii) to other income payable by a Russian organisation, provided that the payment of such income is established by the provisions of the respective debt obligation or such income is paid due to a change in the terms and conditions of the respective quoted bonds and/or debt obligations, including in the case of their early repurchase or redemption.

The Amendments address Russian withholding tax treatment of interest payments or other above payments to be made to foreign companies on debt obligations arising in connection with the issuance by these foreign companies of bonds before January 1, 2014. The Amendments do not address Russian tax treatment of such payments on or after January 1, 2014.

If any payments under the relevant Loan are subject to any Russian (or Luxembourg) withholding tax, Sberbank will be obliged to increase the amounts payable as may be necessary to ensure that the recipient receives a net amount equal to the amount it would have received in the absence of such withholding taxes. In addition, payments in respect of the Notes will, except in certain limited circumstances, be made without deduction or withholding for or on account of Luxembourg taxes except as required by law. Based on professional advice that it has received, Sberbank believes that payments in respect of the Notes will only be subject to deduction or withholding for or on account of Luxembourg taxes as described in "*Taxation—Luxembourg*". In the event of such a deduction or withholding, the Issuer will only be required to increase payments to the extent that it receives corresponding amounts from Sberbank under the relevant Loan Agreement. While the relevant Loan Agreement provides for Sberbank to pay such corresponding amounts in these circumstances, there are some doubts as to whether a tax gross up clause such as that contained in the relevant Loan Agreement is enforceable under Russian law. Due to the limited recourse nature of the Notes, if Sberbank fails to pay any such gross-up amounts, the amount payable by the Issuer under the Notes will be correspondingly reduced. Any failure by Sberbank to increase such payments would constitute an Event of Default under the relevant Loan Agreement. In certain circumstances (including following enforcement of the security upon the occurrence of a Relevant Event as defined in the Trust Deed), in the event that Sberbank is obliged to increase the amounts payable, it may prepay the principal amount of the Loan together with accrued interest and/or additional amounts payable (if any) thereon, and all outstanding Notes would be redeemed by the Issuer (to the extent that it has actually received the relevant funds from Sberbank).

The Issuer will grant security over certain of its rights in the relevant Loan Agreement to the Trustee in respect of its obligations under the Notes. The security under the Trust Deed will become enforceable upon the occurrence of a Relevant Event, as defined in the relevant Loan Agreement and the Trust Deed. In these circumstances, payments under the relevant Loan Agreement (other than in respect of Reserved Rights) would be required to be made to, or to the order of, the Trustee. Under Russian tax law, payments of interest and other payments made by Sberbank to the Trustee will in general be subject to Russian income tax withholding at a rate of 20 per cent. (or, potentially, 30 per cent. in respect of non-resident individual Noteholders). It is not expected that the Trustee will, or will be able to, claim a withholding tax exemption under any double tax treaty. In addition, while it may be possible for some Noteholders who may be eligible for an exemption from Russian withholding tax under double tax treaties to claim a refund of tax withheld, there would be considerable practical difficulties in obtaining any such refund.

There is a risk that under the Russian thin capitalisation rules in certain circumstances where parties related to Sberbank (i.e. the Related Parties as defined above) hold Notes part or all of the interest to be paid by Sberbank under the Loan could be reclassified as dividends for Russian tax purposes. This would occur if the overall amount of the "controlled debt" of Sberbank, calculated on an individual related party basis, exceeded the capital of Sberbank, calculated in accordance with the requirements of the Russian Tax Code, 12.5 times. Interest in the amount of such excess would be reclassified as dividends for Russian tax purposes. Under the Russian Tax

Code, there is a risk that the “controlled debt” of Sberbank may include all or part of the Loan, to the extent that any Related Parties acquire any portion of the Notes.

Such reclassification of all or a portion of the interest under the Loan as dividends could potentially lead to the imposition of Russian withholding tax on such reclassified interest at the rate of 15 per cent., subject to possible tax relief under the double tax treaty between the Russian Federation and Luxembourg, and the non-deductibility of such interest for Russian profits tax purposes by Sberbank. Also, such withholding on dividends would trigger the gross-up obligation of Sberbank discussed above.

Based on the assumption that the amount of Sberbank’s “controlled debt” calculated in accordance with the requirements of Article 269 of the Russian Tax Code will not exceed 12.5 times the amount of “own capital” (“собственный капитал”) of Sberbank calculated on an individual Related Party basis, the Russian thin capitalisation rules should not apply currently to the interest on the Loan. However, changes in these assumptions could result in all or a portion of such interest being subject to the thin capitalisation rules in the future so as to treat “excess interest” related to the Loan as a dividend under the double tax treaty between the Russian Federation and Luxembourg subject to 15 per cent. withholding tax applicable to dividends (subject to possible tax treaty relief, if any) rather than zero withholding tax applicable to interest. Such withholding on dividends would trigger the gross-up obligation of Sberbank discussed above.

As indicated above, it is currently unclear whether the provisions obliging Sberbank to gross-up payments will be enforceable in the Russian Federation. If, in the case of litigation in the Russian Federation, a Russian court does not rule in favour of the Issuer or the Trustee and Noteholders, there is a risk that the tax gross-up for withholding tax will not take place and that payments made by Sberbank under the relevant Loan Agreement will be reduced by Russian income tax withheld by Sberbank at a rate of 20 per cent. (or potentially, 30 per cent. in respect of individual Noteholders). See “*Taxation—Russian Taxation* ”.

Tax might be withheld on disposals of the Notes in the Russian Federation, reducing their value

If a non-resident Noteholder that is a legal entity or organisation, which in each case is not organised under Russian law and which holds and disposes of the Notes otherwise than through a permanent establishment in the Russian Federation, sells the Notes and receives proceeds from a source within the Russian Federation, there is a risk that any part of the payment that represents accrued interest may be subject to a 20 per cent. Russian withholding tax (even if a disposal is performed at a loss). The foreign Noteholder may be entitled to a reduction of such Russian withholding tax under an applicable double tax treaty.

Where proceeds from a disposal of the Notes are received from a source within the Russian Federation by a non-resident Noteholder that is an individual, there is a risk that Russian withholding tax would be charged at a rate of 30 per cent. on gross proceeds from such disposal of the Notes less any available cost deduction. There is no assurance that advance double tax treaty relief would be granted to an individual and obtaining a refund can involve considerable practical difficulties. The imposition or risk of imposition of this withholding tax could adversely affect the value of the Notes. See “*Taxation—Russian Taxation*”.

It is possible that FATCA could operate to impose U.S. withholding tax on certain payments to Sberbank and the Issuer and may also apply to certain payment from the Issuer to the Noteholders

The U.S. Foreign Account Tax Compliance rules ("**FATCA**") were enacted in 2010 to prevent U.S. tax evasion by requiring foreign banks and investment funds to provide information to the IRS about U.S. customers and investors. This is achieved through a comprehensive information reporting regime that requires foreign financial institutions (such as Sberbank and the Issuer) to conduct diligence on their account holders and investors to determine whether their accounts are "U.S. accounts," and either provide detailed information about these U.S. accounts to the Internal Revenue Service or suffer a 30 per cent. withholding tax on certain payments. The U.S. Treasury Department has not yet released final regulations clarifying the statutory language of FATCA, so the scope and application of FATCA is uncertain at this time. It is possible that FATCA could operate to impose U.S. withholding tax on (i) beginning in 2014, payments to Sberbank and the Issuer in respect of U.S. securities, including interest and dividends, (ii) beginning in 2015, payments to Sberbank and the Issuer of gross proceeds from the disposition of such securities, and (iii) beginning no earlier than 2017, certain "pass-thru payments" to Sberbank and the Issuer, as well as certain "pass-thru" payments from the Issuer to certain Noteholders. If an amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from interest or other payments on the Notes or the Loan as a result of the failure of a Noteholder, an intermediary, or the Issuer to comply with the FATCA rules, neither the Issuer nor Sberbank nor any paying agent nor any other person would, pursuant to either the Terms and Conditions of the Notes or any Loan Agreement, be required to pay additional amounts with respect to any Notes or any Loan as a result of the deduction or withholding of such tax. It is also possible that Sberbank and the Issuer could incur material costs in implementing information-gathering systems to comply with FATCA. Given the lack of final regulations or other binding guidance, it is impossible for

Sberbank to evaluate the potential effect of FATCA at this time. Holders should consult their own tax advisors on how these rules may apply to payments they receive under the Notes.

Sberbank's credit ratings may not reflect all risks of an investment in the Notes

The credit ratings of Sberbank may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, the Notes. In addition, real or anticipated changes in Sberbank's credit ratings will generally affect any trading market for, or trading value of, the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There is no assurance that a credit rating will remain for any given period of time or that a credit rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances so warrant. The impact of other activities that Sberbank undertakes, including its stock repurchase programme, changes in its dividend rate and, particularly, increases in its debt levels could also result in future declines in its credit ratings. In the event that a credit rating assigned to the Notes or Sberbank is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes, and the market value of the Notes is likely to be adversely affected.

In general, European regulated investors are restricted under the CRA Regulation, from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its Web site in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out in this Base Prospectus.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or to the review by, or regulation of, certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments to it; (ii) the Notes can be used as collateral for various types of borrowings; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules.

The Notes may only be transferred in accordance with the procedures of the depositaries in which the Notes are deposited

Except in limited circumstances, the Notes will be issued only in global form with interests therein held through the facilities of Euroclear, Clearstream, Luxembourg and/or DTC. Ownership of beneficial interests in the Notes is shown on, and the transfer of that ownership is effected only through, records maintained by the Euroclear, Clearstream, Luxembourg and/or DTC or their nominees and the records of their participants. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in the Notes. Because Euroclear, Clearstream, Luxembourg and/or DTC can only act on behalf of their participants, which, in turn, act on behalf of owners of beneficial interests held through such participants and certain banks, the ability of a person having a beneficial interest in a note to pledge or transfer such interest to persons or entities that do not participate in the Euroclear, Clearstream, Luxembourg and/or DTC may be impaired.

Other Risks

Sberbank has not independently verified information regarding its competitors and market share or the official data of Russian government agencies and the CBR

Sberbank has derived substantially all of the information contained in this Base Prospectus concerning its competitors and market share from publicly available information and has relied on the accuracy of this information without independent verification.

In addition, some of the information contained in this Base Prospectus has been derived from the official data of Russian government agencies and the CBR. Some of the official data published by Russian federal, regional and local governments may not be complete or researched to the standard of Western countries. The veracity of some official data released by the Russian government may be inaccurate. Official statistics, including those produced by the CBR, may also be produced to a different standard than those used in Western countries. Any discussion of matters relating to Russia in this Base Prospectus must, therefore, be subject to uncertainty due to the potential inaccuracy of available official and public information.

OVERVIEW OF SBERBANK

Overview

Sberbank plays a significant role in Russia's financial system and economy as the largest commercial bank in Russia in terms of total assets, deposits and loans. As of July 1, 2012, according to Sberbank's calculations based on CBR data, Sberbank's total assets accounted for 28.2 per cent. of all Russian banking sector assets. Sberbank is the largest taker of deposits in Russia with a market share of 46.1 per cent. of retail deposits and 31.3 per cent. of customer deposits overall as of July 1, 2012. In addition, as of the same date, Sberbank had a market share of approximately 33 per cent. in loans to corporate and retail borrowers. More than 70 million individual customers in Russia hold accounts with Sberbank, representing approximately 50 per cent. of the Russian population.

Sberbank services its clients through the largest banking distribution network in Russia in terms of the number of outlets. As of July 1, 2012, Sberbank had approximately 19,040 outlets in total, located in all 83 sub-federal units of the Russian Federation. Sberbank's ATM network is the largest among Russian banks, totaling approximately 38,700 ATM machines and more than 25,150 self-service terminals.

Leveraging its nationwide distribution network, Sberbank provides a wide range of banking and ancillary services to retail and corporate customers, as well as to sub-federal units and municipalities of Russia. Sberbank has three principal areas of business:

- *Retail banking*, which provides individuals with an extensive range of financial services, such as deposit taking, lending and various fee-based services, including distribution of insurance policies, settlement services and currency exchange, and also comprises Sberbank's developing private banking segment;

- *Corporate banking*, which includes corporate lending, syndicated loans, foreign exchange and foreign trade transactions, cash management, account and settlement services to all types of corporate clients, including small businesses, state-owned companies, sub-federal units and municipalities of the Russian Federation, and financial institutions; and

- *Investment banking* includes a comprehensive range of investment banking services, such as sales, trading and brokerage, research, underwriting debt and equity securities issuances, derivative and structured products, as well as corporate advisory services for mergers and acquisitions, and which is complemented by merchant banking. Corporate and investment banking form a separate intra-Group business unit called "Corporate Investment Bank" ("**CIB**"), which was created following the integration of Troika Dialog into Sberbank's corporate business.

Sberbank's Ordinary Shares and preference shares have been publicly traded in Russia since 1996. In 2011, Sberbank's level 1 American Depositary Shares ("**ADSs**"), with each ADS representing four Ordinary Shares, became tradable over-the-counter on markets in the United States, Germany and the United Kingdom. In September 2012, Sberbank's ADSs were admitted to trading on the regulated market of the London Stock Exchange.

The CBR is Sberbank's controlling shareholder. Under Sberbank's charter, the CBR must hold a controlling stake (at least 50 per cent. plus one voting share) in Sberbank. Under Russian legislation, a decrease or disposal of the CBR's stake in the share capital of Sberbank to below 50 per cent. plus one voting share can only occur pursuant to a federal law to that effect.

As of the date of this Base Prospectus, the representatives of the CBR hold six of the 17 seats on Sberbank's Supervisory Board and independent members (as defined by Russian law) who are not affiliated with the CBR, the Russian government or Sberbank hold eight seats. The Chairman of the CBR serves as Chairman and the two First Deputy Chairmen of the CBR serve as Deputy Chairmen of Sberbank's Supervisory Board. See *"Management*".

Competitive Strengths

Sberbank believes that its business is characterised by the following competitive strengths:

- Significant scale and geographic scope.

- Unmatched market positions in Russia.

- Ability to leverage the Russian banking industry's, socio- and macroeconomic fundamentals.
- Strong reputation and trusted brand.
- Capable and ambitious management.
- Transparent and supportive corporate governance framework.
- Low funding cost.
- Solid risk profile with stable sources of revenue.

Strategy – 2014

Sberbank's Supervisory Board approved a development strategy for 2008 through 2014. The development strategy was designed in the context of a rapidly changing financial and economic environment in Russia and globally and seeks to balance short-term market pressures against Sberbank's long-term objectives.

Risk Factors

An investment in the Notes involves a high degree of risk. Among the risks relating to Sberbank and the Notes are risks associated with the following matters:

- The instability of the global and the Russian economies and banking sectors.
- The significant credit risk borne by Sberbank in respect of both corporate and retail banking customers.
- The potential inadequacy of Sberbank's provisions for non-performing loans and the risk of non-recovery of renegotiated loans.
- The potential inadequacy or decline in value of or difficulty in enforcing collateral securing Sberbank's loans.
- Competition in the markets in which Sberbank operates.
- Liquidity, operating market, systemic, operational and IT risks.
- The potential inability to retain senior management and competition to recruit well-trained and experienced personnel.
- The risk that Sberbank's business strategy, streamlining and branch modernisation programmes will be unsuccessful.
- The risk that proposed and potential acquisitions may not be completed, will not be successfully integrated, and/or will not deliver the anticipated synergies.
- The risk that regulators will take measures to restrict Sberbank's market-leading position.
- Interests of Sberbank's shareholders may conflict with those of the Noteholders.
- The potential impact of capital adequacy and other regulatory requirements on Sberbank's commercial activities.
- Risks relating to Russia, including, in particular, its exposure to fluctuations in the global economy, the impact of government policy, potential social and economic instability, the strength of and market for the Rouble, relations with other CIS countries and weaknesses in the Russian legal and tax systems.
- Risks relating to the Notes and the trading market.

Summary Historical Financial and Operating Data

The financial information set forth below as of and for the six months ended June 30, 2011 and 2012 and for the years ended December 31, 2011, 2010 and 2009 has been extracted without material adjustment from the IFRS Financial Statements, except for the reclassification of certain balance sheet and income statement items, particularly relating to the Programme, as well as certain other reclassifications, during the periods covered by the IFRS Financial Statements. In the Condensed Interim Consolidated Financial Statements, Sberbank changed its presentation of financial information to show figures in billions of Roubles, rather than millions of Roubles. For consistency, and in line with Sberbank's most recent presentation, the financial data set forth below is presented in billions or Roubles, reflecting rounding where appropriate. The financial data set forth below should be read in conjunction with "*Presentation of Financial and Other Information*", the IFRS Financial Statements and related notes included elsewhere in this Base Prospectus.

	For the six months ended June 30 (Unaudited)		For the year ended December 31		
	2012	**2011**	**2011**	**2010**	**2009**
	billions of RUB				
Selected Consolidated Income Statement Data					
Interest income	520.8	401.9	850.6	795.6	815.0
Interest expense	(185.2)	(133.0)	(269.5)	(299.8)	(312.2)
Expenses directly attributable to deposit insurance	(11.4)	(9.7)	(20.1)	(16.7)	(13.1)
Net interest income	**324.2**	**259.2**	**561.0**	**479.1**	**489.7**
Net recovery of provision/(net provision charge) for loan impairment	1.1	22.2	1.2	(153.8)	(388.9)
Net interest income after provision for loan impairment	**325.3**	**281.4**	**562.2**	**325.3**	**100.8**
Fee and commission income	85.3	68.8	151.9	130.9	105.7
Fee and commission expense	(7.0)	(4.7)	(11.3)	(7.4)	(4.6)
Net (losses)/gains arising from trading securities	(1.8)	0.1	(1.4)	4.8	13.3
Net gains/(losses) arising from securities designated at fair value through profit or loss	1.2	(1.3)	(2.8)	9.6	7.6
Net gains arising from investment securities available for sale	4.2	8.5	12.1	9.6	17.1
Impairment of investment securities available for sale	—	—	(1.1)	(0.0)	(2.3)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	1.4	3.7	9.5	14.1	16.2
Net gains arising from operations with precious metals and precious metals derivatives	4.6	2.3	5.1	0.5	1.7
Net (losses)/gains from operations with other derivatives	7.1	(1.5)	5.1	1.8	0.8
Net losses from revaluation of office premises	—	—	(11.3)	—	(15.0)
Goodwill impairment	—	—	(1.2)	(0.9)	—
Impairment of non-current assets held for sale	—	—	—	—	(3.0)
Provision charge for impairment of other assets	(2.9)	(0.7)	(1.9)	(6.4)	(2.4)
Other operating income	15.4	17.5	29.1	14.1	10.2
Operating income	**432.8**	**374.1**	**744.0**	**496.0**	**246.1**
Operating expenses	(205.3)	(155.3)	(348.3)	(265.9)	(216.2)
Profit before tax	**227.5**	**218.8**	**395.7**	**230.1**	**29.9**
Income tax expense	(52.2)	(42.7)	(79.8)	(48.5)	(5.5)
Profit for the reporting period	**175.3**	**176.1**	**315.9**	**181.6**	**24.4**

	As of June 30 (Unaudited)	As of December 31		
	2012	**2011**	**2010**	**2009**
		billions of RUB		
Selected Consolidated Statement of Financial Position Data				
Cash and cash equivalents	933.3	625.6	719.6	725.5
Mandatory cash balances with central banks	125.2	101.2	51.7	41.5
Trading securities	80.8	102.0	66.2	91.0
Securities designated at fair value through profit or loss	28.5	52.0	106.9	124.4
Due from other banks	56.8	35.1	13.0	10.2
Loans and advances to customers	8,861.5	7,719.7	5,489.4	4,864.0
Securities pledged under repurchase agreements	564.3	300.8	81.5	2.7
Investment securities available for sale	819.0	884.5	1,210.9	846.0
Investment securities held to maturity	147.8	286.5	358.2	—

	As of June 30 (Unaudited)	As of December 31		
	2012	2011	2010	2009
		billions of RUB		
Deferred income tax asset	1.2	7.8	7.5	—
Premises and equipment	393.9	359.9	283.7	249.9
Other assets	421.5	360.0	239.9	149.9
Total assets	**12,433.8**	**10,835.1**	**8,628.5**	**7,105.1**
Due to other banks	873.0	532.4	134.7	53.9
Due to individuals	6,175.4	5,726.3	4,834.5	3,787.3
Due to corporate customers	2,593.5	2,205.8	1,816.7	1,651.6
Debt securities in issue	483.7	268.7	272.7	170.7
Other borrowed funds	278.7	244.0	171.2	69.1
Deferred income tax liability	20.1	21.2	15.9	4.6
Other liabilities	279.5	265.2	92.1	69.8
Subordinated debt	314.5	303.5	303.5	519.1
Total liabilities	**11,018.4**	**9,567.1**	**7,641.3**	**6,326.1**
Share capital	87.7	87.7	87.7	87.7
Treasury shares	(8.8)	(7.0)	—	—
Share premium	232.6	232.6	232.6	232.6
Revaluation reserve for office premises	80.2	81.5	53.6	55.5
Fair value reserve for investment securities available for sale	0.1	(7.5)	24.4	(0.6)
Foreign currency translation reserve	(3.0)	(5.7)	(1.1)	(1.0)
Retained earnings	1,012.6	882.9	585.9	404.0
Total equity attributable to shareholders of Sberbank	**1,401.4**	**1,264.5**	**983.1**	**778.2**
Non-controlling interest	14.0	3.5	4.1	0.8
Total equity	**1,415.4**	**1,268.0**	**987.2**	**779.0**
Total liabilities and equity	**12,433.8**	**10,835.1**	**8,628.5**	**7,105.1**

	As of or for the six months ended June 30		As of or for the year ended December 31		
	2012	2011	2011	2010	2009
Selected Financial Ratios					
Profitability					
Return on average equity[(1)]	26.1%	33.2%	28.0%	20.6%	3.2%
Return on average assets[(2)]	3.0%	4.0%	3.2%	2.3%	0.4%
Liquidity					
Net loans/total assets[(3)]	71.7%	66.9%	71.6%	63.8%	68.6%
Net loans/customer accounts[(4)]	101.7%	87.1%	97.8%	82.7%	89.6%
Capital Adequacy					
Tier 1 capital ratio[(5)]	11.2%	13.3%	11.6%	11.9%	11.5%
Total capital adequacy[(6)]	14.5%	17.9%	15.2%	16.8%	18.1%
Total equity/total assets[(7)]	11.4%	12.5%	11.7%	11.4%	11.0%

(1) Profit for the reporting period divided by average total equity, calculated as a simple average of the Group's total equity as of January 1 and December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of January 1 and June 30 multiplied by two (for the six months ended June 30, 2012 and 2011).

(2) Profit for the reporting period divided by average total assets, calculated as a simple average of the Group's total assets as of January 1 and December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of January 1 and June 30 multiplied by two (for the six months ended June 30, 2012 and 2011).

(3) Loans and advances to customers and due from other banks (net of provision for loan impairment) divided by total assets, calculated as of December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of June 30 (for the six months ended June 30, 2012 and 2011).

(4) Loans and advances to customers and due from other banks (net of provision for loan impairment) divided by the sum of deposits/current accounts of individuals and corporate customers, calculated as of December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of June 30 (for the six months ended June 30, 2012 and 2011).

(5) Tier 1 capital calculated in accordance with Basel I methodology as of December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of June 30 (for the six months ended June 30, 2012 and 2011).

(6) Tier 1 and Tier 2 capital calculated in accordance with Basel I methodology.

(7) Total equity divided by total assets, calculated as of December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of June 30 (for the six months ended June 30, 2012 and 2011).

OVERVIEW OF THE PROGRAMME

The following overview contains basic information about the Notes and Loans and should be read in conjunction with, and is qualified in its entirety by, the information set forth under "Terms and Conditions of the Notes" and "Facility Agreement" appearing elsewhere in this Base Prospectus. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this document and, in relation to the terms and conditions of any particular Series of Notes, the applicable Final Terms. Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meanings in this overview. The Issuer and Sberbank may agree with any Dealer that Notes may be issued in a form other than that contemplated in "Terms and Conditions of the Notes", in which event a supplement to this Base Prospectus, if appropriate, will be made available that will describe the effect of the agreement reached in relation to such Notes.

Each transaction will be structured as a Loan by the Issuer to Sberbank of a sum equivalent to the gross proceeds of an issue of a Series of Notes. The Issuer will issue Notes to Noteholders for the sole purpose of funding such Loan. The amounts payable by Sberbank under each Loan are intended to fund the amounts payable by the Issuer on the Notes. The Loan has characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. Each Series of Notes will be constituted by a principal trust deed as supplemented and amended in respect of such Series of Notes by a Supplemental Trust Deed (together, the "**Trust Deed**"), each entered into between the Issuer and the Trustee (as defined below). Pursuant to the Trust Deed, the Issuer will (i) charge to the Trustee by way of a first fixed charge as security for a Series of Notes (a) principal, interest and other amounts payable by Sberbank under the relevant Loan Agreement, (b) the right to receive all sums which may be payable by Sberbank under any claim, award or judgment relating to the relevant Loan Agreement and (c) all rights, title and interest in and to all sums of money now or in the future deposited in an account established for the relevant Series of Notes with the Principal Paying Agent in the name of the Issuer (the "**Account**"), including interest from time to time earned thereon, and (ii) assign certain of its rights under the relevant Loan Agreement (excluding any Reserved Rights (as defined in the Terms and Conditions of the Notes)), to the Trustee for the benefit of the holders of the corresponding Series of Notes.

Sberbank will be obliged to make payments under each Loan to the Issuer, in accordance with the terms of the relevant Loan Agreement. Sberbank will be obliged under the terms of the relevant Loan Agreement to make payments in respect of principal, interest and additional amounts (if any) to the Issuer to the Account. The Issuer will agree in the Trust Deed not to make or consent to any amendment to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of any Loan Agreement, unless the Trustee has given its prior written consent. The Issuer will further agree to act at all times in accordance with any instructions of the Trustee from time to time with respect to each Loan Agreement. Any material amendments, modifications, waivers or authorisations made with the Trustee's consent shall be notified to the Noteholders in accordance with, and as more fully described in, "*Terms and Conditions of the Notes—14. Notices*", and shall be binding on the Noteholders. Formal notice of the security interests created by any Trust Deed will be given to Sberbank and the Principal Paying Agent who will each be required to acknowledge the same.

Each Series of Notes will be limited recourse obligations and the Issuer will not have any obligation to the Noteholders other than the obligation to account to Noteholders for payments of principal, interest and other amounts, if any, received by it or for its account pursuant to the relevant Loan.

Set out below is a diagrammatic representation of the structure:

Notes to Be Issued under the Programme

Issuer	SB Capital S.A.
Sberbank (as Borrower)	Sberbank with its registered office at 19 Vavilova Street, 117997 Moscow, Russian Federation.
Description	Programme for the Issuance of Loan Participation Notes pursuant to which the Issuer may issue Notes.
Programme Size	Up to U.S.$30,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. The Issuer, with the consent of Sberbank, may increase the amount of the Programme in accordance with the Dealer Agreement (as defined herein). In this respect, for the purpose of calculating the aggregate principal amount of Notes outstanding, Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
Arrangers	Barclays Bank PLC and J.P. Morgan Securities plc.
Dealers	Includes Barclays Bank PLC, BNP PARIBAS, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, DZ BANK AG Deutsche Zentral – Genossenschaftsbank, Frankfurt am Main, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., London Branch, J.P. Morgan Securities plc, Merrill Lynch International, Mitsubishi UFJ Securities International plc, The Royal Bank of Scotland plc, SIB (Cyprus) Limited and UBS Limited. Pursuant to the terms of the Dealer Agreement, the Issuer and Sberbank may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Series of Notes or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole programme (and whose appointment has not been terminated) and to "**Dealers**" are to all Permanent Dealers and all persons appointed as dealers in respect of one or more Series of Notes.
Trustee	BNY Corporate Trustee Services Limited.
Principal Paying Agent	The Bank of New York Mellon, London Branch, unless it is specified in the relevant Final Terms relating to a Series of Notes that another principal paying agent is appointed in respect of that Series. References in this Base Prospectus to "Principal Paying Agent" are to The Bank of New York Mellon, London Branch, or such alternative principal paying agent or agents, as the case may be.
Registrar	The Bank of New York Mellon, London Branch, unless it is specified in the relevant Final Terms relating to a Series of Notes that an alternative registrar is appointed in respect of that Series. References in this Base Prospectus to "Registrar" are to The Bank of New York, London Branch or such alternative registrar, as the case may be.
Paying Agents	The Bank of New York Mellon, New York Branch, unless it is specified in the relevant Final Terms relating to a Series of Notes that another paying agent is appointed in respect of that Series. References in this Base Prospectus to "Paying Agents" are to the Principal Paying Agent and The Bank of New York Mellon, New York Branch, or such alternative paying agent, as the case may be.

Transfer Agents	The Bank of New York Mellon, London Branch or, in relation to Notes sold pursuant to Rule 144A, The Bank of New York Mellon, New York Branch, unless it is specified in the relevant Final Terms relating to a Series of Notes that another transfer agent is appointed in respect of that Series. References in this Base Prospectus to "Transfer Agent" are to The Bank of New York Mellon, London Branch, The Bank of New York Mellon, New York Branch, or such alternative transfer agent, as the case may be.
Calculation Agent	The Bank of New York Mellon, London Branch, unless it is specified in the relevant Final Terms relating to a Series of Notes that another calculation agent is appointed in respect of that Series. References in this Base Prospectus to "Calculation Agent" are to The Bank of New York Mellon, London Branch, or such alternative calculation agent, as the case may be.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. The specific terms of each Series will be set out in a Final Terms supplement to this Base Prospectus, which shall supplement the "*Terms and Conditions of the Notes*".
Issue Price of Notes	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
Status	Each Series of Notes will constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the corresponding Loan and to account to the Noteholders for amounts equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to such Loan, all as more fully described in "*Terms and Conditions of the Notes—1. Status*".
Security	The Issuer's payment obligations in respect of each Series of Notes will be secured by a first fixed charge on: • principal, interest and other amounts paid and payable under the relevant Loan Agreement and the Issuer's right to receive all sums paid and payable under any claim, award or judgment relating to such Loan Agreement (save for any Reserved Rights (as defined in "*Terms and Conditions of the Notes*")); and • all the rights, title and interest in and to all sums of money held from time to time in an account for the particular Series specified in the relevant Final Terms, together with the debt represented thereby (including interest from time to time) pursuant to the Trust Deed.
Assignment of Rights	The Issuer will assign its rights under the relevant Loan Agreement (save for any Reserved Rights and those rights charged above) to the Trustee upon the closing of the offering of the corresponding Series of Notes.
Form	Each Series of Notes will be issued in registered form. The Regulation S Notes and the Rule 144A Notes will be represented by the Regulation

S Global Note and the Rule 144A Global Note, respectively, in each case without interest coupons. The Global Notes will be exchangeable for Definitive Notes in the limited circumstances specified in the Global Notes.

Clearing Systems

The Depository Trust Company (in the case of Notes sold pursuant to Rule 144A), Euroclear and Clearstream, Luxembourg (in the case of Notes sold pursuant to Regulation S) and such other clearing system as may be agreed between the Issuer, Sberbank, the Paying Agents, the Trustee and the relevant Dealer(s).

Initial Delivery of Notes

On or before the issue date for each Series, the Rule 144A Global Note will be deposited with a custodian for The Depository Trust Company and the Regulation S Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. The Rule 144A Notes will be registered in the name of a nominee of The Depository Trust Company, and the Regulation S Notes will be registered in the name of a nominee of Euroclear and Clearstream, Luxembourg. Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system, **provided that** the method of such delivery has been agreed in advance by the Issuer, Sberbank, the Paying Agents, the Trustee and the relevant Dealer(s). Notes that are to be credited to one or more clearing systems on issue will be registered in the name of a nominee or nominees for such clearing systems.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, Sberbank and the relevant Dealer(s).

Maturities

Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, Sberbank and the relevant Dealer(s).

Denomination

Notes will be in such denominations as may be specified in the relevant Final Terms, save that unless otherwise permitted by then current laws and regulations, (i) Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies), (ii) Notes resold pursuant to Rule 144A Note will be issued in denominations of U.S.$200,000 or its equivalent in other currencies rounded upwards as agreed between the Issuer, Sberbank and the relevant Dealer(s) or integral multiples of U.S.$1,000 thereafter and (iii) the minimum denomination of any Notes shall be €100,000 (or its equivalent in any other currency as at the issue date of the relevant Notes).

Rate of Interest

The Notes may be issued on a fixed rate or a floating rate basis.

Fixed Rate Notes

Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes

Floating Rate Notes will bear interest determined separately for each Series and corresponding Loan as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and

Derivatives Association, Inc.; or

(ii) by reference to LIBOR, EURIBOR or MOSPRIME (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Redemption

The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes that have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Issuer's Restrictions and Covenants

So long as any Note remains outstanding, the Issuer will not, without the consent of the Trustee, *inter alia*, incur any other indebtedness for borrowed moneys (other than issuing any Series of Notes), engage in any business (other than transactions contemplated by this Base Prospectus), declare any dividends or have any subsidiaries or employees. See "*Terms and Conditions of the Notes—4. Restrictive Covenants*". Furthermore, the Issuer will agree in the Trust Deed not to make or consent to any amendment or modification or waiver of, or authorise any breach or proposed breach of, any Loan Agreement unless the Trustee has given consent.

Redemption by the Issuer at the Option of Sberbank

In the case of a Senior Series only, the Issuer will redeem the Notes in whole, but not in part, at 100% of their aggregate principal amount plus accrued and unpaid interest and all additional amounts, if any, if Sberbank elects to repay any Loan in the event it is required to pay additional amounts on account of Russian or Luxembourg withholding taxes in respect of certain payments under the corresponding Senior Loan or payments under the corresponding Notes or in the event that Sberbank is required to pay additional amounts on account of certain costs incurred by the Issuer pursuant to the relevant Senior Loan Agreement.

In the case of a Subordinated Series, the terms of any early redemption option of Sberbank will be set out in the relevant Subordinated Loan Agreement, the "*Terms and Conditions of the Notes*" and in the relevant Final Terms.

Optional Redemption by the Noteholders upon a Change of Control

In the case of a Senior Series only, upon the occurrence of a Change of Control (as defined in "*Terms and Conditions of the Notes-6. Redemption and Purchase*"), the Notes may be redeemed at the option of a Noteholder at their principal amount, together with accrued interest, if any, all as more fully described in the "*Terms and Conditions of the Notes-6. Redemption and Purchase*".

Mandatory Redemption

In limited circumstances as more fully described in the relevant Loan Agreement, the Notes may be redeemed by the Issuer in whole, but not in part, at any time, upon giving notice to the Trustee, at the principal amount thereof, together with accrued and unpaid interest and all additional amounts, if any, to the date of redemption in the event that it becomes unlawful for (i) the Issuer to allow the relevant Notes to remain outstanding or (ii) the Issuer or Sberbank to allow the relevant Loan to remain outstanding under the relevant Loan Agreement. In either case, the Loan would be repaid in full on the date notified by the relevant party.

Relevant Events

In the case of a Relevant Event (as defined in the "*Terms and Conditions of the Notes—9. Enforcement*"), the Trustee may, subject as provided in the Trust Deed, enforce the security created in the Trust Deed in favour of the Noteholders.

Withholding Tax

All payments of principal and interest in respect of each Series of Notes will be made in full without set-off or counterclaim and free and clear of and without deduction for or on account of all taxes, which are or will be imposed, assessed, charged, levied, collected, demanded, withheld or claimed by the Russian Federation or Luxembourg, or any taxing authority thereof or therein, other than as required by law. If any such taxes, duties and other charges are payable, the sum payable by Sberbank to the Issuer under the relevant Loan Agreement will (subject to certain exceptions) be required to be increased to the extent necessary to ensure that the Noteholders receive the net sum which they would have received free from any liability in respect of any such deduction or withholding, had no such deduction or withholding been made or required to be made. The sole obligation of the Issuer in this respect will be to pay to the Noteholders sums equivalent to the sums received from Sberbank.

Further Issues

The Issuer may from time to time issue further Notes of any Series on the same terms as existing Notes, and such further Notes shall be consolidated and form a single Series with such existing Notes of the same Series. In the event of such further issuance, the principal amount of the relevant Loan will be correspondingly increased.

Listing

Application will be made, where specified in the relevant Final Terms, for a Series of Notes to be listed on the Official List and admitted to trading on the Main Securities Market, admitted to the official list of the UKLA and to trading on the regulated market of the London Stock Exchange or to be listed on such other stock exchange and traded on such other market as shall be specified in the relevant Final Terms, or the Series of Notes will remain unlisted.

Rating

Sberbank has a long-term issuer default rating of "BBB", a short-term issuer default rating of "F3" and an individual rating of "C" from Fitch Ratings Ltd and a foreign currency deposit rating of "Baal/Prime2", a deposit rating in local currency of "A3/Prime-2" and a financial strength rating of "D+" from Moody's Investors Service, Inc. Both rating agencies have rated Sberbank's outlook as "stable".

Fitch Ratings Ltd is established in the European Union and is registered under the CRA Regulation. As such, Fitch Ratings Ltd. is included in the list of credit rating agencies published by the ESMA on its website in accordance with the CRA Regulation.

Together with its licensors and affiliates, Moody's Investors Service, Inc is not established in the European Union and has not applied for registration under the CRA Regulation. The ratings are expected to be endorsed by Moody's Investors Service Ltd in accordance with the CRA Regulation. Moody's Investors Service Ltd is established in the European Union and registered under the CRA Regulation. As such, Moody's Investors Service Ltd is included in the list of credit rating agencies published by the ESMA on its website in accordance with the

	CRA Regulation. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to Sberbank. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation, will be disclosed in the applicable Final Terms. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or Sberbank could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.
Governing Law	The Notes will be governed by English law. The provisions of articles 86 to 94-8 of the Luxembourg law of August 10, 1915, as amended, on commercial companies are excluded.
Selling Restrictions	United States, United Kingdom, Russian Federation, Italy and any other jurisdiction relevant to any Series. See "*Subscription and Sale*".
ERISA Considerations	A Series of Notes issued under the Programme may be regarded for ERISA purposes as equity interests in a separate entity whose sole asset(s) are the Loan. Accordingly, the Notes should not be acquired by any plan subject to the prohibited transaction provisions of ERISA or the Code. Each purchaser and/or holder of Notes and each transferee therefore will be deemed to have made certain representations as to its status under ERISA. Potential purchasers should read the sections entitled "*Certain ERISA Considerations*" and "*Transfer Restrictions*".

The Senior Loan Corresponding to Each Senior Series of Notes

(If any Series of Notes is a Senior Series it will be specified as such in the relevant Final Terms)

Lender	SB Capital S.A.
Borrower	Sberbank.
Security and Ranking	No Senior Loan will be secured by any collateral. Obligations under the Senior Loan will rank at least *pari passu* with all other unsecured and unsubordinated financial indebtedness of Sberbank.
Interest Basis Dates	Interest will be payable on a fixed or floating rate basis as specified in the relevant Loan Supplement.
Redemption at the Option of Sberbank	Each Senior Loan may be prepaid at Sberbank's option in whole, but not in part, at any time, at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of repayment, for certain tax reasons or by reason of certain increased costs.
Mandatory Repayments	In the event that it becomes unlawful for the Issuer or Sberbank to fund any Senior Loan or allow such Senior Loan to remain outstanding under the relevant Senior Loan Agreement or allow the corresponding Senior Series of Notes to remain outstanding, Sberbank may be required or entitled to repay such Senior Loan in full.
Redemption upon a Change of Control	Each Senior Loan may be repaid in whole or in part by Sberbank upon the exercise of the Put Option upon a Change of Control (as defined in "*Terms and Conditions of the Notes-6. Redemption and Purchase*") by any holder of Notes at the principal amount of the Notes so tendered, together with accrued and unpaid interest and additional amounts, if any.
Certain Restrictions and Covenants...	The Issuer will have the benefit of certain covenants made by Sberbank all as fully described in the relevant Senior Loan Agreement.
Events of Default	In the case of an Event of Default (as defined in the relevant Senior Loan Agreement), the Trustee may, subject as provided in the Trust Deed, require the Issuer to declare all amounts payable under the relevant Senior Loan Agreement by Sberbank to be due and payable.
Use of Proceeds of the Notes	The Issuer will apply the gross proceeds of the offering of each Senior Series of Notes to fund the corresponding Senior Loan to Sberbank. In connection with the receipt of such Senior Loan, Sberbank will pay an arrangement fee, as reflected in the relevant Final Terms.
Withholding Tax	All payments of principal and interest under each Senior Loan will be made in full without set-off or counterclaim and free and clear of and without deduction for, or on account of, all taxes which are or will be imposed, assessed, charged, levied, collected, demanded, withheld or claimed by Luxembourg or the Russian Federation, other than as required by law. If any such taxes, duties or other charges are payable in respect of the Senior Loan, the sum payable by Sberbank under the Senior Loan will (subject to certain conditions) be required to be increased to the extent necessary to ensure that the Issuer receives the net sum which it would have received free from any liability in respect of any such deduction or withholding had no such deduction or withholding been made or required to be made.
Governing Law	Each Senior Loan will be governed by English law.

The Subordinated Loan Corresponding to Each Subordinated Series of Notes

The Terms of any Subordinated Loan will be set out in the relevant Subordinated Loan Agreement as agreed with the CBR. A Drawdown Prospectus containing the form of the relevant Loan Agreement will, if required, be published for use in connection with any subsequent issue of any Subordinated Series to be admitted to the Official List and to trading on the Main Securities Market or to the official list of UKLA and to trading on the regulated market of the London Stock Exchange.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

(a) the audited consolidated financial statements of the Group as of and for the year ended December 31, 2009 (including the auditors' report thereon and notes thereto) set out on pages F-230 to F-337 of the base prospectus dated May 4, 2012 of the Issuer, which is available for viewing at http://www.rns-pdf.londonstockexchange.com/rns/9305C_1-2012-5-8.pdf;

(b) the audited financial statements of the Issuer as of and for the year ended December 31, 2011 (including the auditors' report thereon and notes thereto) set out on pages F-50 to F-71 of the drawdown prospectus dated August 15, 2012 of the Issuer, which is available for viewing at http://www.rns-pdf.londonstockexchange.com/rns/2919K_1-2012-8-17.pdf;

(c) the audited financial statements of the Issuer as of and for the year ended December 31, 2010 and 2009 (including the auditors' report thereon and notes thereto) set out on pages F-338 to F-364 of the base prospectus dated May 4, 2012 of the Issuer, which is available for viewing at http://www.rns-pdf.londonstockexchange.com/rns/9305C_1-2012-5-8.pdf;

(d) the Terms and Conditions of the Notes set out on pages 216 to 225, and the Facility Agreement set out on pages 162 to 189, of the base prospectus dated May 4, 2012 of the Issuer, which is available for viewing at http://www.rns-pdf.londonstockexchange.com/rns/9305C_1-2012-5-8.pdf; and

(e) the Terms and Conditions of the Notes set out on pages 223 to 232 of the base prospectus dated January 25, 2012 of the Issuer, which is available for viewing at http://www.rns-pdf.londonstockexchange.com/rns/4092W_-2012-1-30.pdf.

Copies of the documents containing the information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the registered office of the Issuer at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted).

Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

USE OF PROCEEDS

The gross proceeds from each offering of a Series of Notes will be used by the Issuer for the sole purpose of financing the corresponding Loan to Sberbank. The gross proceeds of such Loan will be used by Sberbank for general corporate purposes (unless otherwise specified in the relevant Loan Agreement). In connection with the receipt of such Loan, Sberbank will pay an arrangement fee, as reflected in the relevant Final Terms.

CHANGE OF NAME OF THE AGENTS

The name of the Principal Paying Agent, Registrar and Transfer Agent has been changed from The Bank of New York, London Branch to The Bank of New York Mellon, London Branch. The name of the Paying Agent and Transfer Agent has been changed from The Bank of New York, New York Branch to The Bank of New York Mellon, New York Branch. The name of the Calculation Agent, as defined in the Facility Agreement and the Form of Subordinated Loan Agreement, has been changed from The Bank of New York, London Branch, to The Bank of New York Mellon, London Branch.

CAPITALISATION

Capitalisation of Sberbank

The following table sets forth the Group's capitalisation as of June 30, 2012 and is extracted from the IFRS Financial Statements. For further information regarding the Group's financial position, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the IFRS Financial Statements included elsewhere in this Base Prospectus.

	As of June 30, 2012
	(Unaudited)
	billions of RUB
Senior long-term debt[1]	
Subordinated debt	314.5
Loan participation notes	277.5
Total senior long-term debt[2]	**592.0**
Other borrowed funds	184.2
Total long-term debt[2]	**776.2**
21,586,948,000 Ordinary Shares[3]	83.3
1,000,000,000 preference shares[3]	4.4
Treasury share[4]	(8.8)
Share premium	232.6
Revaluation reserve for office premises	80.2
Total equity attributable to shareholders of Sberbank[4]	**391.7**
Total equity[4]	**405.7**
Total capitalisation[4]	**1,181.9**
Total Tier 1 capital	**1,303.7**
Total Tier 2 capital	**387.5**
Total risk weighted assets (RWA)	**11,655.9**
Tier 1 capital adequacy ratio (Tier 1 capital to Total RWA)	**11.2%**
Total capital adequacy ratio (Total capital to Total RWA)	**14.5%**

(1) Includes long-term financing (with remaining contractual maturity of over one year) received in the ordinary course of banking business.
(2) Sberbank's long-term debt (with remaining contractual maturity of over one year) does not include long-term deposits, customer accounts, promissory notes and certificates of deposit issued that are not considered part of Sberbank's capitalisation.
(3) All shares are authorised, issued, paid up and outstanding as of June 30, 2012.
(4) Excludes retained earnings, fair value reserve for investment securities available for sale and foreign currency translation reserve.

Except as set forth below, since June 30, 2012, there have been no material changes in the capitalisation of Sberbank:

In July 2012, the Issuer issued an additional U.S.$0.75 billion (or RUB24.3 billion as of the date of the loan) Series 9 loan participation notes under the Programme, which form a single series with Series 9. Series 9 has a maturity date of February 7, 2022 and a coupon rate of 6.125 per cent.

In August 2012, the Issuer issued additional notes in the amount of U.S.$0.3 billion (or RUB9.6 billion as of the date of the loan) Series 8 loan participation notes under the Programme, which form a single series with Series 8. Series 8 has a maturity date of February 7, 2017 and a coupon rate of 4.95 per cent.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The financial information set forth below as of and for the six months ended June 30, 2012 and 2011 and for the years ended December 31, 2011, 2010 and 2009 has been extracted without material adjustment from the IFRS Financial Statements, except for the reclassifications detailed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Reclassifications*". In the Condensed Interim Consolidated Financial Statements, Sberbank changed its presentation of financial information to show figures in billions of Roubles, rather than millions of Roubles. For consistency and in line with Sberbank's most recent presentation, the financial data set forth below is presented in billions of Roubles, reflecting rounding where appropriate. The financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the IFRS Financial Statements and related notes included elsewhere in this Prospectus and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

	For the six months ended June 30, (Unaudited)		For the year ended December 31,		
	2012	**2011**	**2011**	**2010**	**2009**
			billions of RUB		
Selected Consolidated Income Statement Data					
Interest income	520.8	401.9	850.6	795.6	815.0
Interest expense	(185.2)	(133.0)	(269.5)	(299.8)	(312.2)
Expenses directly attributable to deposit insurance	(11.4)	(9.7)	(20.1)	(16.7)	(13.1)
Net interest income	**324.2**	**259.2**	**561.0**	**479.1**	**489.7**
Net recovery of provision/(net provision charge) for loan impairment	1.1	22.2	1.2	(153.8)	(388.9)
Net interest income after provision for loan impairment	**325.3**	**281.4**	**562.2**	**325.3**	**100.8**
Fee and commission income	85.3	68.8	151.9	130.9	105.7
Fee and commission expense	(7.0)	(4.7)	(11.3)	(7.4)	(4.6)
Net (losses)/gains arising from trading securities	(1.8)	0.1	(1.4)	4.8	13.3
Net gains/(losses) arising from securities designated at fair value through profit or loss	1.2	(1.3)	(2.8)	9.6	7.6
Net gains arising from investment securities available for sale	4.2	8.5	12.1	9.6	17.1
Impairment of investment securities available for sale	—	—	(1.1)	(0.0)	(2.3)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	1.4	3.7	9.5	14.1	16.2
Net gains arising from operations with precious metals and precious metals derivatives	4.6	2.3	5.1	0.5	1.7
Net gains/(losses) from operations with other derivatives	7.1	(1.5)	5.1	1.8	0.8
Net losses from revaluation of office premises	—	—	(11.3)	—	(15.0)
Goodwill impairment	—	—	(1.2)	(0.9)	—
Impairment of non-current assets held for sale	—	—	—	—	(3.0)
Provision charge for impairment of other assets	(2.9)	(0.7)	(1.9)	(6.4)	(2.4)
Other operating income	15.4	17.5	29.1	14.1	10.2
Operating income	**432.8**	**374.1**	**744.0**	**496.0**	**246.1**
Operating expenses	(205.3)	(155.3)	(348.3)	(265.9)	(216.2)
Profit before tax	**227.5**	**218.8**	**395.7**	**230.1**	**29.9**
Income tax expense	(52.2)	(42.7)	(79.8)	(48.5)	(5.5)
Profit for the reporting period	**175.3**	**176.1**	**315.9**	**181.6**	**24.4**

	As of June 30, (Unaudited)	As of December 31,		
	2012	2011	2010	2009
		billions of RUB		
Selected Consolidated Statement of Financial Position Data				
Cash and cash equivalents	933.3	625.6	719.6	725.5
Mandatory cash balances with central banks	125.2	101.2	51.7	41.5
Trading securities	80.8	102.0	66.2	91.0
Securities designated at fair value through profit or loss	28.5	52.0	106.9	124.4
Due from other banks	56.8	35.1	13.0	10.2
Loans and advances to customers	8,861.5	7,719.7	5,489.4	4,864.0
Securities pledged under repurchase agreements	564.3	300.8	81.5	2.7
Investment securities available for sale	819.0	884.5	1,210.9	846.0
Investment securities held to maturity	147.8	286.5	358.2	—
Deferred income tax asset	1.2	7.8	7.5	—
Premises and equipment	393.9	359.9	283.7	249.9
Other assets	421.5	360.0	239.9	149.9
Total assets	**12,433.8**	**10,835.1**	**8,628.5**	**7,105.1**
Due to other banks	873.0	532.4	134.7	53.9
Due to individuals	6,175.4	5,726.3	4,834.5	3,787.3
Due to corporate customers	2,593.5	2,205.8	1,816.7	1,651.6
Debt securities in issue	483.7	268.7	272.7	170.7
Other borrowed funds	278.7	244.0	171.2	69.1
Deferred income tax liability	20.1	21.2	15.9	4.6
Other liabilities	279.5	265.2	92.1	69.8
Subordinated debt	314.5	303.5	303.5	519.1
Total liabilities	**11,018.4**	**9,567.1**	**7,641.3**	**6,326.1**
Share capital	87.7	87.7	87.7	87.7
Treasury shares	(8.8)	(7.0)	—	—
Share premium	232.6	232.6	232.6	232.6
Revaluation reserve for office premises	80.2	81.5	53.6	55.5
Fair value reserve for investment securities available for sale	0.1	(7.5)	24.4	(0.6)
Foreign currency translation reserve	(3.0)	(5.7)	(1.1)	(1.0)
Retained earnings	1,012.6	882.9	585.9	404.0
Total equity attributable to shareholders of Sberbank	**1,401.4**	**1,264.5**	**983.1**	**778.2**
Non-controlling interest	14.0	3.5	4.1	0.8
Total equity	**1,415.4**	**1,268.0**	**987.2**	**779.0**
Total liabilities and equity	**12,433.8**	**10,835.1**	**8,628.5**	**7,105.1**

	As of or for the six months ended June 30,		As of or for the year ended December 31,		
	2012	2011	2011	2010	2009
Selected Financial Ratios					
Profitability					
Return on average equity(1)	26.1%	33.2%	28.0%	20.6%	3.2%
Return on average assets(2)	3.0%	4.0%	3.2%	2.3%	0.4%
Liquidity					
Net loans/total assets(3)	71.7%	66.9%	71.6%	63.8%	68.6%
Net loans/customer accounts(4)	101.7%	87.1%	97.8%	82.7%	89.6%
Capital Adequacy					
Tier 1 capital ratio(5)	11.2%	13.3%	11.6%	11.9%	11.5%
Total capital adequacy(6)	14.5%	17.9%	15.2%	16.8%	18.1%
Total equity/total assets(7)	11.4%	12.5%	11.7%	11.4%	11.0%

(1) Profit for the reporting period divided by average total equity, calculated as a simple average of the Group's total equity as of January 1 and December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of January 1 and June 30 multiplied by two (for the six months ended June 30, 2012 and 2011).

(2) Profit for the reporting period divided by average total assets, calculated as a simple average of the Group's total assets as of January 1 and December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of January 1 and June 30 multiplied by two (for the six months ended June 30, 2012 and 2011).

(3) Loans and advances to customers and due from other banks (net of provision for loan impairment) divided by total assets, calculated as of December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of June 30 (for the six months ended June 30, 2012 and 2011).

(4) Loans and advances to customers and due from other banks (net of provision for loan impairment) divided by the sum of deposits/current accounts of individuals and corporate customers, calculated as of December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of June 30 (for the six months ended June 30, 2012 and 2011).

(5) Tier 1 capital calculated in accordance with Basel I methodology as of December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of June 30 (for the six months ended June 30, 2012 and 2011).

(6) Tier 1 and Tier 2 capital calculated in accordance with Basel I methodology.

(7) Total equity divided by total assets, calculated as of December 31 (for the years ended December 31, 2011, 2010 and 2009) and as of June 30 (for the six months ended June 30, 2012 and 2011).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of Sberbank's financial condition and results of operations should be read in conjunction with the IFRS Financial Statements and the other information included elsewhere in this Prospectus. This section contains forward-looking statements that involve risks and uncertainties. Sberbank's actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under "Risk Factors" and "Cautionary Note regarding Forward-Looking Statements".

Overview

Sberbank plays a significant role in Russia's financial system and economy as the largest commercial bank in Russia in terms of total assets, deposits and loans. As of July 1, 2012, according to Sberbank's calculations based on CBR data, Sberbank's total assets accounted for 28.2 per cent. of all Russian banking sector assets. Sberbank is the largest taker of deposits in Russia with a market share of 46.1 per cent. of retail deposits and 31.3 per cent. of customer deposits overall as of July 1, 2012. In addition, as of the same date, Sberbank had a market share exceeding 33 per cent. of loans to corporate and retail borrowers. More than 70 million individual customers in Russia hold accounts with Sberbank, representing approximately 50 per cent. of the Russian population.

The Group's net profit for the six months ended June 30, 2012 was RUB175.3 billion, compared with RUB176.1 billion for the same period of 2011. The Group's net profit for the year ended December 31, 2011 was RUB315.9 billion, compared with RUB181.6 billion for the year ended December 31, 2010 and RUB24.4 billion for the year ended December 31, 2009. As of June 30, 2012, the Group had RUB12,433.8 billion in total assets and RUB1,415.4 billion in total equity, compared to RUB10,835.1 billion and RUB1,268.0 billion, respectively, as of December 31, 2011, RUB8,628.5 billion and RUB987.2 billion, respectively, as of December 31, 2010, and RUB7,105.1 billion and RUB779.0 billion, respectively, as of December 31, 2009. The Group's return on average shareholder's equity (defined as annualised profit for the reporting period divided by average total equity, calculated as a simple average of the Group's total equity as of January 1 and June 30) was 26.1 per cent. for the six months ended June 30, 2012 and 28.0 per cent., 20.6 per cent. and 3.2 per cent. for the years ended December 31, 2011, 2010 and 2009, respectively.

Certain factors affecting the Group's results of operations and capital structure are discussed below under *"—Factors Affecting Results of Operations*" and *"—Results of Operations for the Six Month Periods Ended June 30, 2012 and 2011 and for the Years Ended December 31, 2011, 2010 and 2009*".

Factors Affecting Results of Operations

Russia's Economic Conditions

The majority of the Group's assets and customers are located in, or have businesses related to, Russia. As a result, the Group is substantially affected by the health of the Russian economy, which is, to a significant degree, dependent on exports of commodities, such as oil, gas, iron ore and other natural resources. The Russian economy was severely impacted by the weakening global economic conditions and the turmoil in global financial markets, particularly in the second half of 2008 and first half of 2009. Falling global prices of these commodities in the world market in the second half of 2008 and first half of 2009 resulted in sharp decreases in Russian government revenues and the revenues of Russian companies operating in the natural resources sector, which, in turn, had a significant negative effect on the overall Russian economy. The European debt crisis of 2011 and 2012 thus far has had limited impact on the Russian economy; despite leading to meaningful declines in the prices of Russia's key exports, mainly natural resource commodities, including oil and gas, it has not yet affected Russia's relatively healthy fiscal finances including a low debt to GDP ratio, small budget deficit, and high level of international reserves. According to information published by Rosstat, Russia's GDP in real terms declined by 7.9 per cent. in 2009 and then returned to growth in 2010, increasing by 4 per cent., and increasing again by 4.3 per cent. in 2011. Commodity prices also demonstrated high levels of volatility, although they generally increased in 2011 and the three months ended March 31, 2012, before declining in the second quarter of 2012. The price of Urals crude oil, Russia's export blend of crude, increased from U.S.$32.34 per barrel as of December 24, 2008 to a high of U.S.$125.26 on March 1, 2012, with a closing price of U.S.$96.69 as of June 30, 2012 and of U.S.$113.65 as of September 13, 2012, according to Bloomberg.

In 2008 and 2009, many of the Group's borrowers were affected by the deterioration of economic conditions, which affected their ability to service or repay the amounts due to the Group and decreased the value of collateral pledged against loans extended by the Group. This contributed to the deterioration in the quality of

Sberbank's loan book and the demand for the products and services it offers. In 2009, the effects of the global financial crisis were particularly evident, with the Group's non-performing loans representing RUB458.7 billion, or 8.4 per cent. of the gross loan portfolio, as of December 31, 2009. As a result, the Group's net provision charges for loan impairment increased to RUB388.9 billion in 2009.

The amount of non-performing loans in the Group's gross loan portfolio decreased to RUB452.3 billion, or 7.3 per cent. of the gross loan portfolio, as of December 31, 2010, and the Group's net provision charge for loan impairment decreased by 60.5 per cent. to RUB153.8 billion in 2010. As a result of a general improvement in the economic environment and the quality of the Group's loan portfolio, the Group recognised a net recovery of provision of loan impairment of RUB1.2 billion in 2011 and RUB1.1 billion in the six months ended June 30, 2012.

The Group's ratio of provision for loan impairment to gross loans and advances to customers before provision for loan impairment decreased to 6.0 per cent. as of June 30, 2012, having decreased as of December 31, 2011 to 7.9 per cent. from 11.3 per cent. as of December 31, 2010 and 10.7 per cent. as of December 31, 2009 due to the improvement in the quality of the Group's loan portfolio and overall growth of gross loans.

The Group's total securities portfolio increased by 0.9 per cent. to RUB1,640.4 billion as of June 30, 2012, from RUB1,625.8 billion as of December 31, 2011, mainly due to an increase in corporate bonds and the Russian Federation Eurobonds held in its portfolio. The Group's total securities portfolio decreased by 10.9 per cent. to RUB1,625.8 billion as of December 31, 2011, from RUB1,823.7 billion as of December 31, 2010, mainly due to a RUB289.6 billion, or 22.6 per cent., decrease in investment securities available for sale. As of December 31, 2010, the total securities portfolio increased significantly by 71.4 per cent. to RUB1,823.7 billion as of December 31, 2010, from RUB1,064.1 billion as of December 31, 2009. The growth of the Group's investment in securities in 2010 was attributable to the Group having excess liquidity as a result of the pace of growth of customer deposits exceeding that of the Group's loan portfolio.

Funding and Interest Rate Environment

While the majority of the Group's assets and customers are in Russia, the Group is also affected by the international financial markets. The global financial crisis escalated towards the end of 2008 and early 2009. During the second half of 2008 and the first half of 2009, the functioning of Russian and international capital markets was severely disrupted, with market liquidity and funding becoming scarce. Investors' lack of confidence in the banking industry globally adversely affected wholesale funding markets, leading to higher borrowing costs and restricting access to liquidity for banks, including members of the Group. As a result of the lack of availability of wholesale funding and increased competition for deposits, in the first half of 2009, the Group experienced an increase in the cost of its primary funding sources, including customer deposits, syndicated borrowing and government funding. Commencing in the second half of 2010, the Group resumed its funding activities in the international capital markets, and the Group has continued to fund itself through syndicated borrowing. However, customer deposits continue to represent a vast majority of the Group's funding sources. The banking sector experienced renewed liquidity tightening in the second half of 2011 and has continued to do so in the first half of 2012, which in turn has led to an increase in costs of funding for Russian banks, including customer deposit interest rate costs.

Changes in interest rates affect the Group's operations. During the periods covered by the IFRS Financial Statements, movements in short- and long-term interest rates have affected the Group's interest income and interest expense. Since the first half of 2009, borrowing conditions for Russian customers have been challenging as a consequence of the global financial crisis. For example, according to the CBR, the average Rouble lending rate on the Russian interbank market more than quadrupled to 16.3 per cent. in January 2009 from 3 per cent. in January 2008, before moving to 5.3 per cent. in August 2012 (with significant fluctuations during that period).

Despite the financial turmoil, however, the Group's net interest margin has remained relatively stable, at 6.0 per cent. for the six months ended June 30, 2012 and 6.2 per cent. for the six months ended June 30, 2011 and 6.4 per cent., 6.4 per cent. and 7.6 per cent. in the years ended December 31, 2011, 2010 and 2009, respectively, which demonstrates the Group's ability to re-price its interest-earning assets and interest-bearing liabilities to offset the movements in interest rates to a certain degree. See "*Selected Statistical Information*". Increased competition for customer deposits due to a lack of other funding sources in early 2009 resulted in higher interest rates being payable on new customer deposits for Russian banks, which, in turn, increased the Group's interest expense. In order to mitigate the adverse impact of these higher funding rates on its net interest margins, the Group increased the interest rates it charged on loans, although the Group's ability to make these corresponding increases was limited by competitive pressures and fixed rates in existing loan commitments or facilities.

Notwithstanding these limiting factors, however, the liquidity crisis and the consequent difficulty for or caution on the part of most Russian banks to extend new loans allowed the Group to increase its market share in lending, particularly to large corporate borrowers, while also charging comparatively higher interest rates.

In 2009 and 2010, the Russian banking system maintained a strong customer deposit growth rate that substantially outpaced loan growth. This resulted in a substantial increase in liquidity in the market and the lowering of interest rates on both loans and deposits by major banks. In order to manage its additional liquidity, Sberbank decreased deposit interest rates in 2010, which, combined with other commercial banks' efforts to increase their deposit-taking, led to a reduction in Sberbank's share of the retail deposit market in 2010, from 49.3 per cent. to 47.9 per cent.. During the first half of 2010, real interest rates were stable. However, in the second half of 2010, the rise in inflation resulted in a decrease in real interest rates on loans, and interest rates on deposits became lower than the rate of inflation. This made bank loans more affordable, encouraging demand for loans and increasing activity on the lending market (although the number of high-quality Russian corporate borrowers remained relatively low). Commencing in the second quarter of 2010, Sberbank's corporate customers began to show increased demand for loans, and Sberbank's loan portfolio has grown at a higher rate than its customer deposits since the second half of 2010. The competition for borrowers with good credit standings has remained high throughout 2011 and in the six months ended June 30, 2012, which has placed downward pressure on both the interest rates that can be charged on commercial loans and the Group's net interest margins. As of July 1, 2012, Sberbank's share of the retail deposit market was 46.1 per cent., according to Sberbank's calculations based on CBR data.

Cost Base and Modernisation Initiatives

The Group's operating expenses increased by 32.2 per cent. to RUB205.3 billion for the six months ended June 30, 2012, compared to RUB155.3 billion for the same period in 2011, largely as a result of greater investment by Sberbank in certain key strategic areas, as well as the introduction of new compensation measures for employees. See "*Business–Employees*". The Group's operating expenses increased by 31.0 per cent. to RUB348.3 billion in 2011, from RUB265.9 billion in 2010, and by 23.0 per cent. to RUB265.9 billion in 2010, from RUB216.2 billion in 2009. The substantial increase in 2010 was driven by a significant increase in staff costs. Staff costs represent the largest single component of the Group's operating expenses, and accounted for 57.8 per cent. of the Group's total operating expenses in the six months ended June 30, 2012 and 58.5 per cent. and 60.6 per cent. of the Group's total operating expenses in 2011 and 2010, respectively. Although the average number of the Group's employees during 2010, at 257,046, was 1.4 per cent. lower than during 2009, Sberbank's staff costs increased by 25.3 per cent., to RUB161.2 billion in 2010, from RUB128.6 billion in 2009, which reflected a one-off increase in Sberbank's compensation levels, driven by the need to remain competitive with peers after keeping compensation largely flat during the global financial crisis. As part of its Strategy – 2014, the Group intends to control its staff costs by maintaining headcount (on an unconsolidated basis) at between 200,000 and 220,000 employees, requiring a reduction in average headcount on an annual basis by between 3 per cent. and 5 per cent. from 2008 to 2014 (excluding subsidiaries and future acquisitions), a goal which Sberbank continues to target.

In addition, Sberbank has invested considerable time and money since 2008 in restructuring its IT systems, including the development of a modern in-house management information system, in accordance with Strategy – 2014. Sberbank is also currently in the process of streamlining the management and organisational structure of its sub-divisions throughout Russia by creating "main branches" in each sub-federal unit of Russia, to complement the existing 17 regional head offices, which typically cover three to eight sub-federal units of Russia (see "*Business—Organisation and Management of the Group*"), and implementing a programme of modernisation and optimisation of its branch network in urban areas. Certain of these and other modernisation initiative expenses are capitalised; however, in total they do not have a material effect on total assets.

Government Stabilisation Measures

On October 13, 2008, the Russian President passed Federal Law No. 173-FZ, "On Additional Measures for Supporting the Financial System of the Russian Federation", as amended, in order to increase the Russian government's support for the Russian banking sector. In accordance with this law, in December 2008, the Group received a subordinated loan from the CBR in the total principal amount of RUB500.0 billion, with a contractual fixed interest rate of 8.0 per cent. per annum, which was changed to 6.5 per cent. per annum in July 2010 to reduce the Group's interest costs. In May 2010, the Group repaid RUB200.0 billion of the loan. The remaining part is due to mature in December 2019, and the Group does not intend to repay the outstanding amount before its contractual maturity. As of June 30, 2012, this loan was accounted for at an amortised cost of RUB313.0 billion (that amount constituted RUB303.3 billion as of December 31, 2011), with an effective interest rate of

6.5 per cent. per annum. See "*Banking Regulation in Russia—Rights of the CBR under the Financial System Support Law and the CBR Law*".

Reclassifications

In the 2011 Annual IFRS Financial Statements, the presentation of certain items, relating principally to the Programme, was revised and the comparative 2010 amounts shown in those financial statements amended to be presented on a consistent basis. The reclassifications are disclosed in detail in the 2011 Annual IFRS Financial Statements. The financial information included in this Prospectus reflects those reclassifications for each period covered by the IFRS Financial Statements. See "**—** *Significant Accounting Policies*".

Recent Developments

This section contains forward-looking statements. These statements are not guarantees of future financial performance and Sberbank's actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described under "Cautionary Note Regarding Forward-looking Statements". Investors are urged not to place undue reliance on the forward-looking statements set out below.

The following developments have occurred between June 30, 2012, the end of the last financial period for which interim financial information has been published, and the date of this Prospectus.

Operating Environment

Between June 30, 2012 and September 13, 2012, the MICEX index increased by 6.1 per cent. and the RTS index increased by 9.9 per cent.. The Rouble to U.S. dollar exchange rate was RUB32.82 = U.S.$1.00 on June 30, 2012 and RUB31.40 = U.S.$1.00 on September 14, 2012, representing a 4.3 per cent. decrease in the value of the Rouble relative to the U.S. dollar. The price of Urals crude oil was U.S.$113.65 on September 13, 2012, representing a 17.5 per cent. increase since June 30, 2012.

Operational Developments

The Programme

In February 2012, the Group issued the eighth loan under the Programme in the amount of U.S.$1.0 billion (or RUB30.2 billion as of the date of the loan). The notes mature in February 2017 and have a contractual fixed interest rate of 5.0 per cent. per annum. In August 2012, the Group issued additional notes in the amount of U.S.$0.3 billion (or RUB9.6 billion as of the date of the loan) which form a single series with the eighth series and have the same interest rate and maturity.

In February 2012, the Group issued the ninth loan under the Programme in the amount of U.S.$0.75 billion (or RUB22.7 billion as of the date of the loan). The notes mature in February 2022 and have a contractual fixed interest rate of 6.1 per cent. per annum. In July 2012, the Group issued additional notes in the amount of U.S.$0.75 billion (or RUB24.3 billion as of the date of the loan) which form a single series with the ninth series and have the same interest rate and maturity.

VBI

In July 2012, Sberbank approved the issuance of an additional 382,653 ordinary shares in VBI, as well as their purchase by Sberbank for EUR0.3 billion.

Cetelem

In September 2012, Sberbank announced the finalisation of its joint venture Russian point of sale finance bank with a member of the BNP Paribas group. See "*Business***—***Russian Banking Services and Activities***—***Retail Banking Products and Services***—***Lending***—***New lending products*"

DenizBank

In September 2012, Sberbank completed the acquisition of 99.85 per cent. of DenizBank. For a more detailed discussion of the acquisition, see "*Business***—***Organisation and Management of the Group***—***Acquisition of DenizBank*".

Offering of Sberbank's Shares and GDSs

In September 2012, Sberbank completed an offering of a portion of its ordinary shares (the "**Ordinary Shares**") held by the CBR (the "**Global Offering**") in the form of both Ordinary Shares ("**Offer Shares**") and Global Depositary Shares ("**GDSs**") (each GDS representing an interest in four Ordinary Shares) at RUB93 or US$3.04 per Offer Share and US$12.16 per GDS. The Global Offering, together with a simultaneous offering of Ordinary Shares through the facilities of CJSC MICEX Stock Exchange at the price of RUB93 per Ordinary Share ("**MICEX Offering**" and, together with the Global Offering, the "**Offerings**") comprised 1,712,994,999 Ordinary Shares, representing 7.58 per cent. of the total capital of Sberbank. The Offerings reduced the CBR stake in Sberbank's total share capital to 50 per cent. plus one voting share, in accordance with the approvals of the National Banking Council of the CBR and the Russian Government. No new capital was raised as part of the Offerings. See "*Principal Shareholders*".

Results of Operations for the Six Month Periods Ended June 30, 2012 and 2011 and for the Years Ended December 31, 2011, 2010 and 2009

The Group generated a net profit of RUB175.3 billion during the six months ended June 30, 2012, compared to RUB176.1 billion during the six months ended June 30, 2011. The decrease in the six months ended June 30, 2012 resulted primarily from higher operating expenses and an increase in effective tax rate.

The following table sets forth the components of the Group's net profit for the periods indicated.

	For the six months ended June 30, (Unaudited)		For the year ended December 31,		
	2012	**2011**	**2011**	**2010**	**2009**
	billions of RUB				
Selected Consolidated Income Statement Data					
Interest income	520.8	401.9	850.6	795.6	815.0
Interest expense	(185.2)	(133.0)	(269.5)	(299.8)	(312.2)
Expenses directly attributable to deposit insurance	(11.4)	(9.7)	(20.1)	(16.7)	(13.1)
Net interest income	**324.2**	**259.2**	**561.0**	**479.1**	**489.7**
Net recovery of provision/(net provision charge) for loan impairment	1.1	22.2	1.2	(153.8)	(388.9)
Net interest income after provision for loan impairment	**325.3**	**281.4**	**562.2**	**325.3**	**100.8**
Fee and commission income	85.3	68.8	151.9	130.9	105.7
Fee and commission expense	(7.0)	(4.7)	(11.3)	(7.4)	(4.6)
Net (losses)/gains arising from trading securities	(1.8)	0.1	(1.4)	4.8	13.3
Net gains/(losses) arising from securities designated at fair value through profit or loss	1.2	(1.3)	(2.8)	9.6	7.6
Net gains arising from investment securities available for sale	4.2	8.5	12.1	9.6	17.1
Impairment of investment securities available for sale	—	—	(1.1)	(0.0)	(2.3)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	1.4	3.7	9.5	14.1	16.2
Net gains arising from operations with precious metals and precious metals derivatives	4.6	2.3	5.1	0.5	1.7
Net gains/(losses) from operations with other derivatives	7.1	(1.5)	5.1	1.8	0.8
Net losses from revaluation of office premises	—	—	(11.3)	—	(15.0)
Goodwill impairment	—	—	(1.2)	(0.9)	—
Impairment of non-current assets held for sale	—	—	—	—	(3.0)
Provision charge for impairment of other assets	(2.9)	(0.7)	(1.9)	(6.4)	(2.4)
Other operating income	15.4	17.5	29.1	14.1	10.2
Operating income	**432.8**	**374.1**	**744.0**	**496.0**	**246.1**
Operating expenses	(205.3)	(155.3)	(348.3)	(265.9)	(216.2)
Profit before tax	**227.5**	**218.8**	**395.7**	**230.1**	**29.9**

	For the six months ended June 30, (Unaudited)		For the year ended December 31,		
	2012	2011	2011	2010	2009
	billions of RUB				
Income tax expense	(52.2)	(42.7)	(79.8)	(48.5)	(5.5)
Profit for the reporting period	**175.3**	**176.1**	**315.9**	**181.6**	**24.4**
Attributable to:					
Shareholders of Sberbank	**175.6**	**176.5**	**316.2**	**182.1**	**24.4**
Non-controlling interest	**(0.3)**	**(0.4)**	**(0.3)**	**(0.5)**	**—**
Earnings per ordinary share for profit attributable to shareholders of Sberbank, basic and diluted (expressed in RUB per share)	**8.03**	**8.12**	**14.61**	**8.42**	**1.10**

Interest Income

The Group's interest income for the six months ended June 30, 2012 increased by 29.6 per cent. to RUB520.8 billion, compared to RUB401.9 billion for the six months ended June 30, 2011, and by 6.9 per cent. for the year ended December 31, 2011, to RUB850.6 billion, from RUB795.6 billion for the year ended December 31, 2010. The following table sets forth the principal components of the Group's interest income for the periods indicated:

	For the six months ended June 30, (Unaudited)				For the year ended December 31,					
	2012		2011		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Interest income on financial assets carried at amortised cost and on financial assets available for sale:										
Loans and advances to customers	466.8	89.6%	346.0	86.1%	741.8	87.2%	682.0	85.7%	752.7	92.4%
Debt investment securities available for sale	32.8	6.3%	35.0	8.7%	67.4	7.9%	83.2	10.5%	40.2	4.9%
Debt investment securities held to maturity	14.7	2.8%	12.8	3.2%	26.8	3.2%	9.1	1.2%	—	—
Due from other banks	3.1	0.6%	4.0	1.0%	6.9	0.8%	8.0	1.0%	7.4	0.9%
Correspondent accounts with other banks	0.2	0.1%	—	—	0.1	0.0%	0.1	0.0%	0.7	0.1%
Interest income on financial assets carried at fair value through profit or loss:										
Debt trading securities	2.2	0.4%	2.1	0.5%	4.0	0.5%	7.5	0.9%	6.7	0.8%
Debt securities designated at fair value through profit or loss	1.0	0.2%	2.0	0.5%	3.6	0.4%	5.7	0.7%	7.3	0.9%
Total interest income	**520.8**	**100%**	**401.9**	**100%**	**850.6**	**100%**	**795.6**	**100%**	**815.0**	**100%**
Average yield on interest-earning assets[(1)]	**9.7%**	**—**	**9.5%**	—	**9.7%**	—	**10.6%**	—	**12.6%**	—

(1) Calculated and expressed as the ratio of total interest income to average interest-earning assets. See "*Selected Statistical Information*".

The increase in the Group's interest income for the six months ended June 30, 2012 resulted primarily from an increase in interest income from loans and advances to customers to RUB466.8 billion, from RUB346.0 billion for the six months ended June 30, 2011, and an increase in interest income from debt investment securities held to maturity to RUB14.7 billion, from RUB12.8 billion for the six months ended June 30, 2011 due to growth of this portfolio. These increases were offset by a decrease in interest income from debt investment securities available for sale to RUB32.8 billion, from RUB35.0 billion for the six months ended June 30, 2011 due to a decrease in yields on the these assets. The average interest rate on interest-earning assets increased to 9.7 per cent. for the six months ended June 30, 2012 from 9.5 per cent. for the six months ended June 30, 2011.

The increase in the Group's interest income for the year ended December 31, 2011 resulted primarily from an increase in interest income from loans and advances to customers to RUB741.8 billion, from RUB682.0 billion for 2010, and an increase in interest income from debt investment securities held to maturity to RUB26.8 billion, from RUB9.1 billion in 2010 due to growth of this portfolio since its creation in 2010. These increases were offset by a decrease in interest income from debt investment securities available for sale to RUB67.4 billion, from RUB83.2 billion in 2010 due to a decrease in yields on the Group's interest-bearing assets, which was partly compensated by an increase in the overall portfolio size. The average interest rate on interest-earning assets decreased to 9.7 per cent. in 2011 from 10.6 per cent. in 2010.

Interest income was RUB795.6 billion and RUB815.0 billion in 2010 and 2009, respectively. The decrease of RUB19.4 billion, or 2.4 per cent., in 2010 was primarily due to a decrease in yield on loans and advances to corporate customers and debt investment securities, which was partly offset by an increase in loans to customers and debt trading securities.

Interest Income on Loans and Advances to Customers

The majority of the Group's interest income received in the periods covered by the IFRS Financial Statements was attributable to interest income on loans and advances to customers.

For the six months ended June 30, 2012, interest income on loans and advances to customers represented 89.6 per cent. of total interest income, compared to 86.1 per cent. for the six months ended June 30, 2011. Interest income on loans and advances to customers increased by 34.9 per cent. to RUB466.8 billion for the six months ended June 30, 2012, compared to RUB346.0 billion for the six months ended June 30, 2011. This was primarily attributable to an increase in lending volumes, partly offset by a general decrease in interest rates on the Russian lending market during the same period compared to the six months ended June 30, 2011. The Group's balances of loans and advances to customers net of provision charge for loan impairment increased by 14.8 per cent. to RUB8,861.5 billion as of June 30, 2012, from RUB7,719.7 billion as of December 31, 2011.

For the year ended December 31, 2011, interest income on loans and advances to customers represented 87.2 per cent. of total interest income, compared to 85.7 per cent. in 2010. Interest income on loans and advances to customers increased by 8.8 per cent. to RUB741.8 billion for the year ended December 31, 2011, from RUB682.0 billion in 2010. This was primarily attributable to an increase in lending volumes, partly offset by a general decrease in interest rates on the Russian lending market during the same period. The Group's balances of loans and advances to customers net of provision for loan impairment increased by 40.6 per cent. to RUB7,719.7 billion as of December 31, 2011, from RUB5,489.4 billion as of December 31, 2010.

Interest income on loans and advances to customers represented 85.7 per cent. and 92.4 per cent. of total interest income in the years ended 2010 and 2009, respectively. The decrease of the share of interest income on loans and advances to customers as a proportion of total interest income was primarily due to a reduction of the share of loans and advances to customers as a proportion the Group's total assets, as well as a decline in the yield earned on loans relative to other interest-bearing assets. Interest income on loans and advances to customers decreased by 9.4 per cent. to RUB682.0 billion in 2010, from RUB752.7 billion in 2009. This decrease was primarily a consequence of a change in the yields and volume of the Group's loans and advances to customers. In 2009, interest rates remained high while volumes gradually increased with the economic recovery. In 2010, interest rates decreased while volumes increased as the economic climate continued to improve.

Interest Income on Securities

Interest income on the Group's securities portfolio (including for this purpose debt investment securities available for sale, debt investment securities held to maturity, debt trading securities and debt securities designated at fair value through profit or loss) was the second largest component of total interest income in the periods covered by the IFRS Financial Statements, representing 9.7 per cent. of total interest income in the six months ended June 30, 2012, compared to 12.9 per cent. in the six months ended June 30, 2011 and 12.0 per cent. in 2011.

Interest income on the Group's securities portfolio decreased by 2.3 per cent. in the six months ended June 30, 2012, to RUB50.7 billion, compared to RUB51.9 billion for the six months ended June 30, 2011. Interest income on the Group's securities portfolio also decreased 3.5 per cent. to RUB101.8 billion for the year ended December 31, 2011 compared to RUB105.5 billion for 2010. In both cases, the decreases were due to a reduction in the size of the securities portfolio and decrease in yield.

Interest income on the Group's securities portfolio represented 13.3 per cent. and 6.6 per cent. of total interest income in the years ended December 31, 2010 and 2009, respectively. Interest income on the Group's securities portfolio increased by 94.6 per cent. to RUB105.5 billion in 2010, from RUB54.2 billion in 2009. This year-on-year increase was mainly attributable to an increase in the volume of the Group's investments in debt securities. See "*—Financial Condition—Total Assets—Securities Portfolio*".

Interest Income Due from Other Banks

Interest income due from other banks (including correspondent accounts with other banks) represented 0.7 per cent. of total interest income in the six months ended June 30, 2012, compared with 1.0 per cent. in the same period in 2011. Interest income due from other banks decreased by 17.5 per cent. to RUB3.3 billion for the six months ended June 30, 2012, compared to RUB4.0 billion for the six months ended June 30, 2011, primarily due to a decrease in interest rates on interbank borrowings.

Interest income due from other banks was 0.8 per cent. of total interest income for the year ended December 31, 2011, compared to 1.0 per cent. in 2010. Interest income due from other banks decreased by 13.6 per cent. to RUB7.0 billion for the year ended December 31, 2011, compared to RUB8.1 billion in 2010, primarily due to a decrease in interest rates on interbank borrowings.

Interest income due from other banks represented 1.0 per cent. and 1.0 per cent. of total interest income for the years ended December 31, 2010 and 2009, respectively, unchanged at RUB8.1 billion in 2010 and 2009.

Interest Expense

The Group's total interest expense (including expenses directly attributable to deposit insurance) for the six months ended June 30, 2012 increased 37.8 per cent. to RUB196.6 billion, compared to RUB142.7 billion for the six months ended June 30, 2011. Total interest expense decreased by 8.5 per cent. for the year ended December 31, 2011, to RUB289.6 billion, from RUB316.5 billion in 2010. The following table sets forth the principal components of the Group's interest expense for the periods indicated:

	For the six months ended June 30, (Unaudited)				*For the year ended December 31,*					
	2012		*2011*		*2011*		*2010*		*2009*	
	billions of RUB	*% of total*	*billion s of RUB*	*% of total*	*billions of RUB*	*% of total*	*billion s of RUB*	*% of total*	*billion s of RUB*	*% of total*
Term deposits of individuals	109.7	59.2%	95.8	72.0%	186.2	69.1%	213.4	71.2%	186.4	59.7%
Term deposits of legal entities	26.1	14.1%	11.2	8.4%	26.0	9.7%	29.8	9.9%	46.2	14.8%
Subordinated debt	10.1	5.5%	9.6	7.2%	19.5	7.2%	28.2	9.4%	41.2	13.2%
Current/settlement accounts of legal entities	8.0	4.3%	5.1	3.8%	10.5	3.9%	9.1	3.0%	11.4	3.7%
Debt securities in issue	8.9	4.8%	6.2	4.7%	12.8	4.7%	13.3	4.5%	12.3	4.0%
Other borrowed funds	2.9	1.6%	1.9	1.4%	4.2	1.6%	1.6	0.5%	2.3	0.7%
Current/demand accounts of individuals	3.7	2.0%	2.0	1.5%	4.7	1.7%	2.6	0.9%	1.4	0.4%
Term placements of other banks	15.2	8.2%	1.0	0.8%	5.0	1.9%	1.4	0.5%	10.4	3.3%
Correspondent accounts of other banks	0.6	0.3%	0.2	0.2%	0.6	0.2%	0.4	0.1%	0.6	0.2%
Interest expense	**185.2**	**100%**	**133.0**	**100%**	**269.5**	**100%**	**299.8**	**100%**	**312.2**	**100%**
Expenses directly attributable to deposit insurance	**11.4**		**9.7**		**20.1**		**16.7**		**13.1**	
Total interest expense	**196.6**		**142.7**		**289.6**		**316.5**		**325.3**	
Average yield on interest-bearing liabilities[(1)]	**3.9%**	—	**3.8%**	—	**3.6%**	—	**4.7%**	—	**5.5%**	—

(1) Calculated and expressed as the ratio of total interest expense to average interest-bearing liabilities. See "*Selected Statistical Information*".

The overall increase in the Group's interest expenses in the six months ended June 30, 2012 mainly resulted from an increase in interest expense on term deposits of individuals of 14.5 per cent. to RUB109.7 billion, compared to RUB95.8 billion for the six months ended June 30, 2011; an increase in interest expense on term deposits of legal entities of 133.0 per cent., to RUB26.1 billion in the six months ended June 30, 2012, compared to RUB11.2 billion for the six months ended June 30, 2011; and an increase of RUB14.2 billion in interest expense on term placements of other banks for the six months ended June 30, 2012. The average interest rate on interest-bearing liabilities was 3.9 per cent. in the first six months of 2012, compared to 3.8 per cent. in the six months ended June 30, 2011.

The overall decrease in the Group's interest expenses in 2011 resulted mainly from a decrease in interest expense on term deposits of individuals by 12.7 per cent. to RUB186.2 billion, from RUB213.4 billion, a decrease in interest expense on term deposits of legal entities by 12.8 per cent. to RUB26.0 billion, from RUB29.8 billion, and a decrease in interest expense on subordinated debt by 30.9 per cent. to RUB19.5 billion, from RUB28.2

billion. The average interest rate on interest-bearing liabilities decreased to 3.6 per cent. in 2011, from 4.7 per cent. in 2010.

Total interest expense was RUB316.5 billion and RUB325.3 billion in 2010 and 2009, respectively. The decrease of RUB8.8 billion, or 2.7 per cent., in 2010 was primarily due to a decrease in term deposits of legal entities, subordinated debt and term placements of other banks, partially offset by an increase in term deposits of individuals.

Interest Expense on Customer Deposits

Interest expense on customer deposits (including, for this purpose, both term deposits of individuals and term deposits of legal entities and expenses directly attributable to deposit insurance) was the largest component of the Group's total interest expense in the periods covered by the IFRS Financial Statements, representing 74.7 per cent. of total interest expense for the six months ended June 30, 2012, compared to 81.6 per cent. for the six months ended June 30, 2011 and 80.0 per cent. for the year ended December 31, 2011. Interest expense on customer deposits represented 82.1 per cent. and 75.5 per cent. of total interest expense for the years ended December 31, 2010 and 2009, respectively.

Interest expense on customer deposits increased by 26.0 per cent. to RUB146.8 billion for the six months ended June 30, 2012, compared to RUB116.5 billion for the same period in 2011, as a result of rising interest rates on bank deposits in the deposit market in 2012.

Interest expense on customer deposits decreased by 10.7 per cent. to RUB231.8 billion in 2011, from RUB259.7 billion in 2010, as a result of a decrease in the cost of funding associated with the Group's interest-bearing liabilities, partly offset by an increase in the volume of term deposits by individuals.

Interest expense on customer deposits increased by 5.7 per cent. to RUB259.7 billion in 2010 from 245.6 billion in 2009. The increase in 2010 was the result of an increase in the volume of the Group's customer deposits during the year (see "*—Financial Condition—Total Liabilities—Due to Individuals*" and "*—Financial Condition—Total Liabilities—Due to Corporate Customers*"), partly offset by a decrease in the cost of customer deposits, as demonstrated by the interest expense on term deposits of legal entities, which decreased from RUB46.2 billion in 2009 to RUB29.8 billion in 2010 notwithstanding a 10.0 per cent. increase in the Group's due to corporate customers in the same period from RUB1,651.6 billion to RUB1,816.7 billion, due to the expansion of the Group's client business.

Interest Expense on Subordinated Debt

Interest expense on subordinated debt represented 5.1 per cent. of total interest expense for the six months ended June 30, 2012, compared to 6.7 per cent. in the same period in 2011. Interest expense on subordinated debt increased by 5.2 per cent., to RUB10.1 billion in the six months ended June 30, 2012, from RUB9.6 billion in the same period in 2011, mainly due to an increase in subordinated debt issued by subsidiaries of Sberbank**.**

Interest expense on subordinated debt represented 6.7 per cent. of total interest expense for the year ended December 31, 2011 compared to 8.9 per cent. in 2010. Interest expense on subordinated debt decreased by 30.9 per cent., to RUB19.5 billion in 2011, from RUB28.2 billion in 2010, mainly due to the repayment of RUB200.0 billion of subordinated debt by the Group in May 2010 and the reduction of the interest rate on the subordinated loan borrowed from the CBR to 6.5 per cent. in July 2010. See "*—Financial Condition—Total Liabilities—Subordinated Debt*".

Interest expense on subordinated debt represented 8.9 per cent. and 12.7 per cent. of total interest expense in the years ended December 31, 2010 and 2009, respectively. Interest expense on subordinated debt decreased by 31.6 per cent., to RUB28.2 billion in 2010, from RUB41.2 billion in 2009. The decrease in 2010 was due to the repayment by the Group in May 2010 of RUB200.0 billion of the RUB500.0 billion subordinated loan that Sberbank borrowed from the CBR in December 2008, together with the reduction of the interest rate on the subordinated loan from 8.0 per cent. to 6.5 per cent. in July 2010.

Interest Expense on Current/Settlement Accounts of Legal Entities and Other Borrowed Funds

Interest expense on current/settlement accounts of legal entities and other borrowed funds represented 5.5 per cent. of total interest expense in the six months ended June 30, 2012, compared to 4.9 per cent. in the same period in 2011. Interest expense on current/settlement accounts of legal entities and other borrowed funds increased by 55.7 per cent. to RUB10.9 billion in the six months ended June 30, 2012, from RUB7.0 billion in the same period in 2011, mainly due to an increase in other borrowed funds and current/settlement accounts balances. See "*—Financial Condition—Total Liabilities—Due to Corporate Customers*".

Interest expense on current/settlement accounts of legal entities and other borrowed funds represented 5.1 per cent. of total interest expense for the year ended December 31, 2011, compared to 3.4 per cent. in 2010. Interest expense on current/settlement accounts of legal entities and other borrowed funds increased by 37.4 per cent. to RUB14.7 billion in 2011, from RUB10.7 billion in 2010, mainly due to an increase in other borrowed funds balances. See "*—Financial Condition—Total Liabilities—Due to Corporate Customers*".

Interest expense on current/settlement accounts of legal entities and other borrowed funds represented 3.4 per cent. and 4.2 per cent. of total interest expense in the years ended December 31, 2010 and 2009, respectively. Interest expense on current/settlement accounts of legal entities and other borrowed funds decreased by 21.9 per cent. to RUB10.7 billion in 2010 from RUB13.7 billion in 2009. This decrease was primarily a result of changes in interest rates offered by Sberbank on various products to legal entities.

Interest Expense on Debt Securities in Issue

Interest expense on debt securities in issue represented 4.5 per cent. of total interest expense in the six months ended June 30, 2012, compared to 4.3 per cent. in the same period in 2011. Interest expense on debt securities in issue increased 43.5 per cent., to RUB8.9 billion in the six months ended June 30, 2012, compared to RUB6.2 billion for the same period in 2011, due to an increase in balances of loan participation notes issued under the Programme.

Interest expense on debt securities in issue represented 4.4 per cent. of total interest expense for the year ended December 31, 2011 compared to 4.2 per cent. in 2010. Interest expense on debt securities in issue decreased by 3.8 per cent., to RUB12.8 billion in 2011, from RUB 13.3 billion in 2010, due to a decrease in interest rates paid on issued debt securities, which was partially offset by an increase in volume of such securities issued.

Interest expense on debt securities in issue represented 4.2 per cent. and 3.8 per cent. of total interest expense in the years ended December 31, 2010 and 2009, respectively. Interest expense on debt securities in issue increased by 8.1 per cent. to RUB13.3 billion in 2010 from RUB12.3 billion in 2009. The increase in interest expense on debt securities in issue in 2010 was driven by increases in the volumes of debt securities issued by the Group. See "*—Financial Condition—Total Liabilities—Debt Securities in Issue*".

The average annual interest rate on debt securities was 2.4 per cent. for the six months ended June 30, 2012, compared to 4.8 per cent., 6.0 per cent. and 7.1 per cent. for the years ended December 31, 2011, 2010 and 2009, respectively. This was mainly due to increases in interest rates generally in 2009 resulting from the global financial crisis and a reduction in debt securities interest rates in 2010 that continued through 2011 and into the six months ended June 30, 2012.

Net Interest Income

Net interest income has historically been the largest component of the Group's operating income.

The following table sets forth the Group's net interest income before recovery of provision/provision charge for loan impairment for the periods indicated.

	For the six months ended June 30, (Unaudited)		**For the year ended December 31,**		
	2012	**2011**	**2011**	**2010**	**2009**
	billions of RUB				
Interest income	520.8	401.9	850.6	795.6	815.0
Interest expense	(185.2)	(133.0)	(269.5)	(299.8)	(312.2)
Expenses directly attributable to deposit insurance	(11.4)	(9.7)	(20.1)	(16.7)	(13.1)
Net interest income before recovery of provision/provision charge for loan impairment	**324.2**	**259.2**	**561.0**	**479.1**	**489.7**
Net interest margin(1)	**6.0%**	**6.2%**	**6.4%**	**6.4%**	**7.6%**

(1) Calculated and expressed as the ratio of net interest income before provision to average interest-earning assets. See "*Selected Statistical Information*".

For the six months ended June 30, 2012, net interest income before recovery of provision/provision charge for loan impairment increased 25.1 per cent., to RUB324.2 billion, compared to RUB259.2 billion for the same period in 2011, driven by growth in interest-earning assets and their composition.

For the year ended December 31, 2011, net interest income before recovery of provision/provision charge for loan impairment increased 17.1 per cent. to RUB561.0 billion from RUB479.1 billion in 2010, as interest income increased, driven by growth in interest-earning assets and their composition.

In 2010, net interest income before recovery of provision/provision charge for loan impairment fell to RUB479.1 billion, representing a 2.2 per cent. decrease from RUB489.7 billion in 2009. This fluctuation was mostly as a consequence of a change in the Group's net interest margin and the volume of its interest-earning assets and interest-bearing liabilities.

Net Interest Margin

Net interest margin represents the ratio of net interest income before provision to average interest-earning assets.

The Group's net interest margin was 6.0 per cent. in the six months ended June 30, 2012, a slight decrease compared to 6.2 per cent. in the six months ended June 30, 2011.

The Group's net interest margin was unchanged at 6.4 per cent. for the years ended December 31, 2011 and 2010.

The Group's net interest margin decreased to 6.4 per cent. for the year ended December 31, 2010, from 7.6 per cent. for the year ended December 31, 2009, which reflected the interest rates that Sberbank could charge on its loans and advances to customers and other interest-earning assets declining at a faster pace, in response to declining market rates, than the interest rates payable on Sberbank's deposits, which require more time to adjust as term deposits, in which customers have invested during a higher interest rate environment, take time to roll over.

Net Recovery of Provision/(Net Provision Charge) for Loan Impairment

Net recovery of provision/net provision charge for loan impairment represents provision charges or recoveries of provisions made for loans and advances to customers. The following tables set forth the breakdown of the Group's net recovery of provision/net provision charge for loan impairment during the periods indicated.

	For the six months ended June 30, (Unaudited)		**For the year ended December 31,**		
	2012	**2011**	**2011**	**2010**	**2009**
			billions of RUB		
Commercial loans to legal entities	(23.5)	2.6	(10.7)	(118.9)	(147.1)
Specialised loans to legal entities	26.7	21.4	15.8	(35.9)	(212.4)
Consumer and other loans to individuals	(2.9)	(1.1)	(3.0)	1.1	(10.0)
Mortgage loans to individuals	0.4	(0.8)	(1.1)	(0.8)	(16.6)
Car loans to individuals	0.4	0.1	0.2	0.7	(2.8)
Total net recovery of provision/(net provision charge) for loan impairment	**1.1**	**22.2**	**1.2**	**(153.8)**	**(388.9)**

The Group recognised a net recovery of provision for loan impairment of RUB1.1 billion in the six months ended June 30, 2012, compared with RUB22.2 billion in the same period in 2011, as a result of an improvement in the quality of the Group's loan portfolio and the repayment/disposal of a number of non-performing loans.

The Group recognised a net recovery of provision for loan impairment of RUB1.2 billion for the year ended December 31, 2011, compared with a RUB153.8 billion net provision charge for loan impairment for the year ended December 31, 2010, as a result of an improvement in the quality of the Group's loan portfolio and the repayment/disposal of a number of non-performing loans.

The Group's net provision charge for loan impairment decreased by 60.5 per cent. to RUB153.8 billion for the year ended December 31, 2010, from RUB388.9 billion for the year ended December 31, 2009, as a result of the stabilisation of the quality of the Group's loan portfolio.

Net Fee and Commission Income

The following table sets forth the components of the Group's net fee and commission income for the periods indicated.

	For the six months ended June 30, (Unaudited)				For the year ended December 31,					
	2012		2011		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Cash and settlements transactions with individuals	22.1	25.9%	20.8	30.2%	41.5	27.3%	41.8	31.9%	34.4	32.5%
Plastic cards operations	21.7	25.4%	13.9	20.2%	35.1	23.1%	23.6	18.0%	17.7	16.7%
Cash and settlements transactions with legal entities	21.5	25.2%	19.4	28.2%	42.5	28.0%	40.6	31.0%	36.9	34.9%
Agent commissions on selling insurance contracts	8.8	10.3%	6.3	9.2%	14.0	9.2%	9.5	7.3%	0.5	0.5%
Guarantees issued	3.1	3.6%	1.6	2.3%	4.4	2.9%	2.7	2.1%	1.9	1.8%
Operations with foreign currencies	3.0	3.5%	3.0	4.4%	6.5	4.3%	5.9	4.5%	7.9	7.5%
Cash collection	2.3	2.7%	2.2	3.2%	4.7	3.1%	4.4	3.4%	4.1	3.9%
Transactions with securities	1.2	1.4%	0.5	0.7%	1.1	0.7%	1.1	0.8%	1.4	1.3%
Other	1.6	2.0%	1.1	1.6%	2.1	1.4%	1.3	1.0%	0.9	0.9%
Total fee and commission income	**85.3**	**100%**	**68.8**	**100%**	**151.9**	**100%**	**130.9**	**100%**	**105.7**	**100%**
Settlement transactions	(4.8)	68.6%	(3.1)	65.9%	(7.6)	67.3%	(5.4)	72.9%	(3.7)	80.5%
Operations with foreign currencies	(0.2)	2.9%	(0.2)	4.3%	(0.4)	3.5%	(0.1)	1.4%	(0.2)	4.3%
Cash collection	(0.1)	1.4%	(0.1)	2.1%	(0.3)	2.7%	(0.3)	4.1%	(0.2)	4.3%
Other	(1.9)	27.1%	(1.3)	27.7%	(3.0)	26.5%	(1.6)	21.6%	(0.5)	10.9%
Total fee and commission expense	**(7.0)**	**100%**	**(4.7)**	**100%**	**(11.3)**	**100%**	**(7.4)**	**100%**	**(4.6)**	**100%**
Net fee and commission income	**78.3**	—	**64.1**	—	**140.6**	—	**123.5**	—	**101.1**	—

The Group's net fee and commission income increased by 22.2 per cent. to RUB78.3 billion for the six months ended June 30, 2012, from RUB64.1 billion in the same period of 2011. This increase was primarily attributable to the increase in the volume of the Group's plastic card operations and agent commissions on selling insurance contracts, which, taken in the aggregate, represented 35.7 per cent. and 29.4 per cent. of the Group's gross fee and commission income for the six months ended June, 2012 and 2011, respectively. The increase was a result of Sberbank's strategic effort to promote its new plastic card and other fee-generating activities. See "*Business – Russian Banking Services and Activities—Retail Banking Products and Services.*"

The Group's net fee and commission income increased by 13.8 per cent. to RUB140.6 billion for the year ended December 31, 2011, from RUB123.5 billion in 2010. This increase was primarily attributable to the increase in the volume of the Group's plastic card operations and agent commissions on selling insurance contracts, which, taken in the aggregate, represented 32.3 per cent. and 25.2 per cent. of the Group's gross fee and commission income for the years ended December 31, 2011 and 2010, respectively. The increase was a result of Sberbank's strategic effort to promote its new plastic card and other fee-generating activities. See "*Business – Russian Banking Services and Activities—Retail Banking Products and Services.*"

During the years ended December 31, 2010 and 2009, net fee and commission income was the largest component of the Group's non-interest income, amounting to RUB123.5 billion and RUB101.1 billion for the respective periods. The year-on-year increases were attributable to the continued expansion of the Group's business, as well as the Group's development of its plastic cards operations, settlement transactions and agent commissions on selling insurance contracts.

Net Gains Arising from Operations with Securities (Including Trading Securities, Securities Designated at Fair Value through Profit or Loss and Investment Securities Available for Sale)

The Group analyses these line items in the aggregate as it believes that it reflects the overall position for the Group's operations with securities, rather than analysing each line item separately.

For the six months ended June 30, 2012, the Group's gains from operations with securities decreased to RUB3.6 billion compared to RUB7.3 billion for the same period in 2011. This decrease was due to a smaller net gain arising from investment securities available for sale in the normal course of business in the six months ended June 30, 2012 of RUB4.2 billion, compared with RUB 8.5 billion for the same period of 2011, as well as a RUB1.8 billion net loss arising from trading securities for the six months ended June 30, 2012, compared to a net gain of RUB0.1 billion for the same period in 2011, partly offset by a RUB1.2 billion net gain arising from securities designated at fair value through profit or loss, compared with a RUB1.3 billion net loss for the same period in 2011. Hedging gains made concurrent with the losses from the trading portfolio in the six months ended June 30, 2012 were reflected as gains arising from operations with other derivatives.

For the year ended December 31, 2011, the Group's gains from operations with securities decreased to RUB7.9 billion from RUB24.0 billion for the year ended December 31, 2010. This decrease was due to a RUB2.8 billion net loss arising from securities designated at fair value through profit or loss, compared with a net gain of RUB9.6 billion in 2010, as well as a net loss of RUB1.4 billion arising from trading securities for the year ended December 31, 2011, compared to a net gain of RUB4.8 billion in 2010, partly offset by a RUB12.1 billion net gain arising from investment securities available for sale, compared with a RUB9.6 billion net gain in 2010. The overall decrease in gains from operations with securities was largely caused by the volatility in the financial markets in 2011, compared to 2010.

For the year ended December 31, 2010, the Group's gains from operations with securities decreased by 36.8 per cent. to RUB24.0 billion, compared with RUB38.0 billion for the year ended December 31, 2009. The decrease in 2010 was due to a decrease in net gains arising from trading securities and net gains arising from investment securities available for sale, due to the stabilisation of Russian securities markets following the global financial crisis, partly offset by an increase in net gains arising from securities designated at fair value through profit or loss as a result of the Group stopping marking certain equity securities to model following the recovery of the relevant industries after the global financial crisis.

The Group tests for impairment its entire portfolio of investment securities available for sale, including securities with speculative ratings. Impairment losses are recognised through profit or loss when incurred as a result of one or more loss events, which have occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its price is an indicator that the security has been impaired. According to the Group's assessment, there was impairment of investment securities available for sale for the year ended December 31, 2011 of RUB1.1 billion; the Group also recognised impairment of RUB0.04 billion and RUB2.3 billion for the years ended December 31, 2010 and 2009, respectively.

Net Gains Arising from Trading in Foreign Currencies, Operations with Foreign Currency Derivatives and Foreign Exchange Translation

The following table sets forth the Group's net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation for the periods indicated.

	For the six months ended June 30, (Unaudited)		For the year ended December 31,		
	2012	2011	2011	2010	2009
			billions of RUB		
Net gains arising from trading in foreign currencies	0.5	2.8	5.5	8.1	13.0
Net foreign exchange translation gains/(losses)	6.0	(25.3)	1.4	15.2	15.3
Net (losses)/gains from operations with foreign currency derivatives	(5.1)	26.2	2.6	(9.2)	(12.1)
Total net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	**1.4**	**3.7**	**9.5**	**14.1**	**16.2**

The Group analyses these line items in the aggregate as it believes that it reflects the overall position for the Group's operations relating to foreign currency. Gains/losses arising on the Group's operations with foreign currency derivatives should be analyzed together with foreign exchange translation gains/losses. Derivatives are mostly used by the Group to manage its market and liquidity risks. In the normal course of business, the Group enters into currency swap transactions, which combine an initial spot deal and subsequent reverse forward deal. The initial spot deal is an on-balance sheet transaction and is revalued as an open currency position following a change in foreign exchange rates. The financial results are recognised in profit and loss as translation gains minus losses. The revaluation of the reverse forward deal is reflected as gains minus losses from foreign currency derivatives. Consequently, gains and losses arising from the revaluation of reverse forward deals of currency swap transactions largely are offset by matching gains and losses on the spot deal.

For the six months ended June 30, 2012, the Group's recorded net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation of RUB1.4 billion, compared to RUB3.7 billion in the six months ended June 30, 2011, primarily due to a net loss of RUB5.1 billion in operations with foreign currency derivatives, compared to a RUB26.2 billion gain in the same period of 2011, partially offset by a net foreign exchange translation gain of RUB6.0 billion, compared with a net loss of RUB25.3 billion in the same period of 2011, due to fluctuations in foreign currencies commensurate with market volatility during the period.

For the year ended December 31, 2011, the Group's net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation decreased by 32.6 per cent. to RUB9.5 billion, compared with RUB14.1 billion for 2010, primarily due to a decrease in net foreign exchange translation gains due to fluctuations in foreign currencies commensurate with market volatility during the period.

The Group's net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation decreased by 13.0 per cent. to RUB14.1 billion for the year ended December 31, 2010, compared with RUB16.2 billion for the year ended December 31, 2009, primarily due to a decrease in gains arising from trading in foreign currencies following the stabilisation of the Russian economic environment after the global financial crisis.

Net Losses from Revaluation of Office Premises

The Group regularly reviews the carrying value of its premises to determine fair value. As a result of its review in 2011, the Group recognised a positive revaluation of office premises as a gain in the Group's consolidated statement of comprehensive income for the year ended December 31, 2011 of RUB 29.6 billion net of taxes, as well as a negative revaluation of RUB 11.3 billion in the consolidated income statement for the same reporting period. See Note 3 and Note 14 to the 2011 Annual IFRS Financial Statements. In 2009, in its consolidated income statement, the Group recognised a negative revaluation of RUB15.0 billion, which was recognised as a result of a general decrease in property prices during the global financial crisis. The Group did not perform any revaluation of premises in the six months ended June 30, 2012 as the carrying value of the Group's office premises did not differ from their fair market value.

Operating Expenses

The Group's operating expenses increased 32.2 per cent. for the six months ended June 30, 2012, to RUB205.3 billion, compared to RUB155.3 billion for the same period in 2011. The Group's operating expenses increased 31.0 per cent. for the year ended December 31, 2011, to RUB348.3 billion, from RUB265.9 billion in 2010.

The Group's ratio of operating expenses divided by operating income, excluding net recovery of provision/net provision charge for loan impairment, was 47.6 per cent. for the six months ended June 30, 2012 and 44.1 per cent. for the same period of 2011, and 46.9 per cent., 40.9 per cent. and 34.0 per cent. for the years ended December 31, 2011, 2010 and 2009, respectively. The increase in these ratios was driven by an increase in staff costs in 2011 and increased investments in various projects in furtherance of Sberbank's strategic goals. See "*Business – Strategy and Strategic Goals.*" The following table sets forth the principal components of the Group's operating expenses for the periods indicated.

	For the six months ended June 30, (Unaudited)				For the year ended December 31,					
	2012		2011		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Staff costs	118.7	57.8%	98.6	63.5%	203.8	58.5%	161.2	60.6%	128.6	59.5%
Depreciation of premises and equipment	27.9	13.6%	19.7	12.7%	43.6	12.5%	32.4	12.2%	28.6	13.2%
Repairs and maintenance of premises and equipment(1)	11.7	5.7%	9.6	6.2%	24.8	7.1%	19.8	7.5%	17.2	8.0%
Administrative expenses(1)	11.4	5.5%	8.3	5.3%	22.5	6.5%	14.2	5.3%	11.6	5.4%
Taxes other than on income	7.9	3.8%	5.0	3.2%	11.7	3.4%	12.5	4.7%	10.3	4.8%
Operating lease expense for premises and equipment	6.5	3.2%	4.5	2.9%	10.4	3.0%	8.6	3.2%	7.0	3.2%
Telecommunication expenses(1)	4.9	2.4%	3.5	2.3%	10.8	3.1%	8.2	3.1%	6.1	2.8%
Advertising and marketing services	3.7	1.8%	1.3	0.8%	5.1	1.5%	2.9	1.1%	2.2	1.0%
Consulting and assurance services	1.6	0.8%	0.6	0.4%	3.5	1.0%	1.8	0.7%	1.4	0.6%
Other	11.0	5.4%	4.2	2.7%	12.1	3.4%	4.3	1.6%	3.2	1.5%
Total operating expenses	**205.3**	**100%**	**155.3**	**100%**	**348.3**	**100%**	**265.9**	**100%**	**216.2**	**100%**

(1) For the purposes of more detailed presentation of operating expenses, certain operating expenses for the years ended December 31, 2009 were reclassified as of December 31, 2010 to conform to the presentation of the current year amounts. See "—*Significant Accounting Policies*"

Staff Costs

Staff costs represent the largest single component of the Group's operating expenses. Staff costs increased 20.4 per cent. for the six months ended June 30, 2012, to RUB118.7 billion (including social tax expenses), compared with RUB98.6 billion for the same period in 2011, as a result of continuing investments in personnel and the consolidation of VBI and Troika Dialog.

Staff costs increased 26.4 per cent. for the year ended December 31, 2011, to RUB203.8 billion (including social tax expenses), from RUB161.2 billion in 2010, as a result of the introduction of new compensation measures for employees, which resulted in an increase *in rem*uneration of personnel in the second half of 2010. See "*Business—Employees.*"

The number of the Group's employees as of June 30, 2012 was 261,105. The number of the Group's employees as at December 31, 2011 was 266,187, a 1.3 per cent. increase from December 31, 2010. The number of the Group's employees as at December 31, 2010 of 262,779 was 1,240, or 0.5 per cent., higher than as at December 31, 2009, when the actual number of employees was 261,539. However, the Group's staff costs increased by 25.3 per cent., to RUB161.2 billion for the year ended December 31, 2010, from RUB128.6 billion for the year ended December 31, 2009, which reflected an increase in Sberbank's compensation levels, driven by the need to remain competitive with peers after keeping compensation largely flat during the global financial crisis.

Depreciation of Premises and Equipment

Depreciation of office premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. Depreciation of premises and equipment increased by 41.6 per cent. to RUB27.9 billion for the six months ended June 30, 2012, compared with RUB19.7 billion for the same period of 2011, reflecting an increase in investment by Sberbank in premises and equipment.

Depreciation of premises and equipment increased by 34.6 per cent. to RUB43.6 billion for the year ended December 31, 2011, compared with RUB32.4 billion for 2010, reflecting an increase in investment by Sberbank in premises and equipment.

Depreciation of premises and equipment increased by 13.3 per cent. to RUB32.4 billion for the year ended December 31, 2010, from RUB28.6 billion for the year ended December 31, 2009. The increases were primarily driven by the Group's additions of office and computer equipment during the relevant periods. Under the Group's accounting policy, office premises are carried in the financial statements at revalued amounts, and the Group regularly reviews the carrying value of its premises to determine fair value.

Income Tax Expense

Income tax expense comprises the Group's current income tax charge and changes in deferred income tax. Taxes other than income taxes, such as property tax, are recorded within staff costs and administrative expenses. The following table sets forth the components of the Group's income tax expense for the periods indicated.

	For the six months ended June 30, (Unaudited)		**For the year ended December 31,**		
	2012	**2011**	**2011**	**2010**	**2009**
			billions of RUB		
Current tax	47.9	43.0	75.8	50.6	17.6
Deferred tax	6.1	(1.3)	3.3	4.1	(8.2)
Less: Deferred tax recognised in other comprehensive income	(1.8)	1.0	0.7	(6.2)	(3.9)
Income tax expense	**52.2**	**42.7**	**79.8**	**48.5**	**5.5**

The Group's income tax expense for the six months ended June 30, 2012 increased 22.2 per cent., to RUB52.2 billion, compared to RUB42.7 billion for the same period in 2011, due to a 4.0 per cent. increase in the Group's profit before tax to RUB227.5 billion for the six months ended June, 2012, compared to RUB218.8 billion for the same period in 2011, as well as an increase in tax expense at one of the Group's subsidiaries.

The Group's income tax expense increased by 64.5 per cent. to RUB79.8 billion for the year ended December 31, 2011, from RUB48.5 billion for the year ended December 31, 2010, due to a 72.0 per cent. increase in the Group's profit before tax to RUB395.7 billion for the year ended December 31, 2011, from RUB230.1 billion in 2010.

From January 1, 2009, the income tax rate applicable to the majority of the Group's income was 20 per cent.

The Group's effective tax rate was 22.9 per cent. for the six months ended June 30, 2012, and 20.2 per cent. for the year ended December 31, 2011. The Group's effective tax rate was 21.1 per cent. and 18.4 per cent. in 2010 and 2009, respectively. The increase in the Group's effective tax rate in 2010 compared to 2009 was due to an increase in the volume of operating income that the Group derived from jurisdictions outside Russia and the impact of such income being taxed at different rates.

Other Operating Income

Other operating income for the six months ended June 30, 2012 decreased 12.0 per cent., to RUB15.4 billion, compared to RUB17.5 billion for the same period in 2011, due to bargain purchase gains related to acquisitions made at less than fair market value of assets of RUB1.9 billion recorded in the first half of 2011. Other operating income increased by 106.4 per cent. to RUB29.1 billion for the year ended December 31, 2011 compared to the year ended December 31, 2010. This increase in 2011 was mainly driven by an increase in revenue of the non-banking subsidiaries of the Group following the overall economic recovery after the crisis.

Financial Condition

The following discussion of the Group's assets and liabilities should be read in conjunction with "Risk Management" and, in particular, with the data provided under "Risk Management—Credit Risk Management", "Risk Management—Market Risk Management", and "Risk Management—Liquidity Risk".

Total Assets

As of June 30, 2012, the Group had total assets of RUB12,433.8 billion, compared to RUB10,835.1 billion as of December 31, 2011. The increase in total assets by RUB1,598.7 billion, or 14.8 per cent., primarily reflected an increase of RUB1,141.8 billion, or 14.8 per cent., in loans and advances to customers and a RUB307.7 billion, or 49.2 per cent. increase, in cash and cash equivalents.

As of December 31, 2011, the Group had total assets of RUB10,835.1 billion (including those of Troika Dialog, consolidated for the first time in the Group's balance sheet), compared to RUB8,628.5 billion and RUB7,105.1 billion as of December 31, 2010 and 2009, respectively. The increase in total assets by RUB2,206.6 billion, or 25.6 per cent., during 2011 primarily reflected a RUB2,230.3 billion, or 40.6 per cent., increase in loans and advances to customers net of provision for loan impairment during the year, which was partially offset by a RUB289.6 billion, or 22.6 per cent., decrease in investment securities available for sale.

The increase in total assets by RUB1,523.4 billion, or 21.4 per cent., during 2010 reflected a RUB625.4 billion, or 12.9 per cent., increase in the Group's loans and advances to customers net of provision for loan impairment during the year to RUB5,489.4 billion from RUB4,864.0 billion as of December 31, 2009, as well as a RUB759.6 billion, or 71.4 per cent., increase in the Group's investments in securities and a RUB90.0 billion, or 60.0 per cent., increase in other assets, all of which was partly offset by a reduction in cash and cash equivalents.

The following table sets forth the principal components of the Group's total assets as of the dates set forth below.

	As of June 30, (Unaudited)		As of December 31,					
	2012		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Cash and cash equivalents	933.3	7.5%	625.6	5.8%	719.6	8.3%	725.5	10.2%
Mandatory cash balances with central banks	125.2	1.0%	101.2	0.9%	51.7	0.6%	41.5	0.6%
Trading securities	80.8	0.6%	102.0	0.9%	66.2	0.8%	91.0	1.3%
Securities designated at fair value through profit or loss	28.5	0.2%	52.0	0.5%	106.9	1.2%	124.4	1.8%
Due from other banks	56.8	0.5%	35.1	0.3%	13.0	0.2%	10.2	0.1%
Loans and advances to customers	8,861.5	71.3%	7,719.7	71.3%	5,489.4	63.6%	4,864.0	68.5%
Securities pledged under repurchase agreements	564.3	4.5%	300.8	2.8%	81.5	0.9%	2.7	0.0%
Investment securities available for sale	819.0	6.6%	884.5	8.2%	1,210.9	14.0%	846.0	11.9%
Investment securities held to maturity	147.8	1.2%	286.5	2.6%	358.2	4.2%	—	—
Deferred income tax asset	1.2	0.0%	7.8	0.1%	7.5	0.1%	—	—
Premises and equipment	393.9	3.2%	359.9	3.3%	283.7	3.3%	249.9	3.5%
Other assets	421.5	3.4%	360.0	3.3%	239.9	2.8%	149.9	2.1%

	As of June 30, (Unaudited)		As of December 31,					
	2012		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Total assets	**12,433.8**	**100%**	**10,835.1**	**100%**	**8,628.5**	**100%**	**7,105.1**	**100%**

Cash and Cash Equivalents

Cash and cash equivalents represent items that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value. The following table sets forth the components of the Group's cash and cash equivalents as of the dates indicated:

	As of June 30, (Unaudited)		As of December 31,					
	2012		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Cash on hand	384.8	41.2%	438.7	70.1%	298.0	41.4%	240.6	33.2%
Cash balances with the CBR (other than mandatory reserve deposits)	112.4	12.0%	51.3	8.2%	77.4	10.8%	70.0	9.6%
Correspondent accounts and placements with other banks with original maturities up to 30 days:								
Russian Federation	79.8	8.6%	25.3	4.0%	142.4	19.8%	280.8	38.7%
Other countries	331.3	35.5%	88.6	14.2%	167.3	23.2%	107.5	14.8%
Reverse-repo agreements with original maturities up to 30 days	25.0	2.7%	21.7	3.5%	34.5	4.8%	26.6	3.7%
Total cash and cash equivalents	**933.3**	**100%**	**625.6**	**100%**	**719.6**	**100%**	**725.5**	**100%**

Cash and cash equivalents increased by 49.2 per cent., to RUB933.3 billion as of June 30, 2012, from RUB625.6 billion as of December 31, 2011, primarily due to an increase of RUB242.7 billion, or 273.9 per cent., in correspondent accounts and placements with other banks located in other countries, from RUB88.6 billion as of December 31, 2011 to RUB331.3 billion as of June 30, 2012.

Cash and cash equivalents decreased by 13.1 per cent. to RUB625.6 billion as of December 31, 2011, from RUB719.6 billion as of December 31, 2010, primarily due a decrease in correspondent accounts and placements with other banks with original maturities up to 30 days in the Russian Federation and other countries by RUB 195.8 billion, or 63.2 per cent.

In 2010, cash and cash equivalents decreased by 0.8 per cent. to RUB719.6 billion, from RUB725.5 billion as of December 31, 2009. The RUB5.9 billion decrease of cash and cash equivalents in 2010 was primarily attributable to a decrease in the Group's balances on correspondent accounts and placements with other banks with original maturities up to 30 days in the Russian Federation and other countries by RUB78.6 billion, which was partly offset by an increase in cash on hand, cash balances with the CBR and reverse-repo agreements with original maturities up to 30 days.

During the year ended December 31, 2011, cash on hand increased by 47.2 per cent. to RUB438.7 billion, from RUB298.0 billion as of December 31, 2010.

During the year ended December 31, 2011, cash balances with the CBR (other than mandatory reserve deposits) decreased by 33.7 per cent. to RUB51.3 billion, from RUB77.4 billion as of December 31, 2010, primarily due to the need for greater liquidity in light of increased lending.

The Group uses correspondent accounts and placements with other banks, mostly international banks and local central banks, as a liquidity and market risk management tool and, to a lesser degree, as a source of relatively low-risk income. The balance of correspondent accounts and placements with other banks with original maturities up to 30 days, gross, decreased by 63.2 per cent. to RUB113.9 billion as of December 31, 2011, from RUB309.7 billion as of December 31, 2010.

Securities Portfolio

The Group's securities portfolio comprised 13.2 per cent. of the Group's total assets as of June 30, 2012 and 15.0 per cent., 21.1 per cent. and 15.0 per cent. of the Group's total assets as of December 31, 2011, 2010 and 2009, respectively. The Group classifies its securities portfolio into four parts: trading securities, securities designated at fair value through profit or loss, investment securities available for sale and investment securities held to maturity.

The Group's securities portfolio consists mostly of high quality debt securities of investment grade issuers, including, among others, the Russian government, the CBR and major Russian corporate entities. Included within the Group's securities portfolio as of June 30, 2012 were securities worth RUB1,244.6 billion that are included in the CBR's list of securities eligible for repo transactions, which gives Sberbank the flexibility to seek liquidity from the CBR if required, but also reflects the fact that the securities can be relatively easily exchanged for cash in the relevant market.

The following table sets forth information relating to securities held in each of the four categories set forth below as of the dates indicated, with securities pledged under repurchase agreements classified according to the original portfolio in which they were included before being so pledged:

	As of June 30, (Unaudited)		As of December 31,					
	2012		**2011**		**2010**		**2009**	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Trading securities	126.4	7.7%	150.1	9.2%	78.4	4.3%	91.0	8.6%
Securities designated at fair value through profit or loss	35.8	2.2%	61.4	3.8%	106.9	5.9%	124.4	11.7%
Investment securities available for sale	1,062.9	64.8%	990.6	60.9%	1,280.2	70.2%	848.7	79.7%
Investment securities held to maturity	415.3	25.3%	423.7	26.1%	358.2	19.6%	—	—
Total securities portfolio	**1,640.4**	**100%**	**1,625.8**	**100%**	**1,823.7**	**100%**	**1,064.1**	**100%**

The Group's total securities portfolio increased by 0.9 per cent. to RUB1,640.4 billion as of June 30, 2012, from RUB1,625.8 billion as of December 31, 2011, mainly due to a RUB72.3 billion increase in investment securities available for sale which was partially offset by a decrease of RUB49.3 billion in trading securities and securities designated at fair value through profit or loss.

The Group's total securities portfolio decreased 10.9 per cent. to RUB1,625.8 billion as of December 31, 2011, from RUB1,823.7 billion as of December 31, 2010, mainly due to a RUB289.6 billion, or 22.6 per cent., decrease in investment securities available for sale.

The total securities portfolio increased significantly by 71.4 per cent. to RUB1,823.7 billion as of December 31, 2010, from RUB1,064.1 billion as of December 31, 2009. The growth of the Group's investment in securities in 2010 reflected the pace of growth of customer deposits exceeding that of the Group's loan portfolio.

Trading Securities

Trading securities are securities acquired for generating a profit from short-term fluctuations in price or a trader's margin, or securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period of time after purchase, *i.e.*, within six months. Trading securities include federal loan bonds, corporate bonds, municipal and sub-federal bonds, Russian Federation Eurobonds and a small portion of corporate shares.

The value of trading securities held by the Group decreased 15.8 per cent. to RUB126.4 billion as of June 30, 2012, compared to RUB150.1 billion as of December 31, 2011, reflecting primarily a RUB17.6 billion decrease in corporate bonds in the six months ended June 30, 2012.

The value of trading securities held by the Group increased 91.5 per cent. to RUB150.1 billion as of December 31, 2011, compared with RUB78.4 billion as of December 31, 2010, reflecting an increase in investments into corporate shares and bonds.

The value of trading securities held by the Group decreased by 13.8 per cent. to RUB78.4 billion as of December 31, 2010, from RUB91.0 billion as of December 31, 2009. The change was mainly attributable to a decrease in the Group's investments in corporate bonds and Russian Federation Eurobonds.

Securities Designated at Fair Value through Profit or Loss

Securities designated at fair value through profit or loss are securities designated (irrevocably) by the Group's management as such at the time of acquisition. In accordance with IFRS, the Group's management designates securities into this category only if a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with the Group's policy for securities portfolio classification, and information on that basis is regularly provided to and reviewed by the Group's key management.

The following table sets forth information relating to the Group's securities designated at fair value through profit or loss as of the dates indicated, with securities pledged under repurchase agreements classified according to the original portfolio in which they were included before being so pledged:

	As of June 30, (Unaudited)		As of December 31,					
	2012		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Federal loan bonds (OFZ bonds)	27.1	75.7%	38.6	62.9%	76.8	71.8%	94.3	75.8%
Corporate bonds	0.4	1.1%	—	—	4.6	4.3%	7.1	5.7%
Foreign government bonds	0.3	0.8%	0.2	0.3%	—	—	—	—
Municipal and sub-federal bonds	0.1	0.3%	0.1	0.2%	1.6	1.5%	3.9	3.1%
Total debt securities designated at fair value through profit or loss	**27.9**		**38.9**		**83.0**		**105.3**	
Corporate shares	7.9	22.1%	22.5	36.6%	23.9	22.4%	19.1	15.4%
Total securities designated at fair value through profit or loss	**35.8**	**100%**	**61.4**	**100%**	**106.9**	**100%**	**124.4**	**100%**

The value of securities designated at fair value through profit or loss held by the Group decreased by 41.7 per cent. to RUB35.8 billion as of June 30, 2012, compared with RUB61.4 billion as of December 31, 2011. The change was mainly attributable to a decrease in corporate shares from RUB22.5 billion as at December 31, 2011 to RUB7.9 billion as at June 30, 2012 and a decrease in OFZ bonds from RUB38.6 billion as at December 31, 2011 to RUB27.1 billion as at June 30, 2012.

The value of securities designated at fair value through profit or loss held by the Group decreased by 42.6 per cent. to RUB61.4 billion as of December 31, 2011, compared with RUB106.9 billion as of December 31, 2010. The change was mainly attributable to the redemption and sale of certain OFZ bonds held by the Group.

The value of securities designated at fair value through profit or loss held by the Group decreased by 14.1 per cent. to RUB106.9 billion as of December 31, 2010, from RUB124.4 billion as of December 31, 2009. The change was mainly attributable to the redemption of certain OFZ bonds held by the Group, which was partly offset by an increase in the Group's investments in corporate shares.

Investment Securities Available for Sale

Investment securities available for sale includes securities that the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale constitutes the largest component of the Group's total securities portfolio, representing 64.8 per cent. of the total securities portfolio as of June 30, 2012 and 60.9 per cent., 70.2 per cent. and 79.7 per cent. as of December 31, 2011, 2010 and 2009, respectively.

The following table sets forth information relating to the Group's investment securities available for sale as of the dates indicated, with securities pledged under repurchase agreements classified according to the original portfolio in which they were included before being so pledged:

	As of June 30, (Unaudited)	As of December 31,		
	2012	2011	2010	2009

	billions of RUB	% of total	billions of RUB	% of total	billions of RUB	% of total	billions of RUB	% of total
Bonds of the CBR	—	—	—	—	433.6	33.9%	221.1	26.1%
Federal loan bonds (OFZ bonds)	417.3	39.2%	436.4	44.0%	348.3	27.2%	213.5	25.2%
Corporate bonds	397.4	37.4%	351.1	35.4%	289.0	22.6%	244.7	28.8%
Russian Federation Eurobonds	105.0	9.9%	53.0	5.4%	52.0	4.1%	54.5	6.4%
Municipal and sub-federal bonds	43.5	4.1%	47.6	4.8%	50.2	3.9%	88.0	10.4%
Foreign government bonds	49.8	4.7%	22.3	2.3%	18.5	1.4%	7.0	0.8%
Total debt investment securities available for sale	1,013.0		**910.4**		**1,191.6**		**828.8**	
Corporate shares	49.9	4.7%	80.2	8.1%	88.6	6.9%	19.9	2.3%
Total investment securities available for sale	1,062.9	**100%**	**990.6**	**100%**	**1,280.2**	**100%**	**848.7**	**100%**

The value of investment securities available for sale held by the Group increased by 7.3 per cent. to RUB1,062.9 billion as of June 30, 2012, compared with RUB990.6 billion as of December 31, 2011, primarily due to an increase in corporate bonds and Russian Federation Eurobonds, which was partially offset by a decrease in holdings of OFZ bonds and corporate shares.

The value of investment securities available for sale held by the Group decreased by 22.6 per cent. to RUB990.6 billion as of December 31, 2011, compared with RUB1,280.2 billion as of December 31, 2010 chiefly due to the redemption of CBR bonds, which were offset in part by increases in investments in OFZ bonds and corporate bonds.

The value of investment securities available for sale held by the Group increased by 50.8 per cent. to RUB1,280.2 billion as of December 31, 2010, from RUB848.7 billion as of December 31, 2009. The change was mainly attributable to an increase in the Group's investments in CBR bonds, OFZ bonds, corporate shares and corporate bonds to utilise the Group's surplus in short-term Rouble liquidity due to deposit-taking increasing at a higher rate than lending activities in 2010, which was partly offset by a reduction in the Group's holding of municipal and sub-federal bonds.

The Group tests for impairment its entire portfolio of investment securities available for sale, including securities with speculative ratings. Impairment losses are recognised through profit or loss when incurred as a result of one or more loss events, which have occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its price is an indicator that the security has been impaired. According to the Group's assessment, there was impairment of investment securities available for sale as of December 31, 2011 of RUB1.1 billion; the Group also recognised impairment of RUB0.04 billion and RUB2.3 billion for the years ended December 31, 2010 and 2009, respectively.

Investment Securities Held to Maturity

Investment securities held to maturity include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition or upon reclassification from the available for sale category when the Group changes its expectations and has the ability to hold to maturity investment securities that had previously been classified as available for sale. In 2010, the Group changed its expectations regarding certain investments in federal and municipal bonds that had previously been classified as available for sale. Taking into account these changed expectations and the ability of the Group to hold the securities to maturity, these investments were reclassified from the available for sale category into the held to maturity category. Following the reclassification, the Group further extended its investments in investment securities held to maturity during 2010 through the acquisition of securities in the market.

The following table sets forth information relating to the Group's investment securities held to maturity as of the dates indicated, with securities pledged under repurchase agreements classified according to the original portfolio in which they were included before being so pledged:

	As of June 30, (Unaudited)		**As of December 31,**					
	2012		**2011**		**2010**		**2009**	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Federal loan bonds (OFZ bonds)	209.5	50.5%	211.1	49.8%	227.3	63.5%	—	—
Municipal and sub-federal bonds	72.0	17.3%	79.6	18.8%	86.1	24.0%	—	—
Corporate bonds	133.2	32.1%	130.9	30.9%	44.5	12.4%	—	—
Promissory notes	—	—	2.0	0.5%	—	—	—	—

	As of June 30, (Unaudited)		As of December 31,					
	2012		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Foreign government bonds	0.6	0.1%	0.1	0.0%	0.3	0.1%	—	—
Total investment securities held to maturity	**415.3**	**100%**	**423.7**	**100%**	**358.2**	**100%**	**—**	**—**
Estimated fair value of investment securities held to maturity	**406.9**		**415.0**		**357.1**		**—**	**—**

The value of investment securities held to maturity by the Group decreased by 2.0 per cent. to RUB415.3 billion as of June 30, 2012, compared with RUB423.7 billion as of December 31, 2011 due to a decrease in municipal and sub-federal bonds.

The value of investment securities held to maturity by the Group increased by 18.3 per cent. to RUB423.7 billion as of December 31, 2011, compared with RUB358.2 billion as of December 31, 2010 due to an increase of RUB86.4 billion in corporate bonds held to maturity, which tended to be shorter-term than other securities held to maturity.

The value of investment securities held to maturity by the Group was RUB358.2 billion as of December 31, 2010, up from zero in 2009. This change was due to the Group's reclassification of certain federal and municipal bonds previously classified as available for sale in the second and third quarter of 2010, as a result of the Group's changed expectations and its ability to hold the investment securities to maturity, as more fully described in Note 13 to the 2010 Annual IFRS Financial Statements, together with the Group's acquisition of additional securities in the market. Investment securities held to maturity are accounted for at amortised cost. As of December 31, 2011, the estimated fair value of investment securities held to maturity was RUB415.0 billion, an increase of 16.2 per cent. from RUB357.1 billion as of December 31, 2010. As of June 30, 2012, the estimated fair value of investment securities held to maturity was RUB406.9 billion.

Loans and Advances to Customers

Loans and advances to customers, net of provision for loan impairment, are the largest component of the Group's total assets and accounted for 71.3 per cent. of total assets as of June 30, 2012 and 71.2 per cent., 63.6 per cent. and 68.5 per cent. of total assets as December 31, 2011, 2010 and 2009, respectively. Sberbank lends to companies, government bodies, other legal entities and individuals in Russia.

The following tables set forth the Group's gross loan portfolio (excluding loans to banks) by loan classes and credit quality classification as of the dates indicated:

	As of June 30, 2012 (Unaudited)					
	Not past due loans	Past due loans	Total	% of Total loans	Past due loans/ Gross loans	Renegotiated loans/ Gross loans
		billions of RUB			%	
Commercial loans to legal entities	4,212.3	223.3	4,435.6	47.1%	5.0%	13.9%
Specialised loans to legal entities	2,538.4	121.8	2,660.2	28.2%	4.6%	13.8%
Consumer and other loans to individuals	1,222.3	67.2	1,289.5	13.7%	5.2%	0.8%
Mortgage loans to individuals	897.0	45.3	942.3	10.0%	4.8%	1.5%
Car loans to individuals	92.3	4.3	96.6	1.0%	4.5%	1.1%
Total loans and advances to customers before provision for loan impairment	**8,962.3**	**461.9**	**9,424.2**	**100%**	**4.9%**	**10.7%**
Less: Provision for loan impairment	(244.0)	(318.7)	(562.7)			
Total loans and advances to customers net of provision for loan impairment	**8,718.3**	**143.2**	**8,861.5**			
Overdue coverage ratio[(1)]	1.22					
NPL coverage ratio[(2)]	1.76					

(1) Calculated and expressed as the ratio of provision for loan impairment to total past due loans and advances to customers before provision for loan impairment.
(2) Calculated and expressed as the ratio of provision for loan impairment to total non-performing loans and advances to customers.

	As of December 31, 2011					
	Not past due loans	Past due loans	Total	% of Total loans	Past due loans/ Gross loans	Renegotiated loans/ Gross loans
	billions of RUB				*%*	
Commercial loans to legal entities	3,828.8	184.1	4,012.9	47.9%	4.6%	15.9%
Specialised loans to legal entities	2,347.9	215.8	2,563.7	30.6%	8.4%	14.5%
Consumer and other loans to individuals	898.7	45.3	944.0	11.2%	4.8%	1.1%
Mortgage loans to individuals	741.6	35.8	777.4	9.3%	4.6%	1.5%
Car loans to individuals	80.7	3.5	84.2	1.0%	4.2%	1.4%
Total loans and advances to customers before provision for loan impairment	**7,897.7**	**484.5**	**8,382.2**	**100%**	**5.8%**	**12.3%**
Less: Provision for loan impairment	(281.6)	(380.9)	(662.5)			
Total loans and advances to customers net of provision for loan impairment	**7,616.1**	**103.6**	**7,719.7**			
Overdue coverage ratio(1)	1.37					
NPL coverage ratio(2)	1.63					

(1) Calculated and expressed as the ratio of provision for loan impairment to total past due loans and advances to customers before provision for loan impairment.

(2) Calculated and expressed as the ratio of provision for loan impairment to total non-performing loans and advances to customers.

	As of December 31, 2010					
	Not past due loans	Past due loans	Total	% of Total loans	Past due loans/ Gross loans	Renegotiated loans/ Gross loans
	billions of RUB				*%*	
Commercial loans to legal entities	2,519.1	189.6	2,708.7	43.7%	7.0%	18.4%
Specialised loans to legal entities	1,900.8	262.7	2,163.5	34.9%	12.1%	10.4%
Consumer and other loans to individuals	598.3	37.4	635.7	10.3%	5.9%	1.6%
Mortgage loans to individuals	572.3	31.4	603.7	9.8%	5.2%	2.0%
Car loans to individuals	76.8	3.5	80.3	1.3%	4.4%	0.2%
Total loans and advances to customers before provision for loan impairment	**5,667.3**	**524.6**	**6,191.9**	**100%**	**8.5%**	**12.1%**
Less: Provision for loan impairment	(276.9)	(425.6)	(702.5)			
Total loans and advances to customers net of provision for loan impairment	**5,390.4**	**99.0**	**5,489.4**			
Overdue coverage ratio(1)	1.34					
NPL coverage ratio(2)	1.55					

(1) Calculated and expressed as the ratio of provision for loan impairment to total past due loans and advances to customers before provision for loan impairment.

(2) Calculated and expressed as the ratio of provision for loan impairment to total non-performing loans and advances to customers.

	As of December 31, 2009					
	Not past due loans	Past due loans	Total	% of Total loans	Past due loans/ Gross loans	Renegotiated loans/ Gross loans
	billions of RUB				*%*	
Commercial loans to legal entities	2,025.5	180.8	2,206.3	40.5%	8.2%	20.5%
Specialised loans to legal entities	1,760.3	299.7	2,060.0	37.8%	14.5%	9.0%
Consumer and other loans to individuals	526.4	38.0	564.4	10.4%	6.7%	0.5%
Mortgage loans to individuals	482.5	30.3	512.8	9.4%	5.9%	1.3%
Car loans to individuals	96.6	3.7	100.3	1.9%	3.7%	0.1%
Total loans and advances to customers before provision for loan impairment	**4,891.3**	**552.5**	**5,443.8**	**100%**	**10.2%**	**11.9%**
Less: Provision for loan impairment	(191.0)	(388.8)	(579.8)			
Total loans and advances to customers net of provision for loan impairment	**4,700.3**	**163.7**	**4,864.0**			
Overdue coverage ratio(1)	1.05					
NPL coverage ratio(2)	1.26					

(1) Calculated and expressed as the ratio of provision for loan impairment to total past due loans and advances to customers before provision for loan impairment.
(2) Calculated and expressed as the ratio of provision for loan impairment to total non-performing loans and advances to customers.

Loans and advances to customers, net of provision for loan impairment, increased by 14.8 per cent. to RUB8,861.5 billion as of June 30, 2012, from RUB7,719.7 billion as of December 31, 2011, due to a general increase in the Group's loan portfolio, with growth in retail loans outpacing that for corporate loans.

Loans and advances to customers, net of provision for loan impairment, increased by 40.6 per cent. to RUB7,719.7 billion as of December 31, 2011, from RUB5,489.4 billion as of December 31, 2010, due to a general increase in the Group's loan portfolio, with growth in retail loans outpacing that for corporate loans.

Loans and advances to customers, net of provision for loan impairment, increased by 12.9 per cent. to RUB5,489.4 billion as of December 31, 2010, from RUB4,864.0 billion as of December 31, 2009. The change was mainly attributable to an extension of the Group's lending operations in line with its strategy, which was assisted by the higher demand for loans from both corporate and retail customers.

Distribution of Gross Loans and Advances to Customers by Economic Sectors

The following discussion is based on gross loans and advances to customers before provision for loan impairment. The Group classifies its loan portfolio by industry and by loans to individuals. The Group has broad exposure across all economic sectors in its customer loan portfolio, although as at December 31, 2011, 47.1 per cent. of its portfolio was concentrated in four sectors: trade, services, food and agriculture and construction. In addition, as of December 31, 2011, 21.5 per cent. of the Group's loans were to individuals.

The following table sets out the distribution of the Group's gross loans and advances to customers (excluding loans to banks) as of the dates indicated:

	As of June 30, (Unaudited)		**As of December 31,**					
	2012		**2011**		**2010**		**2009**	
	billions of RUB	*%*	*billions of RUB*	*%*	*billions of RUB*	*%*	*billions of RUB*	*%*
Individuals	2,328.4	24.7%	1,805.6	21.5%	1,319.7	21.3%	1,177.5	21.7%
Trade	1,217.5	12.9%	1,134.8	13.5%	1,008.0	16.3%	960.4	17.7%
Services(1)	1,800.1	19.1%	1,658.5	19.8%	1,001.3	16.2%	748.2	13.7%
Food and agriculture	723.3	7.7%	703.9	8.4%	585.4	9.5%	511.7	9.4%
Construction	368.6	3.9%	451.3	5.4%	404.6	6.5%	408.3	7.5%
Machine building	377.0	4.0%	355.6	4.2%	317.7	5.1%	347.2	6.4%
Metallurgy	371.4	3.9%	299.4	3.6%	300.8	4.9%	273.8	5.0%
Chemical industry	373.4	4.0%	340.2	4.1%	216.8	3.5%	186.8	3.4%
Energy	431.7	4.6%	379.9	4.5%	208.8	3.4%	172.6	3.2%
Oil and gas	173.8	1.8%	164.7	2.0%	177.5	2.9%	157.1	2.9%
Telecommunications	377.4	4.0%	332.0	4.0%	168.1	2.7%	164.9	3.0%
Government and municipal bodies	245.7	2.6%	268.1	3.2%	153.3	2.5%	94.0	1.7%
Transport, aviation and space industry	341.9	3.6%	285.4	3.4%	147.5	2.4%	109.2	2.0%
Timber industry	66.4	0.7%	50.4	0.6%	49.6	0.8%	44.0	0.8%
Other	227.6	2.5%	152.4	1.8%	132.8	2.0%	88.1	1.6%
Total loans and advances to customers before provision for loan impairment	**9,424.2**	**100%**	**8,382.2**	**100%**	**6,191.9**	**100%**	**5,443.8**	**100%**

(1) Refers to financial, insurance and other service companies, as well as loans granted to holding and multi-industry companies.

Loans to individuals, which have been the largest component of the Group's total loans and advances to customers during the periods under review, increased by 29.0 per cent. to RUB2,328.4 billion as of June 30, 2012, compared to RUB1,805.6 billion as of December 31, 2011. The share of loans to individuals as a percentage of the total loan portfolio increased to 24.7 per cent. as of June 30, 2012 from 21.5 per cent. as of December 31, 2011. These increases were in line with the Group's strategic goals and efforts to grow its retail portfolio.

Loans to individuals increased by 36.8 per cent. to RUB1,805.6 billion as of December 31, 2011, compared to RUB1,319.7 billion as of December 31, 2010. The share of loans to individuals as a percentage of the total loan portfolio increased to 21.5 per cent. as of December 31, 2011 from 21.3 per cent. as of December 31, 2010. These increases were in line with the Group's strategic goals and efforts to grow its retail portfolio.

Loans to individuals increased by 12.1 per cent. to RUB1,319.7 billion as of December 31, 2010 from RUB1,177.5 billion as of December 31, 2009 as a result of recovered demand for credit after the global financial crisis.

Total corporate loans (loans to legal entities) grew by 7.9 per cent. to RUB7,095.8 billion as of June 30, 2012, compared to RUB6,576.6 billion as of December 31, 2011 due to an increase in demand for loan products. Total corporate loans grew 35.0 per cent. to RUB6,576.6 billion as of December 31, 2011 compared to RUB4,872.2 billion as of December 31, 2010 as a result of increased demand for loan products, which carried moderate interest rates during the period. Total corporate loans increased by 14.2 per cent. to RUB4,872.2 billion as of December 31, 2010 from RUB4,266.3 billion as of December 31, 2009.

Non-Performing Loans and Advances to Customers

Non-performing loans and advances to customers represent loans with payments of principal and/or interest overdue by more than 90 days. The following tables set forth the Group's outstanding non-performing loans and advances to customers as of the dates indicated:

	Gross loans	**Provision for impairment**	**Net loans**	**Provision for impairment to gross loans**
	billions of RUB			
Commercial loans to legal entities	170.2	(153.9)	16.3	90.4%
Specialised loans to legal entities	90.1	(75.5)	14.6	83.8%
Consumer and other loans to individuals	31.4	(29.8)	1.6	94.9%
Mortgage loans to individuals	26.5	(24.3)	2.2	91.7%
Car loans to individuals	2.2	(2.1)	0.1	95.5%
Total non-performing loans and advances to customers as of June 30, 2012 (Unaudited)	**320.4**	**(285.6)**	**34.8**	**89.1%**

	Gross loans	**Provision for impairment**	**Net loans**	**Provision for impairment to gross loans**
	billions of RUB			
Commercial loans to legal entities	153.1	(145.3)	7.8	94.9%
Specialised loans to legal entities	199.5	(161.2)	38.3	80.8%
Consumer and other loans to individuals	28.0	(25.8)	2.2	92.1%
Mortgage loans to individuals	24.7	(23.7)	1.0	96.0%
Car loans to individuals	2.2	(2.1)	0.1	95.5%
Total non-performing loans and advances to customers as of December 31, 2011	**407.5**	**(358.1)**	**49.4**	**87.9%**

	Gross loans	**Provision for impairment**	**Net loans**	**Provision for impairment to gross loans**
	billions of RUB			
Commercial loans to legal entities	165.7	(153.0)	12.7	92.3%
Specialised loans to legal entities	232.1	(192.8)	39.3	83.1%
Consumer and other loans to individuals	27.5	(25.9)	1.6	94.2%
Mortgage loans to individuals	24.6	(23.4)	1.2	95.1%
Car loans to individuals	2.4	(2.2)	0.2	91.7%
Total non-performing loans and advances to customers as of December 31, 2010	**452.3**	**(397.3)**	**55.0**	**87.8%**

	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
	billions of RUB			
Commercial loans to legal entities	150.0	(111.0)	39.0	74.0%
Specialised loans to legal entities	254.6	(190.3)	64.3	74.7%
Consumer and other loans to individuals	29.4	(27.9)	1.5	94.9%
Mortgage loans to individuals	22.3	(22.0)	0.3	98.7%
Car loans to individuals	2.4	(2.3)	0.1	95.8%
Total non-performing loans and advances to customers as of December 31, 2009	**458.7**	**(353.5)**	**105.2**	**77.1%**

Gross non-performing loans and advances to customers decreased 21.4 per cent. to RUB320.4 billion as of June 30, 2012, from RUB407.5 billion as of December 31, 2011, as a result of the acquisition in June 2012 of an asset company holding a large problem loan, which was then written off against provisions created in previous years. The provision for impairment as a percentage of gross non-performing loans increased from 87.9 per cent. as of December 31, 2011 to 89.1 per cent. as of June 30, 2012.

Gross non-performing loans and advances to customers decreased by 9.9 per cent. to RUB407.5 billion as of December 31, 2011, from RUB452.3 billion as of December 31, 2010, as a result of both the sale/recovery of certain non-performing loans and the Group's ability to improve the quality of its loan portfolio, in particular with regard to legal entities. Such improvements in the quality of the loan portfolio include decreasing provision rates on collectively assessed loans, lower levels of loss events and a decreasing volume of non-performing loans. The provision for impairment as a percentage of gross non-performing loans increased slightly from 87.8 per cent. as of December 31, 2010 to 87.9 per cent. as of December 31, 2011.

As of December 31, 2010, gross non-performing loans and advances to customers decreased by 1.4 per cent. to RUB452.3 billion, from RUB458.7 billion as of December 31, 2009. The decrease in 2010 was primarily due to a general improvement in the quality of the Group's loan portfolio, particularly in respect of non-performing specialised loans to legal entities, but was also partly due to the sale by the Group of a portion of its non-performing loans and advances to customers during the year.

Renegotiated Loans

Renegotiated loans are loans and advances to customers the terms of which have been amended since they were drawn down, although not all renegotiated loans are renegotiated due to a worsening of the financial position of the borrower. The following table sets forth information on the Group's not past due collectively assessed loans, the terms of which had been renegotiated, as of the periods indicated. It shows the carrying amount for the renegotiated loans by class.

	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
	billions of RUB					
Renegotiated loans: outstanding balance before provision for loan impairment at June 30, 2012 (Unaudited)	617.6	367.5	10.8	14.5	1.1	1,011.5
Renegotiated loans: outstanding balance before provision for loan impairment at December 31, 2011	637.1	371.6	10.3	11.4	1.2	1,031.6
Renegotiated loans: outstanding balance before provision for loan impairment at December 31, 2010	499.2	226.0	10.1	12.2	0.2	747.7
Renegotiated loans: outstanding balance before provision for loan impairment at December 31, 2009	452.6	184.4	3.0	6.7	0.1	646.8

Renegotiated loans decreased by 1.9 per cent. to RUB1,011.5 billion as of June 30, 2012 from RUB1,031.6 billion as of December 31, 2011, reflecting overall stability in the Group's levels of renegotiated loans.

Renegotiated loans increased by 38.0 per cent. to RUB1,031.6 billion as of December 31, 2011 from RUB747.7 billion as of December 31, 2010, as a result of certain significant renegotiated loans in the normal course of business.

Although the Group continued to renegotiate certain loans and advances to customers in the year ended December 31, 2010, it renegotiated significantly more loans in 2009. As of December 31, 2010, renegotiated loans increased by 15.6 per cent., from RUB646.8 billion as of December 31, 2009. In many cases, the renegotiation of loans and advances was not due to a deterioration of the borrower's financial position, but rather reflected the Group's decision to renegotiate with certain borrowers in light of improving economic conditions and after consideration of the borrower's operations and financial performance. The Group's renegotiated loans are fully collateralised.

Provision for Loan Impairment

The following tables set forth an analysis of the changes in the Group's provision for loan impairment for the periods indicated:

	Amount	**% of gross loans and advances to customers**
	(billions of RUB)	
Provision for loan impairment as of January 1, 2012	**662.5**	
Net recovery of provision for loan impairment during the period	(1.1)	
Foreign currency translation	0.1	
Loans and advances written off during the period	(98.8)	
Provision for loan impairment as of June 30, 2012 (Unaudited)	**562.7**	**6.0%**

	Amount	**% of gross loans and advances to customers**
	(billions of RUB)	
Provision for loan impairment as of January 1, 2011	**702.5**	
Net recovery of provision for loan impairment during the period	(1.2)	
Foreign currency translation	(1.7)	
Loans and advances written off during the period	(37.1)	
Provision for loan impairment as of December 31, 2011	**662.5**	**7.9%**

	Amount	**% of gross loans and advances to customers**
	(billions of RUB)	
Provision for loan impairment as of January 1, 2010	**579.8**	
Net provision charge for loan impairment during the year	153.8	
Loans and advances written off during the year	(31.1)	
Provision for loan impairment as of December 31, 2010	**702.5**	**11.3%**

	Amount	**% of gross loans and advances to customers**
	(billions of RUB)	
Provision for loan impairment as of January 1, 2009	**202.3**	
Net provision charge for loan impairment during the year	388.9	

	Amount	% of gross loans and advances to customers
	(billions of RUB)	
Loans and advances to customers written off during the year	(11.4)	
Provision for loan impairment as of December 31, 2009	**579.8**	**10.7%**

The Group's provision for loan impairment decreased 15.1 per cent. to RUB562.7 billion as of June 30, 2012, from RUB662.5 billion as of December 31, 2011, due to general improvement of the loan portfolio and the repayment or disposal of certain non-performing loans.

The Group's provision for loan impairment decreased 5.7 per cent. to RUB662.5 billion as of December 31, 2011, from RUB702.5 billion as of December 31, 2010, due to general improvement of the loan portfolio and the repayment/disposal of certain non-performing loans.

The Group's provision for loan impairment increased to RUB702.5 billion as of December 31, 2010, representing a 21.2 per cent. increase from RUB579.8 billion as of December 31, 2009. This increase primarily reflected the Group's increased net provision charges for loan impairment during those years as a result of the deterioration in the quality of the Group's loan portfolio during the severe economic downturn in Russia and the CIS.

Premises and equipment

The value of the Group's premises and equipment increased 9.4 per cent. to RUB393.9 billion as of June 30, 2012, compared with RUB359.9 billion as of December 31, 2011. The value of the Group's premises and equipment increased 26.9 per cent. to RUB359.9 billion as of December 31, 2011, compared with RUB283.7 billion as of December 31, 2010. The value of the Group's premises and equipment decreased by 13.5 per cent. as of December 31, 2010, from RUB249.9 billion as of December 31, 2009. The increases in the value of the Group's premises and equipment from 2010 to June 30, 2012 is primarily attributable to additions that have been made in order to support the expansion of the Group's business.

Other assets

Other assets primarily include receivables on plastic cards settlements, derivative financial instruments, prepayments for premises and other assets, precious metals and inventory held by non-banking subsidiaries. Other assets increased 17.1 per cent. to RUB421.5 billion as of June 30, 2012, compared with RUB360.0 billion as of December 31, 2011, primarily due to an increase in inventories of non-banking subsidiaries (such as land obtained from the consolidation of a single-asset company) and derivative financial instruments held by the Group. Other assets increased by 50.1 per cent. to RUB360.0 billion as of December 31, 2011, compared with RUB239.9 billion as of December 31, 2010, primarily due to an increase in derivative financial instruments, precious metal assets, non-current assets held for sale and assets of the disposal group and settlements on operations with securities which were offset by a decrease in receivables on plastic card settlements. Other assets increased by 60.0 per cent. in 2010 from RUB149.9 billion as of December 31, 2009. These substantial increases are primarily attributable to an increase of the balances of the Group's receivables on plastic card settlements, precious metals and prepayments for premises and other assets.

Total Liabilities

As of June 30, 2012, the Group had total liabilities of RUB11,018.4 billion, compared to RUB9,567.1 billion as of December 31, 2011. The increase in total liabilities as of June 30, 2012 by RUB1,451.3 billion, or 15.2 per cent., was primarily due to a RUB449.1 billion increase in liabilities due to individuals, a RUB387.7 billion increase in liabilities due to corporate customers and a RUB340.6 billion increase in liabilities due to other banks.

As of December 31, 2011, the Group had total liabilities of RUB9,567.1 billion, compared to RUB7,641.3 billion and RUB6,326.1 billion as of December 31, 2010 and 2009, respectively. The increase in total liabilities in 2011 by RUB1,925.8 billion, or 25.2 per cent., was primarily due to a RUB891.8 billion increase in liabilities due to individuals.

The largest contributor to the increase in total liabilities in 2010 was an increase in individual deposits.

The following table sets forth the principal components of the Group's total liabilities as of the dates indicated:

	As of June 30, (Unaudited)		As of December 31,					
	2012		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Due to other banks	873.0	7.9%	532.4	5.6%	134.7	1.8%	53.9	0.8%
Due to individuals	6,175.4	56.0%	5,726.3	59.8%	4,834.5	63.3%	3,787.3	59.9%
Due to corporate customers	2,593.5	23.5%	2,205.8	23.1%	1,816.7	23.8%	1,651.6	26.1%
Debt securities in issue	483.7	4.4%	268.7	2.8%	272.7	3.5%	170.7	2.7%
Other borrowed funds	278.7	2.5%	244.0	2.5%	171.2	2.2%	69.1	1.1%
Deferred income tax liability	20.1	0.2%	21.2	0.2%	15.9	0.2%	4.6	0.1%
Other liabilities	279.5	2.6%	265.2	2.8%	92.1	1.2%	69.8	1.1%
Subordinated debt	314.5	2.9%	303.5	3.2%	303.5	4.0%	519.1	8.2%
Total liabilities	**11,018.4**	**100%**	**9,567.1**	**100%**	**7,641.3**	**100%**	**6,326.1**	**100%**

Due to Other Banks

Amounts due to other banks represented 7.9 per cent. of the Group's total liabilities as of June 30, 2012 and 5.6 per cent., 1.8 per cent. and 0.8 per cent. of total liabilities as of December 31, 2011, 2010 and 2009, respectively. The following table provides a breakdown of the Group's due to other banks as of the dates indicated:

	As of June 30, (Unaudited)		As of December 31,					
	2012		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Term placements of other banks	283.5	32.5%	240.4	45.2%	34.2	25.4%	18.2	33.8%
Sale and repurchase agreements with other banks	500.1	57.3%	232.9	43.7%	61.8	45.9%	0.1	0.2%
Correspondent accounts and overnight placements of other banks	89.4	10.2%	59.1	11.1%	38.7	28.7%	35.6	66.0%
Total due to other banks	**873.0**	**100%**	**532.4**	**100%**	**134.7**	**100%**	**53.9**	**100%**

Changes in correspondent accounts and overnight placements of other banks relate primarily to cash management policies of Sberbank's counterparties. Changes in sale and repurchase agreements with other banks depend on cash management strategies of Sberbank. For example, if Sberbank seeks a particular currency for a specific need, or if in its estimation it can conclude a transaction on terms favourable to Sberbank, sale and repurchase arrangements may be undertaken, but these often are of a short-term nature and may not represent long-term trends.

Amounts due to other banks increased by RUB340.6 billion as of June 30, 2012 from RUB532.4 billion as of December 31, 2011, primarily due to an increase in sale and repurchase agreements and term placements with other banks.

Amounts due to other banks increased by RUB397.7 billion as of December 31, 2011 from RUB134.7 billion as of December 31, 2010, primarily due to an increase in repurchase agreements and term placements of other banks.

Amounts due to other banks increased by 149.9 per cent. from RUB53.9 billion as of December 31, 2009 to RUB134.7 billion as of December 31, 2010. The increase was due to an increase in term placements of other banks and the volume of sale and repurchase agreements with other banks during 2010.

Due to Individuals

The following table sets forth the principal components of the Group's due to individuals as of the dates indicated:

	As of June 30, (Unaudited)		As of December 31,					
	2012		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Current/demand accounts	1,157.1	18.7%	1,077.0	18.8%	785.8	16.3%	540.4	14.3%
Term deposits	5,018.3	81.3%	4,649.3	81.2%	4,048.7	83.7%	3,246.9	85.7%
Total due to individuals	**6,175.4**	**100%**	**5,726.3**	**100%**	**4,834.5**	**100%**	**3,787.3**	**100%**

Amounts due to individuals increased by 7.8 per cent. to RUB6,175.4 billion as of June 30, 2012, compared with RUB5,726.3 billion as of December 31, 2011, which was consistent with the Group's strategy to increase deposits from individual customers.

Amounts due to individuals increased by 18.4 per cent. to RUB5,726.3 billion as of December 31, 2011, compared with RUB4,834.5 billion as of December 31, 2010, which was consistent with the Group's strategy to increase deposits from individual customers.

Amounts due to individuals increased by 27.7 per cent. to RUB4,834.5 billion as of December 31, 2010, compared with RUB3,787.3 billion as of December 31, 2009. The increase in 2010 was due to the Group's policy to develop relationships with individuals and the attractive terms of the Group's deposits, for example, by offering low minimum balance requirements, as well as a general "flight to quality" seen during the global financial crisis. In 2009 and the first half of 2010, the growth rate of Sberbank's deposit-taking generally exceeded the growth rate in its lending. In order to manage the additional liquidity, Sberbank decreased deposit rates in 2010, which, combined with other commercial banks' efforts to increase their deposit-taking, led to a reduction in Sberbank's share of the retail deposit market in 2010, from 49.3 per cent. to 47.9 per cent. Sberbank intends to manage its deposit levels through the use of pricing mechanisms, with the aim of maintaining its market share above 45.0 per cent.

Due to Corporate Customers

The following table sets forth the principal components of the Group's due to corporate customers as of the dates indicated:

	As of June 30, (Unaudited)		As of December 31,					
	2012		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
State and public organisations								
Current/settlement accounts	122.0	4.7%	142.2	6.4%	116.8	6.4%	104.0	6.3%
Term deposits	165.8	6.4%	39.6	1.8%	40.5	2.2%	32.9	2.0%
Total due to state and public organisations	**287.8**		**181.8**		**157.3**		**136.9**	
Other corporate customers								
Current/settlement accounts	1,216.1	46.9%	1,230.1	55.8%	1,082.8	59.6%	861.0	52.1%
Term deposits	1,089.6	42.0%	793.9	36.0%	576.6	31.8%	653.7	39.6%
Total due to other corporate customers	**2,305.7**		**2,024.0**		**1,659.4**		**1,514.7**	
Total due to corporate customers	**2,593.5**	**100%**	**2,205.8**	**100%**	**1,816.7**	**100%**	**1,651.6**	**100%**

Amounts due to corporate customers increased by 17.6 per cent. to RUB2,593.5 billion as of June 30, 2012, compared with RUB2,205.8 billion as of December 31, 2011, primarily due to an increase in term deposits of other corporate customers.

Amounts due to corporate customers increased by 21.4 per cent. to RUB2,205.8 billion as of December 31, 2011, compared with RUB1,816.7 billion as of December 31, 2010, due to an increase in corporate deposits and current accounts.

Amounts due to corporate customers increased by 10.0 per cent. to RUB1,816.7 billion as of December 31, 2010, compared with RUB1,651.6 billion as of December 31, 2009, as a result of the efforts of the Group to develop its settlement business.

Debt Securities in Issue

The Group issues debt securities in the domestic and international markets to fund the ongoing growth of its business operations. Debt securities issued represented 4.4 per cent. of the Group's total liabilities as of June 30, 2012, and 2.8 per cent., 3.5 per cent. and 2.7 per cent. of total liabilities as of December 31, 2011, 2010 and 2009, respectively.

The following table sets forth the principal components of the Group's debt securities issued as of the dates indicated:

	As of June 30, (Unaudited)		As of December 31,					
	2012		2011		2010		2009	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Loan participation notes issued under the MTN Programme	277.5	57.4%	169.6	63.1%	153.3	56.2%	46.1	27.0%
Promissory notes	108.0	22.3%	77.2	28.7%	96.5	35.4%	101.3	59.3%
Savings certificates	76.4	15.8%	9.8	3.6%	13.1	4.8%	17.8	10.5%
Deposit certificates	0.2	0.0%	0.7	0.3%	1.9	0.7%	5.5	3.2%
Structured notes	1.4	0.3%	1.5	0.6%	—	—	—	—
Other bonds issued securities	20.2	4.2%	9.9	3.7%	7.9	2.9%	—	—
Total debt securities in issue	**483.7**	**100%**	**268.7**	**100%**	**272.7**	**100%**	**170.7**	**100%**

The Group's debt securities in issue increased by 80.0 per cent. to RUB483.7 billion as of June 30, 2012, from RUB268.7 billion as of December 31, 2011, primarily due to an increase in loan participation notes issued under the Programme and savings certificates.

The Group's debt securities in issue decreased by 1.5 per cent. to RUB268.7 billion as of December 31, 2011, from RUB272.7 billion as of December 31, 2010, which represented an increase of 59.8 per cent. from RUB170.7 billion as of December 31, 2009.

The changes in debt securities issued during the year ended December 31, 2011 were predominantly attributable to a decrease in promissory notes, which was offset in part by an increase in loan participation notes issued under the Programme.

Loan Participation Notes Issued Under the Programme

The loan participation notes issued under the Programme increased by 63.6 per cent. to RUB277.5 billion as of June 30, 2012, from RUB169.6 billion as of December 31, 2011.

The Group established the Programme in May 2006, when the Group also received the first loan under the Programme in the amount of U.S.$0.5 billion (or RUB13.5 billion as of the date of the loan), with a seven-year term and a contractual fixed interest rate of 6.5 per cent. per annum. As of June 30, 2012, this loan was accounted for at an amortised cost of RUB16.6 billion (that amount constituted RUB16.4 billion as of December 31, 2011). As of June 30, 2012, the effective interest rate on this loan was 6.6 per cent. per annum.

In July 2008, the Group received the third loan under the Programme in the amount of U.S.$0.5 billion (or RUB11.7 billion as of the date of the loan), with a five-year term and a contractual fixed interest rate of 6.5 per cent. per annum. As of June 30, 2012, this loan was accounted for at an amortised cost of RUB16.5 billion (that amount constituted RUB16.7 billion as of December 31, 2011). As of June 30, 2012, the effective interest rate on this loan was 6.6 per cent. per annum.

In July 2010, the Group received the fourth loan under the Programme in the amount of U.S.$1.0 billion (or RUB31.1 billion as of the date of the loan), with a five-year term and a contractual fixed interest rate of 5.5 per cent. per annum. A further advance of U.S.$0.5 billion (or RUB15.1 billion as of the date of the loan) was received in August 2010 with a premium and such further advance has the same interest rate and maturity date. As of June 30, 2012, the loans were accounted for at an amortised cost of RUB50.7 billion (that amount constituted RUB49.7 billion as of December 31, 2011), with an effective interest rate on the loans of 5.4 per cent. per annum.

In September 2010, the Group received the fifth loan under the Programme in the amount of U.S.$1.0 billion (or RUB31.0 billion as of the date of the loan), repayable in March 2017 and with a contractual fixed interest rate of 5.4 per cent. per annum. In October 2010, the Group received a further advance of U.S.$0.25 billion (or RUB7.6 billion as of the date of the loan) with a premium and such further advance has the same interest rate and maturity. As of June 30, 2012, the loans were accounted for at an amortised cost of RUB41.7 billion (that amount constituted RUB40.9 billion as of December 31, 2011), with an effective interest rate on the loans of 5.4 per cent. per annum.

In November 2010, the Group received the sixth loan under the Programme in the amount of CHF 400 million (or RUB12.6 billion as of the date of the loan), with a four-year term and a contractual fixed interest rate of 3.5 per cent. per annum. As of June 30, 2012, the loans were accounted for at an amortised cost of RUB14.0 billion (that amount constituted RUB13.7 billion as of December 31, 2011), with an effective interest rate on the loan of 3.6 per cent. per annum.

In June 2011, the Group received the seventh loan under the Programme in the amount of U.S.$1.0 billion (or RUB27.9 billion as of the date of the loan), with a ten-year term and a contractual fixed interest rate of 5.7 per cent. per annum. As of June 30, 2012, the loans were accounted for at an amortised cost of RUB32.4 billion (that amount constituted RUB32.2 billion as of December 31, 2011), with an effective interest rate on the loans of 5.8 per cent. per annum.

In February 2012, the Group issued the eighth loan under the Programme in the amount of U.S.$1.0 billion (or RUB30.2 billion as of the date of the loan). The notes mature in February 2017 and have a contractual fixed interest rate of 5.0 per cent. per annum. As of June 30, 2012 the notes were accounted for at amortised cost of RUB33.4 billion with an effective interest rate on the notes of 5.1 per cent. per annum. In August 2012, the Group issued additional notes in the amount of U.S.$0.3 billion (or RUB9.6 billion as of the date of the loan) which form a single series with the eighth series and have the same interest rate and maturity.

In February 2012, the Group also issued the ninth loan under the Programme in the amount of U.S.$0.75 billion (or RUB22.7 billion as of the date of the loan). The notes mature in February 2022 and have a contractual fixed interest rate of 6.1 per cent. per annum. As of June 30, 2012 the notes were accounted for at amortised cost of RUB25.2 billion with an effective interest rate on the notes of 6.2 per cent. per annum. In July 2012, the Group issued additional notes in the amount of U.S.$0.75 billion (or RUB24.3 billion as of the date of the loan) which form a single series with the ninth series and have the same interest rate and maturity.

In March 2012, the Group issued the tenth loan under the Programme in the amount of CHF0.41 billion (or RUB13.2 billion as of the date of the loan). The notes mature in September 2015 and have a contractual fixed interest rate of 3.1 per cent. per annum. As of June 30, 2012 the notes were accounted for at amortised cost of RUB14.2 billion with an effective interest rate on the notes of 3.2 per cent. per annum.

In June 2012, the Group issued the eleventh loan under the Programme in the amount of U.S.$1.0 billion (or RUB32.8 billion as of the date of the loan). The notes mature in June 2019 and have a contractual fixed interest rate of 5.2 per cent. per annum. As of June 30, 2012 the notes were accounted for at amortised cost of RUB32.8 billion with an effective interest rate on the notes of 5.3 per cent. per annum.

Other Borrowed Funds

The Group has also obtained funding through syndicated loans and loans provided by foreign export credit agencies via foreign banks. The following table sets forth the composition of the Group's other borrowed funds as of the dates indicated:

	As of June 30, (Unaudited)		**As of December 31,**					
	2012		**2011**		**2010**		**2009**	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Syndicated loans received	105.4	37.8%	102.1	41.8%	96.9	56.6%	58.7	84.9%
Other long-term borrowings	173.3	62.2%	141.9	58.2%	74.3	43.4%	10.4	15.1%
Total other borrowed funds	**278.7**	**100%**	**244.0**	**100%**	**171.2**	**100%**	**69.1**	**100%**

Syndicated Loans Received

In December 2010, the Group received a syndicated loan in the amount of U.S.$2.0 billion (or RUB61.5 billion as of the date of issue) from a consortium of foreign banks. The loan has a three-year term and a contractual floating interest rate of six-month LIBOR plus 1.5 per cent. per annum. As of June 30, 2012, the loan was accounted for at amortised cost of RUB65.4 billion (that amount constituted RUB64.0 billion as of December 31, 2011), with an effective interest rate on the loan of 2.6 per cent. per annum.

In November 2011, the Group received a multicurrency syndicated loan in the total amount of U.S.$1.2 billion from a consortium of foreign banks (RUB37.6 billion as at the date of issue). The loan was received in two tranches in two different currencies. Approximately 90 per cent. of the sum was received in U.S. dollars and the remaining part in Euro. The loan matures in November 2014 and has contractual floating interest rates of three-month LIBOR + 1.5 per cent. per annum for the tranche in U.S. dollars and three-month EURIBOR + 1.1 per cent. per annum for the tranche in Euro. As at June 30, 2012, the loan was accounted for at an amortised cost of RUB38.8 billion (that amount constituted RUB38.1 billion as of December 31, 2011). The effective interest rate on the tranche in U.S. dollars was 2.4 per cent. per annum and on the tranche in Euro was 2.1 per cent. per annum.

Other syndicated loans in the amount of RUB1.2 billion were received by subsidiaries of Sberbank.

Other Long-Term Borrowings

Other long-term borrowings represent funding received by the Group from foreign export agencies via foreign banks, which was used by the Group for direct lending to Russian companies in accordance with the terms of the agreements. As of June 30, 2012, these borrowings were accounted for at amortised cost of RUB173.3 billion (that amount constituted RUB141.9 billion as of December 31, 2011), with interest rates varying from 0.9 per cent. to 5.5 per cent. per annum (compared with interest rates varying from 0.8 per cent. to 8.3 per cent. per annum as of December 31, 2011) and maturity dates from July 2012 to December 2021 compared with maturity dates from January 2012 to December 2021 as of December 31, 2011).

Other Liabilities

Other liabilities primarily include plastic card payables, derivative financial instruments, accrued employee benefit costs, trade payables, taxes payable and short positions on securities. Other liabilities increased 5.4 per cent. to RUB279.5 billion as of June 30, 2012, compared with RUB265.2 billion as of December 31, 2011, primarily due to an increase in accrued employee benefit costs, liabilities relating to derivative financial instruments and settlements on operations with securities, partially offset by a decrease in deferred consideration payable in respect of the acquisition of Troika Dialog.

Other liabilities increased to RUB265.2 billion as of December 31, 2011, compared with RUB92.1 billion as of December 31, 2010 due to an increase in payables on plastic card settlements, derivative financial instruments, short positions on securities and payables for the acquisition of Troika Dialog. Other liabilities increased by 31.9 per cent. in 2010 from RUB69.8 billion as of December 31, 2009. This increase was primarily attributable to an increase in the Group's settlements with plastic cards and accrual of compensation to employees for 2010.

Subordinated Debt

The Group also obtained long-term funding through subordinated loans attracted both on international and domestic markets. The following table sets forth the composition of the Group's subordinated debt as of the dates indicated:

	As of June 30, (Unaudited)		**As of December 31,**					
	2012		**2011**		**2010**		**2009**	
	billions of RUB	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*	*billions of RUB*	*% of total*
Subordinated debt received by Sberbank from the CBR	313.0	99.5%	303.3	99.9%	303.3	99.9%	504.4	97.2%
Other subordinated debts	1.5	0.5%	0.2	0.1%	0.2	0.1%	14.7	2.8%
Total subordinated debt	**314.5**	**100%**	**303.5**	**100%**	**303.5**	**100%**	**519.1**	**100%**

In December 2008, the Group received a subordinated loan from the CBR in the total principal amount of RUB500.0 billion, with a contractual fixed interest rate of 8.0 per cent. per annum. In May 2010, the Group repaid RUB200.0 billion of the loan. The remaining part is due to mature in December 2019, and the Group does not intend to make any further principal repayments until the loan matures. In July 2010, the interest rate was reduced to 6.5 per cent. per annum. As of June 30, 2012, this loan was accounted for at an amortised cost of RUB313.0 billion (that amount constituted RUB303.3 billion as of December 31, 2011), with an effective interest rate of 6.5 per cent. per annum.

Equity

The following table sets forth the Group's equity as of the dates indicated:

	As of June 30, (Unaudited)	As of December 31,		
	2012	**2011**	**2010**	**2009**
	billions of RUB			
Share capital	87.7	87.7	87.7	87.7
Treasury shares	(8.8)	(7.0)	—	—
Share premium	232.6	232.6	232.6	232.6
Revaluation reserve for office premises	80.2	81.5	53.6	55.5
Fair value reserve for investment securities available for sale	0.1	(7.5)	24.4	(0.6)
Foreign currency translation reserve	(3.0)	(5.7)	(1.1)	(1.0)
Retained earnings	1,012.6	882.9	585.9	404.0
Total equity attributable to shareholders of Sberbank	**1,401.4**	**1,264.5**	**983.1**	**778.2**
Non-controlling interest	14.0	3.5	4.1	0.8
Total equity	**1,415.4**	**1,268.0**	**987.2**	**779.0**

As of June 30, 2012, the Group's total equity was RUB1,415.4 billion, representing an 11.6 per cent. increase from RUB1,268.0 billion as of December 31, 2011, resulting primarily from an increase in retained earnings.

As of December 31, 2011, the Group's total equity was RUB1,268.0 billion, representing a 28.4 per cent. increase from RUB987.2 billion as of December 31, 2010, resulting primarily from an increase in retained earnings.

As of December 31, 2010 the Group's equity increased by 26.7 per cent. to RUB987.2 billion from RUB779.0 billion as of December 31, 2009. The increase in 2010 was primarily due to the Group's retained earnings and the recognition of fair value reserves in respect of the revaluation of investment securities available for sale during those years.

The Group's total equity reflects treasury shares which resulted mainly from the acquisition of Troika Dialog as Troika Dialog held shares of Sberbank prior to its acquisition by Sberbank. See Note 21 to the Condensed Interim Consolidated Financial Statements.

Analysis by Segment

For the purposes of management, the Group is divided into operating segments of activity – central head office, 17 regional head offices and subsidiaries – which are defined on the basis of the organisational structure of the Group.

The Group uses geographic segments as a primary format for operating segment information, in accordance with IFRS 8, "Operating Segments". Geographic segment information was based on the location of assets and liabilities and related revenues of entities within the Group. For further information on the Group's operating segments, see Note 30 to the 2011 Annual IFRS Financial Statements and Note 21 to the Condensed Interim Consolidated Financial Statements.

The following tables set forth certain data for the Group's operating segments as of the dates and for the periods indicated:

	As of and for the six months ended June 30, 2012 (Unaudited)					
	Moscow	Central and Northern regions of European part of Russian	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other Countries	Total
	billions of RUB					
Operating income	127.1	90.3	78.1	116.4	15.8	427.7
Profit before tax (segment result)	66.6	51.6	45.7	65.1	4.2	233.2
Total assets	**5,721.4**	**1,971.4**	**1,680.4**	**2,362.6**	**739.9**	**12,475.7**
Total liabilities	**4,793.0**	**2,148.2**	**1,529.9**	**1,978.7**	**597.9**	**11,047.7**

	As of and for the year ended December 31, 2011					
	Moscow	Central and Northern regions of European part of Russian	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other Countries	Total
	billions of RUB					
Operating income	266.2	153.4	128.2	196.8	18.0	762.6
Profit before tax (segment result)	172.7	72.8	57.8	95.0	9.2	407.5
Total assets	**4,849.0**	**1,877.8**	**1,530.8**	**2,110.4**	**445.5**	**10,813.5**
Total liabilities	**3,825.7**	**2,045.3**	**1,434.0**	**1,876.4**	**349.5**	**9,530.9**

	As of and for the year ended December 31, 2010					
	Moscow	Central and Northern regions of European part of Russian	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other Countries	Total
	billions of RUB					
Operating income	142.8	110.0	72.7	132.3	9.7	467.5
Profit before tax (segment result)	78.9	45.3	16.0	54.1	3.1	197.4
Total assets	**4,318.3**	**1,445.2**	**1,163.3**	**1,548.7**	**185.8**	**8,661.3**
Total liabilities	**2,885.4**	**1,776.7**	**1,270.1**	**1,549.5**	**146.1**	**7,627.8**

	As of and for the year ended December 31, 2009					
	Moscow	Central and Northern regions of European part of Russian	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other Countries	Total
	billions of RUB					
Operating income/(expense)	69.7	85.8	46.3	66.6	(1.2)	267.2
Profit/(loss) before tax (segment result)	8.2	34.9	(0.9)	2.4	(3.3)	41.3
Total assets	**3,339.3**	**1,269.6**	**1,037.7**	**1,439.0**	**110.6**	**7,196.2**
Total liabilities	**2,497.3**	**1,455.2**	**1,024.1**	**1,276.2**	**85.9**	**6,338.7**

Contingencies and Commitments

The Group enters into certain financial instruments with off-balance sheet risk in the ordinary course of business to meet its clients' needs. These instruments, which include guarantees, letters of credit, undrawn credit lines and commitments to extend credits, involve varying degrees of credit risk and are not reflected in the Group's consolidated statement of financial position. The Group uses similar credit approval policies in undertaking off-balance sheet credit related commitments as it does for its on-balance sheet operations. See "*Risk Management—Credit Risk Management*".

The following table sets forth the Group's credit-related commitments as of the dates indicated:

	As of June 30, (Unaudited)	As of December 31,		
	2012	2011	2010	2009
	billions of RUB			
Commitments to extend credit	905.8	741.9	488.0	328.0
Guarantees issued	643.4	490.6	159.2	137.5
Undrawn credit lines	387.6	378.0	182.1	108.4
Export letters of credit	262.3	364.5	353.4	264.2
Import letters of credit and letters of credit for domestic settlements	183.7	180.5	143.4	118.5
Total credit related commitments	**2,382.8**	**2,155.5**	**1,326.1**	**956.6**

The Group's total credit related commitments increased 10.5 per cent. to RUB2,382.8 billion as of June 30, 2012, from RUB2,155.5 billion as of December 31, 2011, primarily due to an increase in commitments to extend credit and guarantees issued.

The Group's total credit related commitments increased by 62.5 per cent. to RUB2,155.5 billion as of December 31, 2011, from RUB1,326.1 billion as of December 31, 2010, primarily due to an overall increase in the demand for the Group's credit products, such as loans, guarantees and trade finance arrangements. The Group's total credit related commitments increased by 38.6 per cent. to RUB1,326.1 billion as of December 31, 2010, from RUB956.6 billion as of December 31, 2009.

Capital Adequacy

The following table sets forth certain capital ratios of the Group as of the dates indicated. The capital ratios have been calculated in accordance with Basel I guidelines issued in 1988, with subsequent amendments, including the amendment to incorporate market risks, on the basis of IFRS data prior to the introduction of Basel II, as described in Note 27 to the Condensed Interim Consolidated Financial Statements included in this Prospectus.

	As of June 30, (Unaudited)	As of December 31,		
	2012	2011	2010	2009
	billions of RUB			
Tier 1 capital				
Share capital	87.7	87.7	87.7	87.7
Share premium	232.6	232.6	232.6	232.6
Retained earnings	1,012.6	882.9	585.9	404.0
Treasury shares	(8.8)	(7.0)	—	—
Less goodwill	(20.4)	(15.1)	(8.3)	(0.5)
Total Tier 1 capital	**1,303.7**	**1,181.1**	**897.9**	**723.8**
Tier 2 capital				
Revaluation reserve for premises	80.2	81.5	53.6	55.5
Fair value reserve for investment securities available for sale	—	(3.4)	13.4	(0.3)
Foreign currency translation reserve	(3.0)	(5.7)	(1.1)	(1.0)
Subordinated capital	314.5	303.5	303.5	362.1
Less investments in associates	(4.2)	(4.7)	(2.5)	—
Total Tier 2 capital	**387.5**	**371.2**	**366.9**	**416.3**
Total capital	**1,691.2**	**1,552.3**	**1,264.8**	**1,140.1**
Risk weighted assets (RWA)				
Credit risk	11,334.6	9,867.8	7,327.1	6,005.1

	As of June 30, (Unaudited)	As of December 31,		
	2012	2011	2010	2009
		billions of RUB		
Market risk	321.3	349.0	199.9	298.7
Total risk weighted assets (RWA)	**11,655.9**	**10,216.8**	**7,527.0**	**6,303.8**
Tier 1 capital adequacy ratio (Tier 1 capital to Total RWA)	**11.2%**	**11.6%**	**11.9%**	**11.5%**
Total capital adequacy ratio (Total capital to Total RWA)	**14.5%**	**15.2%**	**16.8%**	**18.1%**

The increase in total risk weighted assets to RUB11,655.9 billion as of June 30, 2012, from RUB10,216.8 billion as of December 31, 2011, was mainly due to the growth in the Group's loan book.

The increase in total risk weighted assets to RUB10,216.8 billion as of December 31, 2011, from RUB7,527.0 billion as of December 31, 2010, was mainly due to the growth in the Group's loan book. The increase in total risk weighted assets to RUB7,527.0 billion as of December 31, 2010 from RUB6,303.8 billion as of December 31, 2009 was mainly due to the expansion of the Group's lending business and its operations with securities.

The Group's capital adequacy ratio has been supported since December 2008 by the subordinated loan received from the CBR.

The Group's international risk-based capital adequacy ratio was 14.5 per cent. as of June 30, 2012 and 15.2 per cent., 16.8 per cent. and 18.1 per cent. as of December 31, 2011, 2010 and 2009, respectively. These ratios exceeded the minimum ratio of 8.0 per cent. recommended by Basel I.

Since July 1, 2012, Sberbank's loan portfolio has been subject to increased risk weights used for calculation of the stand-alone capital adequacy ratio in accordance with CBR regulations of April 2011. Sberbank estimates the negative impact of the new regulations on its stand-alone capital adequacy ratio to be in the range of 0.3 per cent.

Significant Accounting Policies

The Group's accounting policies are integral to the understanding of the operational results and financial condition presented in the consolidated financial statements and related notes thereto. The Group's significant accounting policies are described in Notes 3, 4, 5 and 6 to the 2011 Annual IFRS Financial Statements.

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and of income and expenses during the relevant reporting period. The Group's management believes that accounting for provision for loan impairment, held to maturity financial assets, revaluation of office premises, taxation and some other items includes judgments, estimates and assumptions inherent in the application thereof that are critical to an understanding of the Group's financial statements.

In addition, the Group uses valuation techniques to determine the fair value of certain financial instruments for which external market pricing information is not available. Such valuation techniques include discounted cash flow models, generally accepted option pricing models, models based on recent arm's length transactions or consideration of financial data of the investees. Valuation techniques may require assumptions not supported by observable market data. See Note 34 to the 2011 Annual IFRS Financial Statements for an analysis of valuation approaches used to determine fair value of financial instruments. Actual results may differ significantly from estimates. See Note 4 to the 2010 Annual IFRS Financial Statements for a discussion of significant accounting estimates and judgments.

The adoption of IFRS 8 "Operating Segments", which became effective for the Group on January 1, 2009, required the Group to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The adoption of IFRS 8 by the Group resulted in changes in its segmental presentation. Under the new standard, which aligns operating segment reporting with the segments that the Group reports to senior management, the Group determined its operating segments on the basis of the organisational structure of the Group and geographical areas. On this basis, the Group organised its operational segments in accordance with IFRS 8 into the following reportable segments: Moscow, Central and Northern regions of European part of Russia, Volga region and South of

European part of Russia, Ural, Siberia and Far East of Russia and Other countries (including Ukraine, Kazakhstan, Belarus and India). See Note 30 to the 2011 Annual IFRS Financial Statements.

IFRS 9 "Financial Instruments Part 1: Classification and Measurement", issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. While adoption of IFRS 9 is mandatory from January 1, 2013, earlier adoption is permitted. IFRS 9 requires financial assets to be classified into two measurement categories at initial recognition: (i) those to be measured subsequently at fair value and (ii) those to be measured subsequently at amortised cost. An instrument is subsequently measured at amortised cost only if it is a debt instrument held to collect contractual cash flows and its contractual cash flows represent only payments of principal and interest. All other debt instruments are to be measured at fair value through profit or loss. In accordance with IFRS 9, all equity instruments are to be measured subsequently at fair value through profit or loss or other comprehensive income. There is to be no recycling of fair value gains and losses to profit or loss. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in its own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. IFRS 9 is the first part of Phase 1 of the IASB's project to replace IAS 39. The IASB plans to address impairment methodology during Phase 2 and hedge accounting during Phase 3. The Group is considering the implications of the standard, its impact on the Group's future financial statements and the timing of its adoption by the Group.

For the purpose of more detailed presentation of the Group's operating expenses, the Group reclassified certain of these expenses in the 2010 Annual IFRS Financial Statements. See Note 4 to the 2010 Annual IFRS Financial Statements for a more detailed discussion of the reclassification.

In addition, due to a revised presentation of loan participation notes issued under the Programme and interest expenses on such loan participation notes in the 2011 Annual Financial Statements, the Group has adjusted the presentation of comparative figures in 2009 and 2010 by moving these figures to the Debt Securities in Issue section of the consolidated statement of financial position from Other Borrowed Funds; related interest expense was reclassified accordingly. See Note 4 to the 2011 Annual IFRS Financial Statements for a more detailed discussion of the adjustment. The key amounts of reclassifications done for 2009 were the following: reclassification of loan participation notes in the amount of RUB46.1 billion and reclassification of related interest expense in the amount of RUB3.1 billion.

The Group has changed disclosure of expenses directly attributable to deposit insurance according to the substance of such expenses. The presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the consolidated income statement for the six months ended June 30, 2011 is as follows:

Operating expenses	**As previously reported**	**Reclassification**	**As reclassified**
		billions of RUB	
State deposit insurance system membership fee	9.7	(9.7)	—
Consolidated Income Statement			
Expenses directly attributable to deposit insurance....................................	—	9.7	9.7

The effect of changes on the consolidated income statement for the year ended December 31, 2010 is as follows:

Operating expenses	**As previously reported**	**Reclassification**	**As reclassified**
		billions of RUB	
State deposit insurance system membership fee	16.7	(16.7)	—
Consolidated Income Statement			
Expenses directly attributable to deposit insurance....................................	—	16.7	16.7

The corresponding reclassification related to 2009 was in the amount of RUB13.1 billion.

SELECTED STATISTICAL INFORMATION

The following tables present certain of the Group's selected statistical information for the periods indicated. The following information should be read in conjunction with the IFRS Financial Statements, as well as "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Presentation of Financial and Other Information*". The statistical information and discussion and analysis presented below for the six months ended June 30, 2012 and for the years ended December 31, 2011, 2010 and 2009 is presented solely for the convenience of the reader for analytical purposes and on the basis of Industry Guide 3 under the Securities Act (Statistical Disclosure by Bank Holding Companies) ("**Guide 3**"). Limitations in the Group's existing financial reporting system prevent it from generating certain information pursuant to Guide 3. Certain amounts and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be an exact arithmetic result of the figures shown herein.

Average Balance Sheet and Interest Rate Data

The following tables provide an analysis of the average balances of assets and liabilities of the Group for the six months ended June 30, 2012 and 2011, and for the years ended December 31, 2011, 2010 and 2009. For the purposes of the following tables, the average is calculated on the basis of quarterly closing balances throughout each relevant period.

Average Outstanding Assets and Liabilities

The following table sets out, for the six months ended June 30, 2012, and for the years ended December 31, 2011, 2010 and 2009: (i) the quarterly average outstanding amounts for all major assets and liabilities of the Group; (ii) the quarterly interest income received on each interest-bearing asset and the quarterly average interest expense paid for each interest-bearing liability; and (iii) the collective quarterly average yield for all interest bearing assets and the collective quarterly rate paid for all interest-bearing liabilities.

	For the six months ended June 30, (unaudited),						For the year ended December 31					
	2012			2011			2010			2009		
	Average amount for the period	Interest income / (expense)	Average yield / (rate paid)	Average amount for the period	Interest income/ (expense)	Average yield/ (rate paid)	Average amount for the period	Interest income / (expense)	Average yield/ (rate paid)	Average amount for the period	Interest income / (expense)	Average yield/ (rate paid)
	billions of RUB											
Loans to individuals	2,062.5	148.2	14.4%	1,495.2	223.6	15.0%	1,219.9	183.7	15.1%	1,197.9	180.2	15.0%
Loans to corporate customers	6,837.4	318.6	9.3%	5,416.0	518.2	9.6%	4,402.5	498.3	11.3%	4,268.7	572.5	13.4%
Debt securities	1,474.0	50.7	6.9%	1,523.9	101.8	6.7%	1,572.8	105.6	6.7%	612.1	54.2	8.9%
Due from banks	399.6	3.3	1.7%	371.6	7.0	1.9%	337.0	8.0	2.4%	370.3	8.1	2.2%
Total interest earning assets	**10,773.5**	**520.8**	**9.7%**	**8,806.7**	**850.6**	**9.7%**	**7,532.2**	**795.6**	**10.6%**	**6,449.0**	**815.0**	**12.6%**
Provision for loan impairment	(632.7)	—	—	(669.8)	—	—	(666.0)	—	—	(391.0)	—	—
Other assets	1,497.5	—	—	1,126.2	—	—	827.8	—	—	686.6	—	—
Total Assets	**11,638.3**	—	—	**9,263.1**	—	—	**7,694.0**	—	—	**6,744.6**	—	—
Due to individuals	5,907.4	(124.8)	(4.2%)	5,129.1	(211.0)	(4.1)%	4,181.7	(232.7)	(5.6)%	3,345.2	(200.8)	(6.0)%
Due to corporate customers	2,395.8	(34.1)	(2.8%)	1,906.6	(36.6)	(1.9)%	1,710.2	(38.8)	(2.3)%	1,586.0	(57.6)	(3.6)%
Subordinated debt	313.5	(10.1)	(6.4%)	310.7	(19.5)	(6.3)%	390.8	(28.2)	(7.2)%	545.3	(41.3)	(7.6)%
Other borrowed funds	249.4	(2.9)	(2.3%)	195.4	(4.2)	(2.1)%	92.5	(1.6)	(1.7)%	108.7	(2.3)	(2.1)%
Debt securities in issue	373.1	(8.9)	(4.8%)	267.8	(12.8)	(4.8)%	222.0	(13.3)	(6.0)%	172.4	(12.3)	(7.1)%
Due to banks	761.9	(15.8)	(4.1%)	158.6	(5.5)	(3.5)%	105.0	(1.9)	(1.8)%	156.7	(11.0)	(7.0)%
Total interest bearing liabilities	**10,001.1**	**(196.6)**	**(3.9%)**	**7,968.2**	**(289.6)**	**(3.6)%**	**6,702.2**	**(316.5)**	**(4.7)%**	**5,914.3**	**(325.3)**	**(5.5)%**
Other liabilities	277.6	—	—	165.4	—	—	112.6	—	—	73.6	—	—
Total liabilities	**10,278.7**	—	—	**8,133.6**	—	—	**6,814.8**	—	—	**5,987.9**	—	—
Net interest earnings	**324.2**	—	—	**561.0**	—	—	**479.1**	—	—	**489.7**	—	—
Net interest margin	**6.0%**	—	—	**6.4%**	—	—	**6.4%**	—	—	**7.6%**	—	—

Changes in Interest Income and Interest Expense

The following table sets out changes, for the periods indicated, in interest income/expense, volume and interest rates for the major categories of interest-bearing liabilities and interest-earning assets set out in the table above.

	Six months ended June 30, 2012/Six months ended June 30, 2011 (Unaudited)			2011/2010			2010/2009		
	Change in interest income / expense	Changes in volume	Changes in rates	Change in interest income / expense	Changes in volume	Changes in rates	Change in interest income/ expense	Changes in volume	Changes in rates
	billions of RUB								
Loans to individuals	44.3	51.9	(7.6)	39.9	41.5	(1.6)	3.5	3.3	0.2
Loans to corporate customers	76.6	87.7	(11.1)	19.9	114.7	(94.8)	(74.2)	17.9	(92.1)
Debt securities	(1.2)	(4.8)	3.6	(3.8)	(3.3)	(0.5)	51.4	85.1	(33.7)
Due from banks	(0.7)	(0.1)	(0.6)	(1.1)	0.8	(1.9)	—	(0.7)	0.7
Total interest earning assets	**119.0**	**134.7**	**(15.7)**	**54.9**	**153.7**	**(98.8)**	**(19.3)**	**105.6**	**(124.9)**
Due to individuals	(17.3)	(21.4)	4.1	21.7	(52.7)	74.4	(31.9)	(50.2)	18.3
Due to corporate customers	(17.8)	(5.3)	(12.5)	2.2	(4.5)	6.7	18.8	(4.5)	23.3
Subordinated debt	(0.5)	(0.2)	(0.3)	8.7	5.8	2.9	13.1	11.7	1.4
Other borrowed funds	(1.0)	(0.9)	(0.1)	(2.6)	(1.8)	(0.8)	0.7	0.5	0.2
Debt securities in issue	(2.7)	(2.6)	(0.1)	0.5	(2.8)	3.3	(1.0)	(3.4)	2.4
Due to banks	(14.6)	(7.7)	(6.9)	(3.6)	(1.0)	(2.6)	9.2	2.9	6.3
Total interest bearing liabilities	**(53.9)**	**(38.1)**	**(15.8)**	**26.9**	**(57.0)**	**83.9**	**8.9**	**(43.0)**	**51.9**

Securities Held

The following table sets out the maturity range of the Group's investments in securities, as of June 30, 2012. For the average yield of the debt securities portfolio held by the Group for the six months ended June 30, 2012 and for the years ended December 31, 2011, 2010 and 2009, see "*—Average Balance Sheet and Interest Rate Data—Average Outstanding Assets and Liabilities.*"

Maturity Profile

	As of June 30, 2012 (Unaudited)						
	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No Stated Maturity	Total
	billions of RUB						
Federal loan bonds (OFZ bonds)	13.1	90.1	108.7	174.5	292.3	0.4	**679.1**
Municipal and sub-federal bonds	—	5.5	9.6	51.9	53.5	—	**120.5**
Corporate bonds	0.9	15.4	48.0	180.7	300.7	0.4	**546.1**
Corporate shares	—	—	—	—	—	117.4	**117.4**
Foreign government bonds	14.6	6.8	3.2	9.3	22.0	—	**55.9**
Russian Federation Eurobonds	—	—	—	0.3	118.4	—	**118.7**
Investments in mutual funds	—	—	—	—	—	2.7	**2.7**
Total securities portfolio	**28.6**	**117.8**	**169.5**	**416.7**	**786.9**	**120.9**	**1,640.4**

Deposits

The following tables present, for the six months ended June 30, 2012, and for the years ended December 31, 2011, 2010 and 2009, the average amount of, and average rate paid by the Group on period-end deposits in the categories indicated.

Average Value of Deposits

	For the six months ended June 30,	For the year ended December 31,		
	2012 (Unaudited)	2011	2010	2009
	billions of RUB			
Individuals:				
Current/demand accounts	1,074.8	840.3	576.7	411.5
Term deposits	4,832.6	4,288.8	3,605.0	2,933.7
Total due to individuals	**5,907.4**	**5,129.1**	**4,181.7**	**3,345.2**
Corporate customers:				
Current/settlement accounts	1,370.6	1,248.2	1,112.5	944.4

	For the six months ended June 30,	For the year ended December 31,		
	2012 (Unaudited)	2011	2010	2009
		billions of RUB		
Term deposits	1,025.2	658.4	597.7	641.6
Total due to corporate customers	**2,395.8**	**1,906.6**	**1,710.2**	**1,586.0**
Total due to individuals and corporate customers	**8,303.2**	**7,035.7**	**5,891.9**	**4,931.2**

Cost of Deposits, Including Expenses Directly Attributable to Deposit Insurance

	For the six months ended June 30,	For the year ended December 31,		
	2012 (Unaudited)	2011	2010	2009
***Individuals*:**				
Current/demand accounts	0.76%	0.62%	0.49%	0.36%
Term deposits	5.00%	4.80%	6.38%	6.80%
Total due to individuals	**4.23%**	**4.11%**	**5.57%**	**6.01%**
Corporate customers:				
Current/settlement accounts	1.17%	0.84%	0.82%	1.21%
Term deposits	5.09%	3.95%	4.98%	7.20%
Total due to corporate customers	**2.85%**	**1.91%**	**2.27%**	**3.63%**
Total due to individuals and corporate customers	**3.83%**	**3.52%**	**4.61%**	**5.24%**

BUSINESS

Overview

Sberbank plays a significant role in Russia's financial system and economy as the largest commercial bank in Russia in terms of total assets, deposits and loans. As of July 1, 2012, according to Sberbank's calculations based on CBR data, Sberbank's total assets accounted for 28.2 per cent. of all Russian banking sector assets. Sberbank is the largest taker of deposits in Russia with a market share of 46.1 per cent. of retail deposits and 31.3 per cent. of customer deposits overall as of July 1, 2012. In addition, as of the same date, Sberbank had a market share exceeding 33 per cent. of loans to corporate and retail borrowers. More than 70 million individual customers in Russia hold accounts with Sberbank, representing approximately 50 per cent. of the Russian population.

Sberbank services its clients through the largest banking distribution network in Russia in terms of the number of outlets. As of July 1, 2012, Sberbank had approximately 19,040 outlets in total, located in all 83 sub-federal units of the Russian Federation. Sberbank's ATM network is the largest among Russian banks, totaling approximately 38,700 ATM machines and more than 25,150 self-service terminals.

Leveraging its nationwide distribution network, Sberbank provides a wide range of banking and ancillary services to retail and corporate customers, as well as to sub-federal units and municipalities of Russia. Sberbank has three principal areas of business:

- *Retail banking*, which provides individuals with an extensive range of financial services, such as deposit taking, lending and various fee-based services, including distribution of insurance policies, settlement services and currency exchange, and also comprises Sberbank's developing *private banking* segment;

- *Corporate banking*, which includes corporate lending, syndicated loans, foreign exchange and foreign trade transactions, cash management, account and settlement services to all types of corporate clients, including small businesses, state-owned companies, sub-federal units and municipalities of the Russian Federation, and financial institutions; and

- *Investment banking*, which includes a comprehensive range of investment banking services, such as sales, trading and brokerage, research, underwriting debt and equity securities issuances, derivative and structured products, as well as corporate advisory services for mergers and acquisitions, and which is complemented by merchant banking. Corporate and investment banking form a separate intra-Group business unit called "Corporate Investment Bank" ("**CIB**"), created following the integration of Troika Dialog into Sberbank's corporate business.

The Group also provides additional financial services through various subsidiaries of Sberbank, including leasing services through Sberbank Leasing and mutual fund investments through Sberbank Asset Management Company and Troika Dialog. The Group carries out its international business through subsidiary banks in a number of CIS and CEE countries, as well as through the foreign subsidiaries of Troika Dialog. See "—*Organisation and Management of the Group*".

Sberbank's ordinary and preference shares have been publicly traded in Russia since 1996. In 2011, Sberbank's level 1 ADSs (each ADS representing four ordinary shares) became tradable over-the-counter in the United States, Germany and the United Kingdom. In September 2012, Sberbank's ADSs were admitted to trading on the regulated market of the London Stock Exchange.

The CBR is Sberbank's controlling shareholder with a stake exceeding 50 per cent. of the voting shares and the charter capital. In March 2012, former Russian President Dmitry Medvedev is reported to have instructed the Government, together with the CBR, to propose draft amendments regarding a decrease in state participation in state-controlled banks to below 50 per cent. plus one voting share, but no draft proposals have yet been made public. At present, representatives of the CBR hold six out of the 17 seats on Sberbank's Supervisory Board. Eight seats are held by independent directors (as defined under Russian law) that are not affiliated with the CBR, the Russian government or Sberbank. The management of Sberbank holds two seats, and one seat is held by a non-executive director. The Chairman of the CBR serves as the Chairman, and the two First Deputy Chairmen of the CBR serve as Deputy Chairmen, of Sberbank's Supervisory Board.

Sberbank is a member of a number of international financial organisations, including the International Banking Security Association, the International Capital Market Association and SWIFT. Sberbank is also a member of the World Economic Forum and International Monetary Conference. In addition, Sberbank participates in major organisations that support the infrastructure of the Russian financial markets, including the Association of Russian Banks, Moscow Exchange (formerly, MICEX-RTS), the largest Russian stock exchange in terms of turnover, the National Currency Association, the Association of Bill Market Participants, the National Securities Market Association and the National Association of Securities Market Participants. Sberbank is a member of MasterCard Inc. and Visa Inc.

Sberbank has received recognition as a major global institution with strong business performance and quality service from many international and domestic publications and news services, including: No. 1 in Russia in terms of tier 1 capital and the "Bank of the Year" in CEE from *The Banker* (2011); ranking as the world's 18th largest bank by market capitalization, according to Bloomberg (as of September 14, 2012); and ranking among the 10 safest banks in CEE from *Global Finance* (April 2012). In February 2012, *Brand Finance*, a leading brand valuation consultancy, ranked Sberbank's brand 17th by value (with an estimated value of U.S.$10.8 billion for 2011) among the world's most highly-valued bank brands.

History

Sberbank's business dates to 1841, when a decree by Tsar Nicolas I established the first Russian savings banks ("*сберегательные кассы*", literally, "savings cash offices") to be run by the state, the number of which steadily grew until the 1917 Revolution. During the Soviet era, unlike other pre-Revolution credit institutions, the state-run savings cash offices were preserved. They existed in various forms nationwide through 1988 as the monopoly providers of banking services to the population of the USSR (except in certain rural areas where post offices assumed this function). In 1988, the state-run savings cash offices were reorganised into Sberbank of the USSR, which became the leading provider of banking services to the Soviet population. In many instances, savings cash offices were in fact predecessors to Sberbank's current outlets within Russia. Stemming from this legacy, Sberbank has traditionally enjoyed the trust of the Russian consumer and has the largest branch network in Russia.

Savings Bank of the Russian Federation, or Sberbank, was established on March 22, 1991. Sberbank's charter was registered by the CBR on June 20, 1991 and was amended and supplemented on multiple occasions. The Annual General Shareholders Meeting of Sberbank for 2011 approved a new version of the Sberbank Charter on June 1, 2012.

Sberbank is registered in the Unified State Register of Legal Entities under number 1027700132195. Sberbank currently holds a general banking licence (number 1481), which was re-issued by the CBR on August 8, 2012. Sberbank also holds licences issued by the FSFM required to trade and hold securities and to provide other services relating to securities, as well as other ancillary licenses necessary for its core banking activities. Sberbank is primarily regulated and supervised by the CBR.

Since 1991, Sberbank has evolved from a collection of disparate state savings institutions into the largest Russian universal commercial bank. In the 1990s, Sberbank diversified its asset and funding base by attracting business from legal entities, while expanding and developing its retail banking business. By the late 1990s, it achieved leading positions in a number of sectors of the developing Russian financial market, such as retail and corporate lending, operations in securities, deposit taking, settlement and custody services, and operations with precious metals. Sberbank also restructured its management and planning systems and developed centralised financial controls and risk management policies, including with respect to liquidity, cash flow and interest rates.

In 2000, Sberbank underwent a large-scale corporate governance reorganisation. Sberbank consolidated its regional office and management structure and created 17 regional head offices that function as semi-autonomous head offices for their respective regions (generally, covering from three to seven sub-federal units of Russia), instead of the previously existing 71 regional divisions. Simultaneously, Sberbank redistributed powers between the headquarters and local sub-divisions, granting more authority to the enlarged regional head offices. Creating 17 regional head offices allowed Sberbank to strengthen the financial position locally, streamline the branch network management, decrease its operating costs, increase lending volumes of regional business units, implement new technologies and enhance its proprietary settlement system. During the reorganisation process, Sberbank closed certain less profitable outlets, and opened new outlets in urban areas with a higher concentration of potential customers; as a result, the number of its outlets was reduced by approximately 15 per cent. The restructuring of Sberbank's branch network is continuing today, with the aim of creating an optimal management and distribution structure, in terms of both efficiency and effectiveness. See "*—Organisation and Management of the Group*" and "*—Distribution Channels—Branch Network*".

At the end of 2007, with the arrival of a new senior management team, Sberbank embarked on the development and implementation of a new strategy aimed at transforming Sberbank into a world leading financial institution by 2014. See "*—Strategy and Strategic Goals*". Since November 2007, Sberbank's senior management team has been headed by its Chairman of the Executive Board and President Herman O. Gref. Between the end of 2007 and the end of 2010, a number of senior managers formerly employed by the Russian government and major Russian and international banking and financial institutions joined Sberbank to form a dynamic, experienced and entrepreneurial management team.

Sberbank has undertaken a number of strategic acquisitions and other actions to expand the Group's business and geographic presence, including:

- In December 2006, Sberbank acquired its banking subsidiary in Kazakhstan, Subsidiary Bank Joint-Stock Company "Sberbank of Russia" (formerly, JSC Texakabank), for RUB3,533 million.

- In December 2007, Sberbank acquired its banking subsidiary in Ukraine, Public Joint-Stock Company "Subsidiary Bank of Sberbank of Russia" (formerly, CJSC Commercial Bank "Bank NRB"), for RUB3,483 million.

- In December 2009, Sberbank acquired a 93.3 per cent. stake in JSC BPS-Sberbank (formerly, JSC "Belpromstroybank") in Belarus, for RUB8,474 million. This stake has subsequently been increased to 97.91 per cent. for an additional RUB360.1 million.

- In December 2011, Sberbank acquired a 99.15 per cent. stake in SLB Commercial Bank AG, Switzerland (renamed as Sberbank (Switzerland) AG), for CHF102.4 million.

- In December 2011, Sberbank and BNP Paribas Personal Finance S.A. signed a definitive agreement to develop a jointly-owned finance bank in Russia specialising in point-of-sale ("**POS**") consumer lending, with a 70 per cent. stake belonging to Sberbank and the remaining 30 per cent. owned by a member of the BNP Paribas group. The joint venture company is LLC Commerical Bank BNP Paribas Vostok ("**Cetelem Bank**"), and will operate under the "Cetelem" brand. Sberbank purchased the 70 per cent. stake in Cetelem Bank in August 2012 for RUB5.1 billion (subject to certain adjustments) and financed the acquisition with its own funds. See "*—Russian Banking Services and Activities—Retail Banking Products and Services—Lending—New lending products*".

- In January 2012, Sberbank completed the acquisition of a 100 per cent. equity interest in Troika Dialog from Standard Bank Group International Limited and TDM Limited Partnership for the consideration of U.S.$1 billion and additional earn-out consideration, the amount of which will depend on the financial performance of Troika Dialog between 2011 and 2013. See "*—Investment Banking Services—Acquisition of Troika Dialog*".

- In January 2012, Sberbank acquired a 100 per cent. participatory interest in Allianz Life (soon to operate under a different brand), Russia, for RUB118 million.

- In February 2012, Sberbank acquired a 100 per cent. interest in VBI (excluding the business known as VBI Romania) for Euro 505 million. See "*—Organisation and Management of the Group—Acquisition of VBI*".

- On June 8, 2012, Sberbank committed to acquire DenizBank, Turkey. Sberbank is financing this acquisition with its own funds. See "*—Organisation and Management of the Group*". On September 28, 2012, Sberbank completed the acquisition of 99.85 per cent. of DenizBank. See "*—Acquisition of DenizBank*".

During 2009 and 2010, Sberbank established representative offices in Frankfurt-am-Main (Germany) and Beijing (the People's Republic of China), and registered a branch office in New Delhi, India, which commenced customer operations in 2012.

Market Position and Competitive Strengths

Domestic Market Position

Sberbank is a leading credit institution in Russia. According to Sberbank's calculations based on CBR data, as of July 1, 2012, Sberbank accounted for 28.2 per cent. of aggregate banking sector assets and 29 per cent. of the aggregate capital of all the banks registered in Russia.

Sberbank has leading market shares across core banking products and services in Russia. According to Sberbank's calculations based on data as of June 30, 2012, among banks operating in Brazil, Russia, India and China ("**BRIC**"), Sberbank's domestic market shares in loans and retail deposits were higher than those of any other BRIC bank. According to Sberbank's calculations based on CBR data, as of July 1, 2012, in Russia, Sberbank was:

- the largest retail deposit-taker, with a market share of 46.1 per cent.;
- the largest retail lender, providing 33.6 per cent. of all retail loans and 47.8 per cent. of retail mortgages;
- the largest corporate lender, with a 33.2 per cent. market share of loans to legal entities; and
- the largest issuer of debit and credit cards, with a 38 per cent. market share.

Sberbank provides banking services to individuals and legal entities in all of the 83 sub-federal units of Russia. According to the CBR, as of July 1, 2012, there were 965 banks and non-bank credit organisations operating in Russia. Banks are principally concentrated in Moscow, St. Petersburg and larger regional cities. Although some Russian banks have been expanding outside of such urban centres, Sberbank, with approximately 19,040 outlets, remains the only nearby universal bank capable of offering a full range of banking products in many areas of Russia.

Sberbank has the largest retail and corporate client base in Russia among banks operating in the country. As of July 1, 2012, more than 70 million Russian individuals and approximately 1.5 million businesses held one or more accounts at Sberbank. Based on Rosstat data for 2010, Sberbank's retail client base represented approximately 80 per cent. of the total working age population in Russia.

Competitive Strengths

Sberbank's *core competitive advantages* are: its size and geographic scope in Russia; solid domestic market position; ability to leverage the Russian banking industry and macroeconomic growth; reputation and positive brand recognition; capable and ambitious management team, coupled with a supportive and transparent corporate governance framework; solid risk profile; low funding cost and strong balance sheet.

- *Significant scale and geographic scope* – Sberbank is among the largest banks globally, and the Group's total assets of approximately U.S.$378.9 billion as of June 30, 2012 (at the CBR exchange rate as of June 30, 2012) make Sberbank the largest commercial financial institution in Russia, the CIS and CEE. Sberbank's branch network spans across Russia, serving as a solid distribution platform for both retail and corporate banking. Based on CBR data as of July 1, 2012, Sberbank believes that its branch network is approximately as extensive as the combined networks of all other Russian banks. Sberbank's size and financial strength enable it to realise substantial economies of scale in terms of operations, expenses, investment and funding, as well as ensure its access to market segments where smaller Russian banks are less competitive.

- *Unmatched market positions in Russia* – Sberbank is the leading bank in Russia, measured by its 28.2 per cent. share in total assets of the national banking sector as of July 1, 2012 (according to Sberbank's calculations based on CBR data). It is also the leader of the Russian retail and corporate lending markets, measured by its market shares (see "*—Domestic Market Position*"). As of the same date, the Russian banks holding the second through fifth largest market positions have a combined 25 per cent. of the retail lending market and 31.5 per cent. of the corporate lending market, according to Sberbank's calculations based on CBR data. Given that the remaining part of the Russian banking sector is relatively fragmented, Sberbank believes it is well positioned to maintain its role as a market leader.

- *Ability to leverage Russian banking industry's and socio- and macroeconomic fundamentals* – Demonstrating the necessary socioeconomic demographics to support Sberbank's continued growth, Russia has the largest population in Europe, is generally well-educated and has a substantial middle class. Sberbank also believes that the Russian macroeconomic and banking industry fundamentals should support high rates of business volume growth and consequential revenue growth.

Among the world's 10 largest economies by GDP in 2011, in 2000 – 2011, Russia had its real GDP grow at an average rate of 5.3 per cent. per annum, outpacing Brazil's, which represented the third highest rate after China and India. Based on CBR data, the Russian lending market grew at a CAGR of approximately 28 per cent. from 2005 to 2011, while the penetration of banking services in Russia, measured by the ratio of bank assets-to-GDP, is still among the lowest across BRIC and developed countries. In 2011, Russia's bank assets-to-GDP ratio was 76.1 per cent., compared to ratios in excess of 130 per cent. in the BRIC countries other than Russia and an average of 328 per cent. for such developed markets as the US, the UK, Italy, France, Germany and Austria, according to the Business Monitor International of 2011.

Sberbank believes that, as the economy and banking sector develop, Russia's bank assets-to-GDP ratio will gradually converge with the higher levels seen in other BRIC and developed nations, and that Sberbank is well-positioned to take advantage of this convergence and the economic growth generally.

- *Strong reputation and trusted brand* – Sberbank has a longstanding reputation as a stable and reliable bank in Russia. Sberbank has traditionally been viewed as a "safe haven" by retail customers during periods of economic turmoil in Russia. During the 2004 banking sector liquidity crisis in Russia, Sberbank's share in the retail deposits market increased (from 60.6 per cent. as of June 1, 2004 to 61.9 per cent. as of September 1, 2004). Sberbank's market share in retail deposits also increased during the 2008-2009 economic downturn (from 49.8 per cent. as of September 1, 2008, to 52.5 per cent. as of December 1, 2008). Sberbank believes that its longstanding and widespread market presence makes it a household name among most Russians.

The strength of Sberbank's brand is widely recognised. In November 2011, the National Agency for Financial Studies, a private Russian financial markets research company, cited Sberbank as the most recognisable and popular brand among Russian banks based on consumer interviews. In 2012, *Brand Finance* ranked Sberbank first among the most valuable Russian brands and 17th among banking industry brands worldwide.

- *Capable and ambitious management* – Sberbank's senior management team, led by Herman O. Gref, former Russian Minister of Economic Development and Trade, has significant business, economic, and senior government-level experience. The team was mostly assembled in 2007 and 2008, with a clear mandate to modernise Sberbank into a leading international bank. The team has since focused on driving commercial performance of Sberbank through the continued execution of Strategy – 2014.

- *Transparent and supportive corporate governance framework* – The existing shareholding structure of Sberbank, with the CBR as a controlling shareholder and the remaining equity in free public float, makes Sberbank independent of private financial and industrial groups. In contrast, many other Russian banks are part of financial and industrial groups and might be inclined to service these groups and their interests. As a result, Sberbank conducts business with a variety of leading domestic clients, including those competing with each other, on commercial terms. Although the CBR is Sberbank's controlling shareholder, the CBR does not interfere with day-to-day decision-making and operations of Sberbank. An increase in the number of independent members of the Supervisory Board (from three in June 2010 to eight in June 2012) further contributed to the transparency of Sberbank's governance. Sberbank encourages a dialogue with its minority shareholders through, among other channels, a consultative committee for minority investors, the committee's website and a call centre to process shareholders' petitions.

- *Low funding cost* – Sberbank's leading market position in deposits remains the key to its low funding cost. A low-cost deposit base is not only a competitive advantage for Sberbank, but it also gives Sberbank one of the highest net interest margins in the Russian market. Sberbank aims to maintain its low-cost deposit base, thus increasing the net interest margin.

- *Solid risk profile with stable sources of revenue* – Sberbank believes that the strength of its balance sheet provides Sberbank with a solid base to increase profitably in the next few years. During the crisis peak of 2008 – 2009, Sberbank continued to show strong performance, as evidenced by its growing net interest margin, despite the decreasing loan portfolio due to the financial instability. Sberbank's business model relies on core banking operations and services, which generate a more stable revenue flow than more volatile operations, such as trading. Sberbank's non-trading sources of revenue (*i.e.* net interest income and net fees and commissions) accounted for 93 per cent. of Sberbank's operating income before provision for loan impairment in the six months ended June 30, 2012. Sberbank's exposure to sovereign debt is mostly limited to Russia, and Sberbank engages in proprietary trading and derivatives transactions largely for risk management and liquidity purposes.

Strategy and Strategic Goals

The Supervisory Board approved Strategy – 2014 in October 2008 amidst the rapidly changing economic conditions of the financial crisis. Strategy – 2014 is designed to balance a necessary response to short-term market pressures against continued pursuit of long-term objectives. The central objective of Strategy – 2014 is to leverage Sberbank's position as a leading Russian bank in order to transform it into a leading international bank in terms of profitability, scale of business, service quality and operational efficiency. Strategy – 2014 is an overhaul of the business model existing prior to 2008 and encompasses all aspects of Sberbank's business. Sberbank is powering this transformation by focusing its reform efforts on five strategic themes: ***superior customer service***, ***technological leadership in banking, new management philosophy***, ***diversification in fast-growing markets abroad*** and ***continuous employee development***.

The focus of Strategy – 2014 is to ensure that Sberbank, on a stand-alone basis, can achieve the following targets by the end of 2014:

- ***Performance targets***: (i) 2.5 – 3 fold increase of net profit, compared to 2007 under RAS; (ii) cost-income ratio about 40 per cent. (under RAS); (iii) return on average equity above 20 per cent.; and (iv) a total headcount to be between 200,000 and 220,000 employees.

- ***Market position in Russia***: (i) share in the total assets of the banking sector to be maintained between 25 per cent. and 30 per cent.; (ii) market share in retail deposits to be maintained above 45 per cent.; and (iii) strong competitive positioning in all major banking products.

- ***Qualitative indicators***: (i) strong brand and loyal customers; (ii) market-leading expertise and capabilities in banking processes and performance; (iii) effective and reliable internal systems and processes; and (iv) highly qualified personnel united by a strong corporate culture.

- ***International markets***: (i) approximately 5 per cent. of the net profit under RAS to come from foreign operations; (ii) strengthening of positions of Sberbank's subsidiary banks in Kazakhstan, Ukraine and Belarus to up to a 5 per cent. market share; (iii) opportunities in CEE and Turkey to be explored; and (iv) presence in fast-growing markets, such as China and India, to be established.

Sberbank believes that the major initiatives comprising Strategy – 2014 are currently on track, demonstrating Sberbank's ability to execute large-scale projects despite significant challenges, including adverse market conditions caused by the 2008-2009 financial crisis and the 2011 and 2012 market volatility.

I. Sberbank is becoming a client-focused financial institution with prompt, high-quality and convenient service

Sberbank's customers are the key element of its business success, and ensuring customer satisfaction by offering a comprehensive financial services package to all customer groups (retail, corporate and government entities) is at the heart of Strategy – 2014. By offering a comprehensive package to its clients, Sberbank expects to increase the number of products sold to each customer per employee. To ensure the availability of its products and services throughout Russia to all customer segments, Sberbank is optimising its branch network, changing its internal organisation to better reflect client focus and improving its technology in anticipation of Russian customers' increased demand for remote banking.

Retail Customer Services

Given that retail customers represent its most stable source of funding, Sberbank plans to build on its already strong position in the Russian retail banking market by providing more flexible services that meet the financing needs of its retail clients. In developing the retail business, Sberbank is implementing the following strategy:

- *New model of operations* – Sberbank is improving the management, IT systems, banking processes and front office work at the retail branches. In particular, Sberbank conducts employee training aimed at changing the way employees interact with customers to meet industry best practices.

- *Automatisation of retail banking services* – Sberbank is making technological upgrades to its retail banking platforms to build a comprehensive customer service system.

- *Service integration* – Sberbank is offering its current account and card holders a larger selection of automated services, as well as increasing customer access to these services, with a focus on remote channels. As of July 1, 2012, 76 per cent. of retail transactions that can be done in person or remotely were executed remotely. Sberbank seeks to increase the percentage of remote transactions and thus allow front office employees to dedicate more time to sophisticated operations.

- *Improved sales skills* – To get the full benefit of its exposure to more than 70 million retail customers, Sberbank is developing the sales skills of all its employees, including skills necessary for managing customer relations and cross-sales.

- *Brand management* – Sberbank seeks to strengthen its brand, particularly among mass-affluent, premium and young client segments.

To chart customer satisfaction, Sberbank, among other things, measures the quality of service in 18,500 retail outlets through regular surveys and assessments. The results are used to make Sberbank's processes, products and services more satisfactory to customers. They are also used during performance evaluations of employees and affect their incentive compensation.

Corporate Customer Services

Sberbank is strengthening its competitive position in the corporate banking segment by increasing its customer reach and deepening its relationships with existing clients. To create a first-class service for its corporate clients, Sberbank is focusing its developmental resources on the following key objectives:

- *Efficient country-wide system for corporate sales and services* – Sberbank created a business unit of corporate banking, which operates at all three levels of Sberbank's organisation (head office in Moscow, 17 regional head offices and branches). This business unit and its dedicated employees are responsible for maintaining relationships between Sberbank and each corporate client.

- *Tailoring operational models and product offerings for different corporate segments* – Sberbank distinguishes among its customers on the basis of their annual revenues. Sberbank offers and continues to develop comprehensive and quality product lines to reflect the needs, scale of operations and market reach of its varied client base. Also, differentiation by client segments helps Sberbank to make the pricing of its products more consistent with their risk.

    - For customers in the largest and large segments, Sberbank focuses on offering services through customer-specific account managers focusing on each customer's particular needs.

    - For its medium-sized clients, Sberbank's priority is offering basic banking products, handled by account managers with broad banking knowledge and regional expertise.

    - For its small and micro-business customers, Sberbank seeks to deliver a range of standardised products through account managers with deeper geographic focus and through a streamlined loan approval process.

- *Optimised internal management processes* – Sberbank looks to continue streamlining its internal processes by switching to two front-office information technology systems in all 17 regional head offices. This change is expected to contribute to more efficient and reliable document management and improve the quality of credit risk management in corporate banking.

Banking Services for Governmental Entities

Sberbank has been a long-standing service provider to the Russian government. Sberbank believes that the history of cooperation with the government, together with the size of Sberbank's branch network and scale of its business, makes it a provider of choice for state and municipal authorities, as well as to multiple state-owned or affiliated enterprises.

Sberbank intends to maintain strong relationships with this customer segment by offering banking and corporate finance services tailored for such entities and being involved in governmental development and infrastructure programmes.

Branch Network Optimisation

Sberbank's nationwide branch network is one of its core long-term competitive advantages. Sberbank continues to improve the accessibility, effectiveness and quality of its customer services through creating an "ideal branch network", a process that started in 2011. Two key drivers behind the branch network optimisation are the location of an outlet and the optimal range of services to be provided at such location. Sberbank has developed eight standardised layouts for retail and corporate branches to be used as building blocks of the "ideal branch network".

In addition, Sberbank is pursuing the automation of its retail outlets, *e.g.* by adding self-service terminals within such outlets. By focusing on such automation, Sberbank aims to ensure that its bank personnel can dedicate more time to more complex banking services, such as lending.

Change of Internal Organisation to Reflect Customer Focus

Sberbank has developed a more client-focused model to replace its previous product-focused structure of retail and corporate operations. Sberbank has created vertically integrated business divisions responsible for retail and corporate operations. As this model is being implemented, clear responsibilities are allocated within Sberbank, with each division formulating its own strategy and assuming responsibility for the financial results of specific customer groups. In the new model, regional head offices and local branches retain responsibility for the day-to-day business operations within their regions.

II. Sberbank is becoming a technological leader in banking by pursuing operational efficiency

Sberbank considers operational efficiency through improved technology to be a key strategic initiative. By introducing a suite of best-in-class, standardised banking technologies and processes, Sberbank believes that it will become more manageable and scalable, able to manage risks more efficiently and capable of providing improved customer service. In addition, this strategy is driven by Sberbank's belief that new technologies have an impact on how customers use banking services and perceive the quality of Sberbank's brand. A shift to the consolidated operational model (*i.e.* consolidation of the back- and mid- office processes in shared service centres, as opposed to their location at individual branches), an overhaul of its information technologies and enhanced risk management all speak to the improvement of Sberbank's technological profile and operational efficiency.

Consolidated Operational Model

Sberbank is combining many of its back- and middle-office facilities, previously carried out at numerous individual outlets, and upgrading its front-office function. The optimisation of the front-, middle- and back-office is being rolled out in stages, both to measure the impact of the improvements on the business efficiency and to ensure a smooth transition for employees and customers.

Sberbank has started the consolidation by taking back-office tasks that were earlier carried out at the branch level, such as retail loan underwriting, bad loan collection, and mass payments of pensions and salaries (payroll services), and moved them to shared service centres. Sberbank believes that the consolidation has already resulted in a significant overall efficiency impact due to the standardisation of back- and middle-office operations.

Information Technologies (IT)

Sberbank is continuing efforts to centralise and standardise its IT systems to meet the needs of its growing business and customer expectations, while simplifying its internal processes to improve its operational efficiency. For its IT, Sberbank has started the following strategic projects:

- *New target IT architecture* – Sberbank is implementing a new centralised target IT architecture, which combines two core banking systems with shared specialised applications for various areas of business.

- *Industry leading software to support core processes* – Sberbank procures applications supporting key business processes from leading vendors, with a general preference that such applications have already been tested at other international banks with a comparable scale of operations.
- *Mega Data Processing Centres* – Sberbank has started consolidating its many existing data processing centres into two Mega Data Processing Centres (the principal one having been put into operation). Sberbank expects to benefit from economies of scale and to have the ability to manage the anticipated increase in its volume of operations.
- *Management Information System* – To support decision-making at senior and middle managerial levels, Sberbank has created an MIS. The current iteration of the MIS allows top and senior managers to receive timely, structured and reliable data on Sberbank's day-to-day operations. It provides information breakdowns according to necessary analytical dimensions (such as business and client segments, geographic region, product type, market segment and organisational unit) and can be adjusted for different levels of managerial responsibility. The MIS also provides the possibility of analysing exposures to individual corporate clients and profitability of their transactions.

Risk Management

Sberbank is in the process of making significant changes to its risk management procedures, principally for credit, market and operational risks, in parallel with an overhaul of its IT infrastructure that supports the risk management function. Sberbank is eliminating excess control mechanisms, while formalising and strengthening its risk assessment procedures. Sberbank has substantially rebuilt its retail and corporate lending processes, with the aim that loan pricing critically depends on the determination of the level of credit risk. Sberbank believes that the improved credit risk management system has expedited the loan decision-making, while also improving the quality of the loan portfolio. Sberbank has historically followed a conservative risk management policy, and the current redesign of its risk management is still based on its conservative risk appetite.

Sberbank has started preparations for the proposed implementation of Basel II standards in Russia, which is expected to be completed in 2014 at Sberbank and by 2015 Group-wide. Sberbank already has in place an internal rating framework for corporate lending (allowing a quick transition to an advanced internal rating-based (IRB) approach according to Basel II requirements), and has initiated the expansion of advanced risk management strategies to banking risks other than credit risk.

III. Sberbank seeks to achieve productivity gains from its business improvement model

As part of Strategy – 2014, Sberbank introduced what it calls the Production System of Sberbank ("**PSS**") as a new philosophy of management based on altering the mindset and behaviour of its employees, changing old management approaches, and implementing process-improving methods. All three of these areas are still in focus today to drive a culture of continuous improvement at Sberbank. Sberbank's approach organises collective action to rationalise all bank procedures from the bottom up, and emphasises the importance of self-evaluation and striving for perfection. PSS sets the expectation that everyone is responsible for their day-to-day improvement and output.

The initial focus of PSS was on Sberbank's retail operations, with the implementation in other areas of Sberbank following shortly thereafter. In the retail setting, PSS taught employees about branch navigation, workplace organisation, day planning, and other tools for greater personnel efficiency. In Sberbank's assessment, the result was a significant increase in sales, higher quality service, queue reductions and higher work-quality standards. Since 2010, Sberbank has been introducing PSS in practically all areas of its operations, and plans to expand PSS to its newly acquired subsidiaries.

As part of its commitment to continuous improvement, Sberbank has set productivity goals in excess of its business growth volume. The resulting productivity increase is expected to be between 10-15 per cent. in the period of 2012 – 2014.

IV. Sberbank is diversifying its banking business in fast-growing markets outside of Russia

To achieve its goal of becoming a leading financial institution with a global reach, Sberbank has started executing a strategic plan to conduct operations in fast-growing markets abroad. While Russia remains Sberbank's top priority, the expansions outside of Russia will help Sberbank to diversify its sources of growth to the regions of interest to it and continue to support its Russian customers as they too grow internationally.

Sberbank's current international presence includes subsidiary banks in three CIS countries, the CEE region and Switzerland, representative offices in Germany and China, and a branch in India. Sberbank is now focused on integrating the newly acquired subsidiaries as part of a single banking group, with a view to extracting synergies from these acquisitions. To expand its foreign operations to new countries, Sberbank recently acquired 99.85 per cent. of DenizBank in Turkey.

V. Sberbank is investing in employees and their development

Sberbank considers its employees to be one of its key assets and competitive advantages. Sberbank has launched a number of initiatives to ensure the personal and professional development of its people by continuously improving internal training, creating an incentive-based motivation system, and offering comprehensive benefits. Sberbank believes that these efforts will contribute to greater job satisfaction, thus creating a productive and dedicated work force.

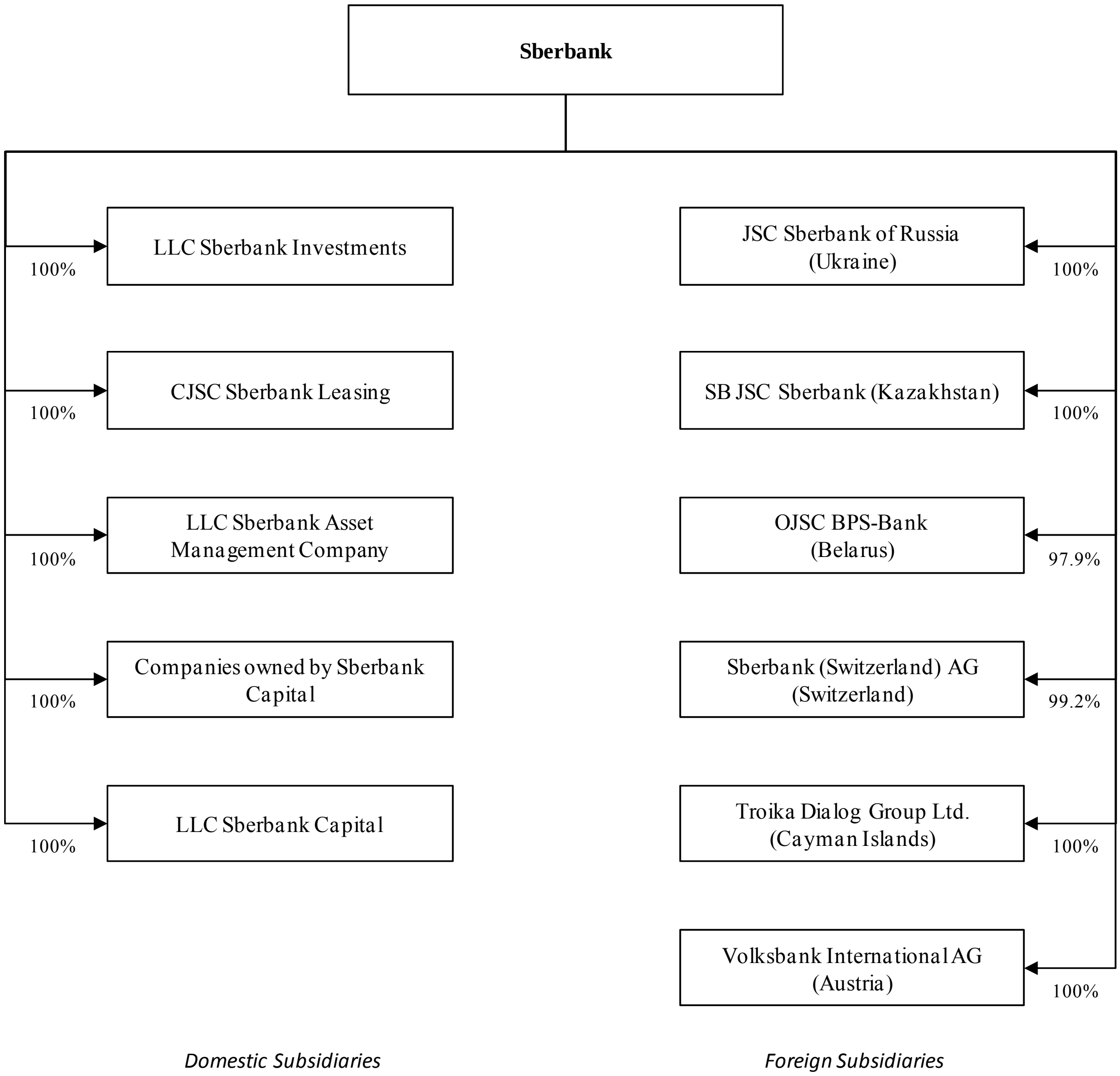
- *Continuous training* – Sberbank is updating and revising its employee training programmes, so as to provide employees with new relevant skills. In 2011, more than 85 per cent. of Sberbank employees received product, sales, service, project management and communication training, and 29,000 employees participated in managerial skills development programmes. Sberbank's Corporate University cooperates with top international business schools, such as INSEAD and the London Business School, providing training to approximately 500 top- and middle-level managers annually.

- *Systematic motivation and comprehensive benefits* – Sberbank has built an advanced employee motivation system by introducing financial and non-financial incentives and making paths for career growth available and transparent. In the second half of 2010 and 2011, Sberbank restructured compensation packages to provide a balance between job security and performance motivation, and to ensure its compensation remains competitive. All Sberbank employees benefit from life insurance funded entirely by Sberbank, and medical insurance, which is co-funded by Sberbank and the employee. In 2011, Sberbank launched corporate pension plans under a defined contribution scheme.

Organisation and Management of the Group

Group Structure and Management

The following chart sets out a simplified structure of the Group, including Sberbank's principal subsidiaries, as of June 30, 2012:



Refer to Note 26 of the Condensed Interim Consolidated Financial Statements for a list of principal subsidiaries. There have been no material changes in the structure of the Group since June 30, 2012, except for the acquisition of a 70 per cent. stake in Cetelem Bank, which Sberbank does not consider to be a material subsidiary (see "—*Russian Banking Services and Activities—Retail Banking Products and Services—Lending—New lending products*").

Sberbank is the parent company and the key operating entity in the Group. The Group's business is predominantly carried out in Russia through Sberbank's domestic sub-divisions, complemented by operations of subsidiary companies in Russia such as Sberbank Leasing, Russia-incorporated companies of Troika Dialog, and Sberbank Capital, and operations of subsidiary banks in Ukraine, Belarus, Kazakhstan, Switzerland and, with the acquisition of VBI, eight CEE countries, as well as foreign operations of Troika Dialog.

Each subsidiary bank in the CIS functions on a largely autonomous basis, subject to applicable banking and other regulations in the jurisdiction in which it operates. Sberbank reviews the subsidiary banks' financial condition, risk management practices and the quality of the loan portfolio on a monthly basis, subject to the prevailing economic conditions.

Sberbank's 2011 policy on the management of subsidiaries and affiliates (*i.e.* companies in which Sberbank holds more than 20 per cent. of the voting capital, but less than a controlling stake), other than subsidiary banks, distinguishes between three types of Sberbank subsidiaries and affiliates, and sets out distinct management policies for each type.

(i) Subsidiaries providing complementary financial services, such as leasing and mutual funds investments, complement Sberbank's product range and increase the client base of the Group. Sberbank's management of such companies generally seeks to ensure consistency of the level of their services with Sberbank's brand, adequate risk management at the Group level and compatibility of IT systems and processes with those of Sberbank, particularly for client-related operations.

(ii) Servicing subsidiaries carry out Sberbank's outsourced functions: for example, Sberbank Capital manages problem loan portfolios and enforces bad loans of the Group. Sberbank seeks to ensure that the risk management procedures of servicing companies support adequate risk management at the Group level and that their activities promote client relationships of the Group.

(iii) Sberbank also participates, in most instances with non-controlling stakes, in companies which contribute to governmental and socially oriented projects, improvement of the overall economic and investment climate in Russia or development of the banking and capital markets infrastructure in Russia, such as CJSC "Experian-Interfax Credit History Bureau" or OJSC "Universal Digital Card" (see "*—Russian Banking Services and Activities—Retail Banking Products and Services—Public Sector Services*").

As of June 30, 2012, under IFRS, the largest subsidiary of Sberbank accounted for 3.1 per cent. of the Group's total consolidated assets and, together, all subsidiaries of Sberbank accounted for 9.5 per cent. of the Group's total consolidated assets. The financial positions and results of the subsidiaries are incorporated in the IFRS Financial Statements appearing elsewhere in this Prospectus.

Acquisition of VBI

In line with the Strategy – 2014, in February 2012, following a sale and purchase agreement in September 2011, Sberbank acquired 100 per cent. of the shares of VBI, the Central and Eastern European division of Oesterreichische Volksbanken. The transaction excluded Volksbank Romania, VBI's banking subsidiary in Romania. In the period between signing and closing, the selling shareholders made capital contributions to increase VBI's shareholders' equity to offset certain third quarter 2011 losses and also agreed to reduce the consideration payable by Sberbank to €505 million. As part of the closing arrangements, Sberbank also assumed the equivalent of approximately €2.1 billion of long-term shareholder refinancing from the selling shareholders. Following the closing, Oesterreichische Volksbanken AG provided Sberbank with five-year funding in the amount of €500 million at an interest rate of three-month EURIBOR plus 1.5 per cent. See Note 26 to the Condensed Interim Consolidated Financial Statements for the fair values of identifiable assets and liabilities of VBI based on the results of an independent appraisal at the acquisition date, used for the purposes of determining goodwill from the business combination.

VBI has 295 branches and more than 600,000 clients. VBI's subsidiaries are leading financial institutions in Bosnia and Herzegovina, Croatia, Czech Republic and Slovakia, Hungary, Serbia and Slovenia. It also has a presence in Ukraine and a banking licence in Austria. Sberbank believes that the acquisition of VBI will provide Sberbank with the infrastructure for expanding its operations in Central and Eastern Europe. See also "*Risk Factors——Risks Relating to Sberbank's Business and Industry——Sberbank faces risks in relation to recently completed, announced and other potential acquisitions*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Operational Developments—VBI*".

Acquisition of DenizBank

On June 8, 2012, Sberbank signed an agreement with the shareholders of DenizBank, Dexia NV/SA and Dexia Participation Belgique SA (together, "**Dexia**"), to acquire approximately 99.85 per cent. of DenizBank. On September 28, 2012, Sberbank completed this acquisition for a purchase price of 6.469 billion Turkish Lira or EUR 2.79 billion (calculated at the Euro/TL exchange rate applicable at the time of the transaction). By December 31, 2012, Sberbank will pay Dexia a further sum, equivalent to the increase in DenizBank's net asset value in the period from January 1, 2012 to September 28, 2012, subject to post-closing adjustments and limited by a cap of 433 millionTurkish Lira.

DenizBank was the sixth largest private bank by total consolidated assets in Turkey as of June 30, 2012. The transaction includes DenizBank and its subsidiaries conducting business in, among other countries, Turkey, Austria and Russia. The Group considers DenizBank a leader in commercial and retail banking in Turkey, with particular focus on agriculture, small and medium enterprise and consumer lending. In Turkey, the bank enjoys nationwide coverage with nearly 600 branches.

The transaction represents the largest acquisition in the Group's history and is consistent with the Group's strategy of increasing its share of net profit generated from international operations. In addition, the acquisition will provide the Group with an opportunity to establish a leading presence in the fast-growing Turkish economy and banking sector.

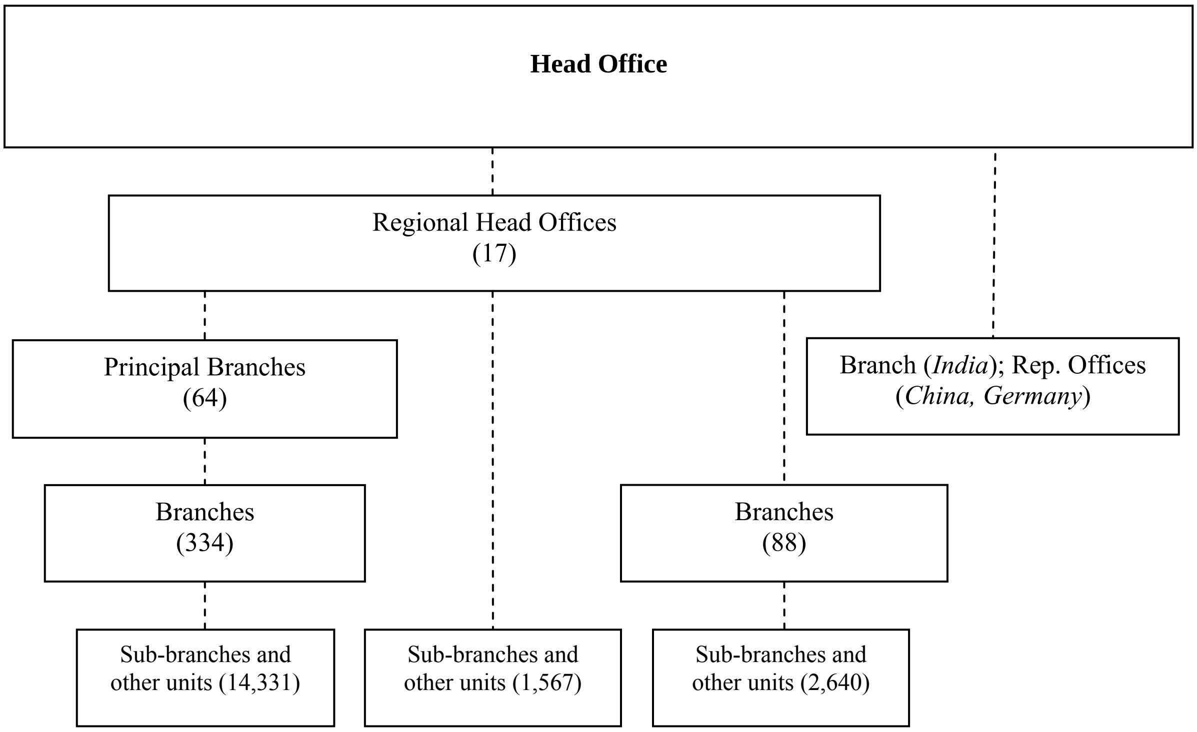
Upon closing, Sberbank is required to launch a mandatory tender offer for the remaining minority share capital of DenizBank within 45 days of the closing of the transaction, in accordance with applicable laws and capital market regulations in Turkey. The same requirement may apply to Sberbank's acquisition of Deniz Yatirim Ortakligi AS (a subsidiary of DenizBank). See "*Risk Factors—Risks Relating to Sberbank's Business and Industry—Sberbank faces risks in relation to recently completed, announced and other potential acquisitions.*"

Airport Business Partnership

In June 2012, Sberbank entered into a joint venture agreement with Basic Element Group ("**Basic Element**") and Changi Airports International ("**CAI**") to invest in and develop regional Russian airports. Sberbank will hold 100 per cent. of the preference shares in the joint venture, which carry voting rights equivalent to, and are (following a lock-in period) convertible into, 20 per cent. less one share of the ordinary shares in the joint venture. Basic Element will hold 50 per cent. plus one share and CAI will hold 30 per cent. of the ordinary shares. Basic Element will contribute shares of airports in the Krasnodar region, including airports in Sochi, Krasnodar, Anapa and Gelendzhik, to the joint venture. The parties to the joint venture estimate the total value of these assets exceeds U.S.$500 million. Sberbank will provide financial and business support for these assets, as well as assistance in improving governance and internal controls, investor relations and financial management. CAI will provide expertise in airport management and operation. The joint venture intends to further develop its current airports in the Krasnodar region as well as potentially expand its portfolio of airport assets.

Internal organisation of Sberbank

The following chart sets out the internal organisational structure of Sberbank as of July 1, 2012:



Sberbank's distribution network consists of approximately 19,040 domestic outlets nationwide, including (i) Sberbank's head office, (ii) 17 regional head offices; (iii) 64 principal branches; (iv) 422 branches; and (v) 18,545 sub-branches and other outlets. See "*—Distribution Channels—Branch Network.*" Sberbank's subdivisions of all levels are involved in front-office operations with customers, in addition to the managerial functions described below.

(i) Sberbank's head office is located in Moscow, and is responsible for the overall decision-making and management of Sberbank and the Group.

(ii) The regional head offices (the so-called "**territorial banks**") are located in major Russian cities and are charged with the supervision and management of all sub-divisions in their respective regions, generally covering one to eight sub-federal units of Russia. Regional head offices report directly to Sberbank's head office.

(iii) Principal branches (or other divisions of equivalent status) have been created in 64 out of 83 sub-federal units of Russia and are located in the central cities of the respective sub-federal units. Principal branches are responsible for management of all branches and lower-level sub-divisions in their respective sub-federal units of Russia; they report to one of the 17 regional head offices, depending on the location. In 16 sub-federal units of Russia where the banking services market is small, one of the local branches has been designated as responsible for Sberbank's business in such sub-federal unit.

(iv) Branches are usually sub-divisions of Sberbank covering several municipalities or micro-markets within a sub-federal unit of Russia and reporting, depending on the location, to a principal branch or directly to a regional head office. Once Sberbank completes the reform of its principal branches, most branches will report to principal branches, rather than directly to regional head offices.

(v) Sub-branches and other outlets are the lowest level outlets, usually providing a smaller range of services than branches depending on the location and customers' demand for their services, as well as regulatory requirements for their operations.

Since 2008, Sberbank has been complementing its organisational structure with shared service centres called Centres for Support of Client Operations. Shared service centres consolidate and centralise mid- and back-office (support) functions previously carried out by numerous individual branches, so that branches can better focus on client work. To date, Sberbank has created 17 shared service centres throughout Russia, replacing support functions at approximately 800 branches. The shared service centres aim to operate on a paperless basis, which is expected to enhance automated processes and expedite the provision of services to clients. In the next phase of the project, Sberbank expects the mid- and back- office (support) functions to be consolidated in eight or nine multifunctional cross-regional Centres for Support of Client.

Russian Banking Services and Activities

Retail Banking Products and Services

Sberbank's retail banking services focus on deposits and loans, and also include a broad range of ancillary fee-based services to individual customers, such as bank cards, money transfers, bancassurance, and transactions in securities. As the largest commercial bank in Russia having retail outlets in all 83 sub-federal units of Russia, Sberbank plays a significant role in offering certain socially oriented products and services to the Russian population (see "*—Public Sector Services*").

Sberbank is the leader of the Russian market in retail deposits and loans, as measured by its 46.1 per cent. market share in retail deposits and 33.6 per cent. market share in retail lending as of July 1, 2012 (according to Sberbank's calculations based on CBR data). More than 70 million individual Russian customers hold accounts with Sberbank, representing almost 50 per cent. of the Russian population. As of July 1, 2012, the share of banking cards belonging to payroll customers (*i.e.* customers who receive their salaries through an account with Sberbank) in the total number of bank cards issued by Sberbank was approximately 36 per cent. See "*—Corporate Banking Services—Transactional Services—Payroll Services.*"

For information regarding the retail banking strategy of Sberbank, see "*—Strategy and Strategic Goals—Sberbank is becoming a client-focused financial institution with prompt, high-quality and convenient service—Retail Customer Services*".

To maintain its leadership, Sberbank seeks to provide user-friendly and easy access to its retail services. Since 2008, Sberbank has been consistently modifying the interface for retail services, with the aim of creating a pleasant customer experience. The current focus of the Group is to satisfy its customers' growing demand for comprehensive financial services accessible remotely, and it is expected to remain a continued focus of the Group.

- *In branch*. Retail customers can conduct their banking through an unparalleled network of Sberbank outlets, in both urban and rural areas throughout Russia. 85 per cent. of Sberbank's sub-divisions specialise exclusively in retail banking operations. From January 2010, Sberbank has been working on creating an "ideal branch network" in urban areas. To support the streamlining of services in branches and reduce queues, Sberbank has been promoting alternative banking channels, such as self-service zones, internet banking and mobile banking. As of July 1, 2012, approximately 76 per cent. of all retail transactions at Sberbank that can be executed at a branch or through "remote" banking options (*i.e.* terminals at self-service zones, internet banking, mobile banking and standing orders) are executed using "remote" banking options. Sberbank is adapting its outlets to satisfy the key focus customer groups, which are premium, mass-affluent and general retail segments. To develop models of customer servicing and efficient ways for rolling them out to the entire branch network, in 2009, Sberbank established a "branch of the future", an experimental showroom where novel concepts and banking equipment are being demonstrated and tried out on a select number of customers. See "*—Distribution Channels—Branch Network*".

- *Self-service zones and ATMs*. Sberbank has continued to expand its ATM network and, as of July 1, 2012, had approximately 38,700 ATMs (which was the largest ATM network in Russia at that date, according to Sberbank's assessment). To reduce queues in branches, since 2009, Sberbank has been actively installing self-service zones for conducting simple banking operations, such as utilities and mobile phone payments and repayment of certain types of loans. As of July 1, 2012, Sberbank had approximately 25,150 terminals in self-service zones.

- *Internet banking*. Sberbank provides internet banking services to its retail customers through "Sberbank Online", a secure platform for transacting banking business on the Internet. The most popular transactions and functions include payments, transfers between accounts, foreign exchange and obtaining account statements. The number of customers who actively use Sberbank Online (*i.e.* at least once in 90 days, on a rolling basis) has increased from approximately 30,000 as of January 1, 2010, to approximately 3.9 million as of July 1, 2012.

- *Mobile banking*. In November 2008, Sberbank launched a "Mobile Bank" service, which enables customers to manage their deposit accounts with Sberbank, including payments to certain companies, with which Sberbank has an arrangement to process such payments, by sending text messages from their cellular telephones. Approximately 41.2 million clients subscribed to this service as of July 1, 2012 (out of which more than 7.4 million clients are active users).

- *Telephone banking*. Sberbank provides telephone banking services through a number of designated call service centres, which operate in St. Petersburg, Yekaterinburg, Voronezh, Volgograd and Omsk. The call service centres currently service customers with bank cards and provide online banking support.

- *Mobile cash units*. To provide banking services to residents of rural and distant regions, Sberbank operates approximately 100 mobile cash units that periodically visit such areas.

In 2009, Sberbank started to implement a new retail service model based on a basic banking contract (the "**BBC**"), aimed at combining previously separate contracts, which an individual needed to sign in order to receive different banking products. The BBC makes banking more convenient for customers and reduces paperwork. Sberbank completed the nationwide roll-out of the BBC in 2012.

Deposits

Sberbank is the leading provider of retail bank deposit services in Russia, as measured by its market share of 46.1 per cent. in this segment as of July 1, 2012, according to Sberbank's calculations based on CBR data. Sberbank offers a variety of interest-bearing bank accounts designed for different groups of retail customers, including high-income earners, low-income earners, pensioners and young people. As of the same date, the second largest retail deposit taker in Russia had a market share of approximately 9.1 per cent., according to the data from State Corporation "Agency for Deposits Insurance" (the "**Deposits Insurance Agency**"). Sberbank monitors the Russian national and regional retail deposit markets and adjusts the range of its deposit products and their terms to maintain its competitive position within the respective customer segments. Sberbank intends to manage its percentage share in the Russian retail deposits market, with the aim of keeping it above 45 per cent..

Sberbank offers retail on-demand deposits and term deposits that can be denominated in Roubles, U.S. dollars, Euros and other currencies. Term deposits can be for a period of up to five years and may be extended multiple times at the rates effective at the extension date. Deposits vary by other terms, such as interest accrual period and whether additional funds can be deposited and/or withdrawn while the deposit is open. Under Russian law, term retail deposits are effectively on-demand, because a retail depositor can at any time withdraw any deposit, including a fixed-term deposit, from a bank, and a bank must return it. However, a retail depositor is penalised for such earlier withdrawal by not getting the interest rate set for its term deposit, but rather a minimum interest rate applicable to on-demand deposits (unless the deposit agreement provides otherwise). See "*Risk Factors—Risks Relating to Sberbank's Business and Industry—Sberbank is subject to liquidity risk*".

The below table sets forth certain financial information about the Group's retail deposits and accounts (due to individuals) as of the dates indicated:

As of June 30,		**As of December 31,**					
2012 (Unaudited)		**2011**		**2010**		**2009**	
billions of RUB	*as a % of total deposits*	*billions of RUB*	*as a % of total deposits*	*billions of RUB*	*as a % of total deposits*	*billions of RUB*	*as a % of total deposits*
6,175.4	70.4%	5,726.3	72.2%	4,834.5	72.7%	3,787.3	69.6%

Sberbank provides a number of ancillary services to its deposit account holders, thereby leveraging its distribution network to cross-sell other banking services. Individuals can have their employers deposit salaries directly into their accounts with Sberbank and thus become payroll customers (see "*—Corporate Banking Services—Transactional Services—Payroll Services*"). Sberbank serves as pensions payment agent for a number of government entities, and pensioners may arrange for their pensions to be deposited directly into their accounts with Sberbank (see "*—Public Sector Services*"). Individuals may also make single or periodic rent, mortgage, utilities and tax payments (by way of standing order) directly from their Sberbank accounts. See "*—Fee- and Commission-based Products and Services*".

Lending

Sberbank is a leading Russian provider of retail lending services, as measured by its market share in this segment as of July 1, 2012. According to Sberbank's calculations based on CBR data, as of July 1, 2012, Sberbank had a 33.6 per cent. share in the Russian retail lending market generally and a 47.8 per cent. share in the retail housing loans (mortgages) market. Since the beginning of 2010, the retail lending market has experienced a gradual recovery, and Sberbank's lending volumes (in terms of notional amounts) have been increasing, including during the volatile market conditions of 2011 and 2012.

Sberbank's retail loans include consumer and other loans (including credit cards), residential mortgages and car loans. As of June 30, 2012, consumer and other loans (including credit cards), mortgages and car loans represented 55.4 per cent., 40.5 per cent. and 4.1 per cent. of the Group's gross retail loan portfolio, respectively.

The below table sets forth certain financial information about the Group's retail loan portfolio (loans to individuals) as of the dates indicated:

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
Total loans to individuals (before provision for impairment), billions of RUB	2,328.4	1,805.6	1,319.7	1,177.5
As a % of the gross loan portfolio	24.7%	21.5%	21.3%	21.6%
Provision for impairment, billions of RUB	(70.1)	(69.2)	(68.8)	(71.3)
Net loans to individuals, billions of RUB	**2,258.3**	**1,736.4**	**1,250.9**	**1,106.2**
As a % of the net loan portfolio	25.5%	22.5%	22.8%	22.7%
Change in net loans to individuals vs. prior period (by value), %	30.1%	38.8%	13.1%	—

Sberbank continues to seek ways to make its lending procedures more transparent, as well as to simplify servicing of all types of loans. This has been done through the reduction of paperwork requirements and the use of electronic internal document management.

In 2009, Sberbank launched the "Credit Factory" system based on the centralised underwriting and processing of loans in Moscow and the North-Western region of Russia. The "Credit Factory" system is designed to improve credit risk assessment in retail lending and streamline the loan approval process. In 2010, Sberbank rolled out the "Credit Factory" loan processing to all Sberbank branches for three retail credit products – consumer loans, car loans and credit cards. The "Credit Factory" system allowed Sberbank to significantly reduce the loan processing time and, Sberbank believes, also its credit risk. In August 2011, Sberbank started rolling out the "Credit Factory" technology for two major residential mortgage products and intends to complete the roll-out to most of the remaining retail mortgage products in the second half of 2012.

For information relating to the "Credit Factory" technology and lending policies for retail customers, see "*Risk Management—Credit Risk Management—Credit Risk Management for Retail Loans*".

(i) Consumer (personal consumption) loans

In 2010 and 2011, Sberbank revised its consumer lending products. Previously, Sberbank's consumer loan offering consisted of six types of personal loans. In order to simplify lending procedures, Sberbank now offers two standardised credit products: an unsecured consumer loan and a consumer loan secured by a third-party guarantee (suretyship). Special conditions for consumer loans to certain borrowers, such as participants in the payroll programmes and bank employees, are available, including preferential interest rates.

The below table sets forth certain financial information about the Group's consumer and other loans to individuals (including credit cards) as of the dates indicated:

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
Gross consumer loans, billions of RUB	1,289.5	944.0	635.7	564.4
As a % of the gross loan portfolio	13.7%	11.3%	10.3%	10.4%

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
Provision for impairment, billions of RUB	(39.7)	(37.3)	(36.1)	(38.2)
Net consumer loans, billions of RUB	**1,249.8**	**906.7**	**599.6**	**526.2**
As a % of the net loan portfolio	14.1%	11.7%	10.9%	10.8%
Change in net consumer loans vs. prior period (by value), %	37.8%	51.2%	13.9%	—

(ii) Credit cards

For information on Sberbank's credit card services, see "—*Bank Cards*".

(iii) Consumer car loans

Sberbank has an appreciable position in the Russian car loans market, measured by a market share, according to Sberbank's estimates, of approximately 12 per cent. as of July 1, 2012. Sberbank offers programmes for buyers of new and used cars, manufactured both in Russia and abroad. Sberbank extends consumer car loans for up to 100 per cent. of the purchase price, and the purchased car serves as collateral for such loans.

The below table sets forth certain financial information about the Group's car loans to individuals as of the dates indicated:

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
Gross car loans, billions of RUB	96.6	84.2	80.3	100.3
As a % of the gross loan portfolio	1.0%	1.0%	1.3%	1.8%
Provision for impairment, billions of RUB	(2.6)	(3.1)	(3.4)	(4.3)
Net car loans, billions of RUB	**94.0**	**81.1**	**76.9**	**96.0**
As a % of the net loan portfolio	1.1%	1.1%	1.4%	2.0%
Change in net car loans vs. prior period (by value), %	15.9%	5.5%	(20.0%)	—

Sberbank actively cooperates with dealers of popular brands of domestic and foreign car manufacturers, with the aim of providing Sberbank's customers with attractive rates for the purchase of cars and efficient customer service. To improve this service, Sberbank is increasing the number of car dealerships where representatives of Sberbank can accept car loan applications. Auto loan applications are processed using the "Credit Factory" technology (see "*Risk Management—Credit Risk Management—Credit Risk Management for Retail Loans*").

(iv) Residential mortgages

According to Sberbank's calculations based on CBR data, as of July 1, 2012, Sberbank's share of the Russian residential mortgage market was approximately 47.8 per cent..

Sberbank offers three mortgage loan products to apartment or home buyers (to purchase an existing home or apartment, to purchase a home or apartment under construction or to build a new home), as well as a number of special programmes for the purchase of country estates, garages and refinancing of existing home loans and mortgages with state-subsidised interest rates. Residential mortgages are collateralised. See "*Risk Management—Credit Risk Management—Credit Risk Management for Retail Loans*".

The below table sets forth certain financial information about the Group's mortgage loans to individuals, as of the dates indicated:

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
Gross mortgage loans, billions of RUB	942.3	777.4	603.7	512.8
As a % of the gross loan portfolio	10.0%	9.3%	9.8%	9.4%

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
Provision for impairment, billions of RUB	(27.8)	(28.8)	(29.3)	(28.8)
Net mortgage loans, billions of RUB	**914.5**	**748.6**	**574.4**	**484.0**
As a % of the net loan portfolio	10.3%	9.7%	10.5%	10.0%
Change in net mortgage loans vs. prior period (by value), %	22.2%	30.3%	18.7%	--

(v) Education loans

Sberbank offers education loans for financing education at Russian universities, secured by a third-party guarantee and/or pledge of valuable property. The share of education loans in Sberbank's gross retail portfolio is insignificant.

(vi) New lending products

Sberbank intends to enter the POS consumer lending market in Russia. In December 2011 Sberbank signed a definitive agreement with BNP Paribas Personal Finance S.A., the leading provider of consumer loans in France and Europe (conducting the POS business under the "Cetelem" brand), to set up a jointly-owned Russian POS finance bank, with Sberbank having a 70 per cent. stake and the remaining 30 per cent. stake owned by a member of the BNP Paribas group. The joint venture, operating as Cetelem Bank, was established in August 2012 on the basis of the existing POS business of the BNP Paribas group in Russia. The acquisition price for the 70 per cent. stake in Cetelem Bank equalled RUB5.1 billion (subject to certain adjustments), and Sberbank intends to make further capital contributions to Cetelem Bank in accordance with its business plan, aimed at attaining a leading position in the Russian POS market. The joint venture will operate on the basis of the "responsible lending" principles developed by Cetelem, including transparent and competitive interest rates.

Bank Cards

Sberbank has a leading position in the Russian bank card market, as measured by the number of bank cards issued. Sberbank's debit and credit cards for individuals include Visa[TM] and MasterCard[TM] cards (including premium cards, such as Visa[TM] Infinite cards, which are offered as part of Sberbank's VIP customer programme).

The table below sets forth the number of bank cards issued, according to Sberbank operational data, as of the dates indicated.

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
Number of cards outstanding (in thousands):				
debit cards	69,325	64,299	49,463	39,345
credit cards	6,206	4,326	1,927	451
total	**75,531**	**68,625**	**51,390**	**39,796**

The increase in the number of bank cards issued by Sberbank since December 31, 2008 was attributable to Sberbank's ability to attract a significant portion of customers in this growing market due to marketing and cross-selling opportunities at its extensive branch network, together with the continued improvement of its bank card products, and offering competitive prices.

Fee- and Commission-based Products and Services

Sberbank offers ancillary products and services to its retail banking customers, such as settlement operations and money transfers, bancassurance, transactions in securities and other retail services.

(i) Settlement operations and money transfers

With respect to funds' transfer services for retail customers, Sberbank distinguishes between "settlement operations" (*i.e.* transfers of funds from a retail customer to a legal entity) and "money transfers" (*i.e.* transfers of funds from a retail customer to another individual).

As of the date of this Prospectus, settlement operations for retail customers remain the most utilised banking service offered by Sberbank in terms of the number of operations.

The table below sets forth selected information about Sberbank's settlement operations for retail customers, according to Sberbank operational data and for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
	(Unaudited)				
Number of settlement operations, mln.	530.53	489.30	999.42	1,134	1,065
Change vs. prior period (by number), %	8.4%	—	(11.9%)	6.5%	—
Aggregate value of funds transferred, billions of RUB	1,095	860	1,849	1,632	1,178
Change vs. prior period (by value), %	27.4%	—	13.3%	38.5%	—

The increase in number and value of settlement operations is due to Sberbank's development of "remote" banking channels and self-service zones. A large portion of settlement operations processed by Sberbank, such as utilities payments and individuals' payments of taxes and mandatory contributions to the budget and non-budgetary funds, are carried out by Sberbank as a financial institution having a wide network of branches and playing a significant role in the economy of Russia (see "*—Public Sector Services*").

Sberbank offers money transfers for retail customers through its own electronic funds settlement systems, settlement via correspondent banks and through a money transfer system called "Blitz" launched in cooperation with its subsidiaries in Kazakhstan, Ukraine and Belarus in 2007, 2008 and 2011, respectively. "Blitz" is designed for expedited money transfers between participating Sberbank outlets and outlets of its subsidiary banks in Kazakhstan, Ukraine and Belarus. Sberbank believes that its share in the international money transfer market in Russia (in terms of value of money transfers sent from and received in Russia) remained stable during 2011, at the level of approximately 6 per cent. and increased to 8.6 per cent. in the six months ended June 30, 2012. In 2010, in order to further develop its cross-border money transfer services, Sberbank began to execute international express money transfers through one of the major international systems, MoneyGram. An agreement to offer international money transfer services has also been made with Western Union, a major participant in this market, with the services expected to be provided commencing in 2013**.**

(ii) Bancassurance

Since 2009, Sberbank has distributed insurance policies as an agent for insurance companies in return for a commission. As of July 1, 2012, Sberbank concluded agency agreements with 23 domestic insurance companies.

Sberbank sells a wide range of insurance products through its branches, such as life insurance, health (medical) insurance, property insurance, investment insurance, insurance against loss (or significant devaluation) of collateral for a loan, as well as travel insurance. Sberbank's offering of insurance products is aimed at different categories of its customers, including insurance products designed for VIP customers or insurance products offered to debit and credit card holders.

The table below sets forth certain financial information on the fees and commissions generated by the Group from its bancassurance business, predominantly with retail customers, for the periods indicated.

	For the six months ended June 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
	(Unaudited)				
Agent commissions on selling insurance contracts, billions of RUB	8.8	6.3	14.0	9.5	0.5
Change vs. prior period (by value), %	39.7%	—	47.4%	1,800.0%	—
As % of total fee and commission income	10.3%	9.2%	9.2%	7.3%	0.5%

In Sberbank's view, the development of its bancassurance business is a result of its ability to innovate in the products offered to customers, coupled with efficient use of its extensive branch network.

(iii) Transactions in securities

Sberbank provides brokerage services and other investment-related services for retail customers. Sberbank's custody services for individuals include, among others, opening securities "depo" accounts, securities custody operations, and dividends or coupon payments. See also "*—Investment Banking Services*".

Sberbank assists retail customers with investments in mutual funds. In 2010, Sberbank entered the mutual funds market by establishing its funds management company, Sberbank Asset Management, which launched three mutual funds products: an equity fund, a bond fund and a hybrid fund. Sberbank has been distributing fund products of Sberbank Asset Management as well as several other companies (including Troika Dialog) as an agent.

The acquisition of Troika Dialog will serve to expand the Group's offering of transactions in securities available to retail customers. Retail (as well as corporate) investors can choose from approximately 20 open-end and one closed-end mutual funds (the latter invests in commercial real estate for the purpose of generating yield from rent). In Sberbank's view, Troika's services in this area are distinguishable from those of its competitors by a highly professional asset management team and a wide range of investment-related products offered. Troika Dialog is a leader of the collective investments market in Russia, with a market share of 19.8 per cent., according to Investfunds data as of June 30, 2012 (for open-end funds only).

(iv) Other retail services for a fee

Sberbank buys, sells and exchanges all major foreign currencies for individuals. It also sells American Express^{TM} travellers checks and cashes Visa^{TM}, American Express^{TM}, Thomas Cook^{TM} and Citicorp^{TM} travellers' checks. Individuals can buy or sell precious metals in physical or book-entry form, as well as coins made of precious metals, and can store precious metals and coins with Sberbank and rent safe-deposit boxes to store valuables.

Private banking services and services for mass-affluent customers

In 2009, Sberbank launched a new project targeting high net worth individuals, such as customers holding decision-making positions at large corporations, significant cultural and art figures, and athletes ("**VIP customers**"). A specially dedicated division inside Sberbank is developing and implementing services for VIP customers consistent with the best practices of Russian and foreign banks. The project aims to provide VIP customers with enhanced customer service, a wide range of specially-tailored banking and investment services and products, as well as high-level professional financial advice.

In 2010, Sberbank continued to develop this client segment by piloting three offices designed for VIP customers in Moscow, Samara and Yaroslavl under the new brand of "Sberbank First". The large-scale programme of Sberbank's branch network modernisation launched in 2011 includes offices working under the brand of "Sberbank First". As of August 2012, Sberbank has already opened 32 "Sberbank First" offices in several areas of Russia with a concentration of high-end customers, such as Moscow, St. Petersburg, Sochi, Yekaterinburg, Kazan, Krasnoyarsk, Khabarovsk, Irkutsk, Omsk, Stavropol and others. By 2014, Sberbank plans to open more than 150 "Sberbank First" designated offices in some 100 cities across Russia. In addition, VIP customers are serviced in specially designated areas of certain regular Sberbank branches. As of July 1, 2012, approximately 150 branches of Sberbank nationwide serviced more than 47,000 VIP customers.

In addition to traditional banking services, customers at Sberbank First can obtain a range of advanced banking products and services, such as services and loyalty programme benefits for premium bank cards holders, deposits and loans at terms more favourable than the standard ones, investment management and brokerage services, mutual funds of Sberbank Asset Management and other companies, combined deposit and investment or investment and insurance programmes, as well as life insurance products. Sberbank is expanding the scope of services available for VIP customers and expects to add complex structured financial products.

Since 2011, Sberbank has also been developing tailored services targeted at the mass affluent retail customers offered under the brand of "Sberbank Premiere". As of July 1, 2012, Sberbank created approximately 1,330 "Sberbank Premiere" client zones throughout Russia with dedicated and specially trained client managers, servicing approximately 505,000 mass-affluent customers. Sberbank expects the total number of client managers for "Sberbank Premiere" zones to increase to approximately 2,000 in 2012.

Public Sector Services

Sberbank is the largest commercial bank in Russia, playing a significant role in the Russian economy and society. It seeks to achieve its corporate and financial goals based on the principles of responsible business management. This section contains an overview of socially oriented services provided by Sberbank throughout Russia, including rural areas.

(i) Servicing Pension and Social Benefits Payments

As of July 1, 2012, approximately 48.9 per cent. of the pensioners served by the Ministry of Health and Social Development of Russia (or almost 19.6 million people) received pension payments through Sberbank. In the six months ended June 30, 2012, payments to these pensioners amounted to RUB361.5 billion. In addition, during the same period, Sberbank processed pension payments of the Ministry of Defence of Russia and other defence organisations to 2.2 million pensioners, amounting to approximately RUB192.3 billion.

Sberbank also processes social benefits payments, including maternity and parental allowance payments, unemployment and other benefits payments. In the six months ended June 30, 2012, approximately 6.9 million Russian individuals received a total of RUB39.2 billion in maternity and parental allowance payments through Sberbank. During the same period, approximately RUB26.0 billion in unemployment benefits was paid through Sberbank.

Sberbank does not charge any fees for processing pensions and social benefits payments. Many of the recipients of the pension and social benefits payments are existing customers of Sberbank, and regularly transact business with Sberbank.

(ii) Processing of Utilities Payments

In the six months ended June 30, 2012, processing of individuals' utilities payments accounted for 22.6 per cent. of all settlement operations carried out by Sberbank (see "*—Fee- and Commission-based Products and Services—Settlement operations and money transfers*"), in terms of the amount of payments. In aggregate, Sberbank processed a total of RUB248.1 billion of individuals' utilities payments.

Sberbank charges a fee for processing utilities payments. In most cases, no fee is charged to the paying individual, because the fee is payable by the recipient of the payment under a prior arrangement with Sberbank. If no such arrangement exists between Sberbank and the utilities provider (or servicer), a fee is payable by the individual and depends on whether the customer transacts in person at a branch, through a self-service zone or online.

In cooperation with leading mobile operators of Russia, in 2011, Sberbank launched automatic debiting from a customer's Sberbank account to repay the customer's account with a mobile operator if the balance on the customer's account with the mobile operator drops below a certain level. As of July 1, 2012, 3.1 million Sberbank customers have subscribed to this service.

(iii) Processing of Individuals' Payments of Taxes

In 2011, Sberbank processed a total of RUB245.5 billion individuals' tax and equivalent payments to the budget. According to data released by the Federal Tax Service, individuals' tax payments wired through Sberbank accounted for 98 per cent. of the total tax payments made directly by individuals in Russia in 2011. In the six months ended July 1, 2012, Sberbank processed a total of RUB116.7 billion of individuals' tax and equivalent payments to the budget. Under Russian law, Sberbank does not charge a fee for transfer of taxes and equivalent payments.

(iv) Repayment of Pre-1991 Deposits

Due to extremely high rates of inflation prevailing in Russia in 1990 and 1991, the savings of the Russian population held at Sberbank lost their value. In 1995, Russia adopted a law pursuant to which the Russian government committed to gradually repay certain savings held in deposits opened with Sberbank on or before June 20, 1991. The amounts subject to repayment were declared the internal debt of Russia. Sberbank now acts as an agent of the Russian government and processes the repayment of deposits opened with Sberbank prior to June 20, 1991. In the six months ended June 30, 2012, such payments amounted to approximately RUB5.3 billion. Their repayment has been made using Russian government funds and Sberbank receives a fee for managing the distribution of these payments.

(v) Redemption of State Housing Certificates

The Russian authorities created a special instrument called "a state housing certificate" to help finance housing through the issuance of certificates entitling their holders to apply the proceeds from the certificate's redemption to the cost of purchasing a house. Sberbank accepts state housing certificates for redemption, and, in the six months ended June 30, 2012, redeemed more than 4,000 state housing certificates for the total amount of approximately RUB7.7 billion. These services are provided using funds of the Russian government. Sberbank receives a fee for its services under the programme.

(vi) Special Lending Programmes

Sberbank has a special residential mortgage lending programme, "Young Family", to allow families with lower income to finance the purchase of a home where at least one of the spouses is younger than 35 years old. Sberbank offers more flexible lending terms, such as a reduced down payment (10 per cent. of the home purchase price, compared with the regular one of 15 per cent.) and a possibility to increase the number of co-borrowers, so as to increase the maximum amount of a loan available. However, the interest rate scale is the same as for regular mortgage loans. To ease the mortgage repayment if a child is born, the "Young Family" programme allows a temporary suspension of the loan repayment (or extension of the term of a loan) until the child reaches three years of age.

In cooperation with the Ministry of Education and Science of Russia, in July 2010, Sberbank piloted a programme of lending state-subsidised loans for education at approved Russian universities. The Russian government reimburses Sberbank three quarters of the interbank refinancing rate, while the rate for a borrower equals one quarter of the interbank refinancing rate plus 3 per cent.. This lending programme allows maturity terms of up to 10 years after graduation.

Sberbank has a lending programme for owners of subsistence farming facilities, co-funded by the Russian government within the framework of a priority national project "Development of Agriculture". The Russian government reimburses to Sberbank a portion of the interest rate, thereby decreasing the effective interest rate charged to the borrower. Depending on the purpose of the loan, the maximum available loan is RUB300,000 (if the maturity does not exceed 2 years) or RUB700,000 (if the maturity does not exceed 5 years).

In December 2011, Sberbank introduced a special "Mortgage for Military Personnel" lending programme for those serving in the Russian army. For as long as a borrower continues to serve in the Russian army, the Russian government reimburses to the borrower the down payment and the mortgage expenses in full for a period of up to 20 years.

(vii) Universal electronic card

Sberbank has significantly contributed to the preparation and implementation of Federal Law No. 210-FZ of July 27, 2010 "On Organisation of State and Municipal Services" (the "**State Services Law**"). Under the State Services Law, Russian citizens will be able to receive various services from state and municipal authorities electronically, including through ATMs and special terminals of Russian banks. A pre-requisite for such electronic services is a universal electronic card created on the basis of a microchip bank card. On August 12, 2010, the Russian government designated OJSC "Universal Electronic Card" to coordinate the issuance of these cards throughout Russia and their servicing. The Group controls 68 per cent. of the share capital of OJSC "Universal Electronic Card". In July 2012, the issuance of pilot universal electronic cards commenced in four sub-federal units of Russia. A subsequent roll-out to more than twelve regions is expected to take place by the end of 2012. Sberbank contributes to the project its expertise in the issuance of secured cards, as well as data processing and support. The participation of Sberbank in this country-wide project adds to Sberbank's reputation as a convenient, technologically advanced and systemically important bank in Russia.

Corporate Banking Services

Sberbank offers a broad range of traditional corporate banking products, as well as more complex structured products to companies working in all sectors of the Russian economy and to other legal entities, including public authorities and financial institutions. For information regarding the corporate banking strategy of Sberbank, see "*—Strategy and Strategic Goals—Sberbank is becoming a client-focused financial institution with prompt, high-quality and convenient service—Corporate Customer Services*".

Corporate Banking Organisational Structure

Under Strategy – 2014, since 2010, Sberbank has been building first-class corporate banking on a country-wide scale. For that aim, Sberbank reorganised the organisational structure of its corporate banking services as follows:

- *Centralised business unit*. All corporate banking services, including global markets services, investment banking and merchant banking, were combined into a separate business unit – CIB, which is responsible for all corporate banking business of the Group.

- *Single vertical structure throughout Russia*. Sberbank created a solid vertically integrated structure for corporate banking services in the head office, regional head offices and branches, whereby the corporate banking division within a branch reports not only to the head of the branch, but also to the corporate banking division in the relevant regional head office. The same vertical reporting structure applies to regional head offices.

- *Customer relationship management based on client segments*. In 2009 and 2010, Sberbank introduced a customer relationship management system for its largest, large and medium-sized corporate customers, which included assignment of a relationship manager to each customer responsible for overseeing business with that customer. A dedicated software application, Client Relationship Management (CRM) system, supports this initiative. For small and micro-business customers, Sberbank assigns a relationship manager to a group of customers located within a particular area, for whom such manager is the primary contact at Sberbank.

- *Dedicated product responsibility*. Sberbank's Corporate Investment Bank is structured on the basis of a "total product management system" with specialised units responsible for particular product types, as follows: (i) loans and guarantees for largest, large and medium-sized and special customer segments; (ii) loans and guarantees for micro- and small-businesses; (iii) loans for the construction industry; (iv) corporate deposits; (v) trade and export finance services; (vi) transactional services; and (vii) corporate finance / investment banking products. Each unit consists of product managers, who are responsible for and whose remuneration is tied to the success of a particular banking product. Product managers specialising in the above-listed products are based in the head office and throughout Russia in the regional head offices and selected branches. Global markets and investment banking services are principally provided through Troika Dialog.

A more detailed description of the principal corporate banking services offered by Sberbank, according to the product types listed in items (i) to (vii) above, follows below in "—*Corporate Lending*", "—*Deposits and Other Interest Income Products for Corporate Customers*", "—*Transactional Services*" and "*Business—Russian Banking Services and Activities—Investment Banking Services*".

Customer Base and Customer Segmentation

Sberbank's corporate customer base spans a range of Russian customers, from the micro-businesses active in rural areas of Russia to the largest Russian companies having operations throughout Russia. In order to best address such a differentiated customer base, Sberbank has multiple customer service approaches, addressing each customer's needs according to its size of operations, market reach and market penetration in five key market segments:

- the largest customers;
- large customers;
- medium-sized customers;
- small businesses; and
- micro-businesses.

(i) Largest, Large and Medium-Sized Customer Segments

The largest, large and medium-sized business customers are a key part of Sberbank's customer base, as they are the source of substantial transaction volume. In addition, cooperation with the largest, large and medium-sized customers enables Sberbank to reduce its total cost of funding, extend large loans at lower risk and offer significant volumes of fee-based products. In order to develop long-term relationships with these corporate customers, Sberbank has historically offered packages of banking products and services tailored for their individual needs, such as combinations of construction and mortgage loans for companies that build housing for their employees and cash management solutions for companies with a large number of subsidiaries and branches. This approach has allowed Sberbank to develop and increase business with its current corporate customers and attract new customers among Russia's largest enterprises. The services that are particularly in demand by this customer segment include structured credit products, trade finance services, settlement services through "Customer-Sberbank" remote communication system, overdraft loans and payroll arrangements, corporate treasury and cash management services. Also, Sberbank offers solutions to finance day-to-day operations and investment programmes, refinance loans extended by other banks, acquire assets and settle corporate transactions, finance leasing transactions and housing construction projects. Sberbank believes that, as a result of acquiring Troika Dialog, the Group has substantially improved and broadened its fee-based product offering to large and medium-sized businesses.

- Largest Customers

The largest customers are generally companies with annual revenues of over RUB15 billion. Sberbank believes that its largest customers represent approximately 85 per cent. of the top 500 Russian companies and account for a significant portion of Russia's gross domestic product across major sectors of the Russian economy. Among Sberbank's largest customers, there are privately owned companies (such as TNK-BP, Norilsk Nickel and Wimm-Bill-Dann), as well as state corporations (such as Rusnano, SC Olympstroy and Rosatom) and state-owned or affiliated companies (such as Gazprom and Russian Railways). As of June 30, 2012, approximately 700 holding structures (comprising approximately 2,350 legal entities) belong to this customer segment. Sberbank believes that, as of June 30, 2012, the outstanding loans to the largest customers constituted approximately half of Sberbank's loan portfolio (before provision for loan impairment).

In the largest customer segment, Sberbank's key focus is on offering comprehensive services, whereby its account managers organise sales of all products, taking into account each customer's specific requirements and needs.

- Large customers

Large customers are companies with annual revenues ranging from RUB2.5 billion to RUB15 billion. As of June 30, 2012, Sberbank had more than 8,000 large customers, and the outstanding loans to this customer segment constituted approximately one seventh of Sberbank's loan portfolio (before provision for loan impairment).

Sberbank continues to focus on development of the large customer segment, as it typically provides a higher profitability than the largest customer segment at a comparable level of risk.

- Medium-sized customers

Medium-sized customers are companies with annual revenues ranging from RUB400 million to RUB2.5 billion. As of June 30, 2012, Sberbank had more than 25,000 medium-sized business customers, and the outstanding loans to this customer segment constituted approximately a sixth of Sberbank's loan portfolio (before provision for loan impairment).

In the medium-sized customer business segment, a comprehensive offering of basic products is the highest priority that Sberbank is implementing.

(ii) Small- and micro- business customers

Small-business customers are businesses with annual revenues ranging from RUB60 million to RUB400 million. Micro-business customers are customers whose annual revenues do not exceed RUB60 million. Small- and micro-business customers can function as legal entities or as individual entrepreneurs. As of June 30, 2012, the total number of customers belonging to these segments exceeded 1,420,000 companies and individual entrepreneurs, and the outstanding loans to such customers constituted approximately a tenth of Sberbank's loan portfolio (before provision for loan impairment).

Sberbank meets the needs of small- and micro-business customers through a comprehensive package of banking services, combining services generally available to corporate customers and services tailored to the specific needs of these segments. Sberbank has continued to focus on its small- and micro-business customers, partly to offset declining yields on its other corporate loan portfolio segments. With that aim, in 2008, Sberbank set up a special unit for managing small- and micro-business customers, and in 2011, Sberbank introduced a new set of standardised and competitively priced lending products, corresponding to the most common financing needs of the small- and micro-business customers.

Providing services to small- and micro-business customers is the most dynamic and profitable area of Sberbank's corporate banking activities and where Sberbank believes it can make the most of its competitive advantages. Sberbank's nationwide branch network enables its small- and micro-business customers to choose the nearest and most convenient outlet for conducting banking through Sberbank, in addition to remote banking channels. As of July 1, 2012, approximately 3,000 Sberbank outlets located throughout Russia work with small and micro-business customers, exceeding the branch network of any other competitor in this segment of banking services in Russia. Sberbank intends to further develop client relationship management for these customers through a newly created division of front-office employees with a specialised knowledge of products for small- and micro-businesses. Such managers are assigned to a group of customers serviced by a particular outlet or located within a particular area and remain the primary contact at Sberbank for any banking-related requests.

Sberbank actively participates in various government-sponsored programmes targeted at supporting small and micro-businesses in Russia. As part of this initiative, Sberbank has entered into cooperation agreements with approximately 70 regional funds established by the respective sub-federal units of Russia for the purpose of supporting small businesses in their regions. Under these cooperation agreements, Sberbank agrees to accept the funds' suretyships as collateral for loans to qualified small and micro-businesses. Sberbank also provides consulting and informational support to small and micro-businesses through cooperating with local business incubators.

Sberbank simplified the lending approval process for micro- customers by implementing the "Credit Factory" technology for all loans to micro-business customers. This technology shortened the loan approval process, on average, to approximately three business days. For small businesses, Sberbank is developing a streamlined loan approval process on the basis of the "loan conveyor" technology. For further information on lending to this client segment, see "*—Corporate Lending—Lending to small- and micro-business customers*" and "*Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans—Credit Risk Management for Loans to Small and Micro-Businesses*".

(iii) Special customer segments

Without regard to monetary turnover and revenues, enterprises working in the Russian military sector, governmental and municipal authorities and financial institutions enjoy a separate client management system within Sberbank.

Corporate Lending

Sberbank lends to legal entities working in all sectors of the Russian economy, as well as to sub-federal units and municipalities of Russia. According to Sberbank's calculations based on CBR data, Sberbank's loans to legal entities (excluding interbank lending) accounted for approximately 33.2 per cent. of all loans to legal entities made by Russian banks as of July 1, 2012.

The below table sets forth certain financial information about the Group's corporate lending, as of the dates indicated:

	As of June 30,	**As of December 31,**		
	2012 (Unaudited)	**2011**	**2010**	**2009**
Gross loans to legal entities, billions of RUB	7,095.8	6,576.6	4,872.2	4,266.3
of which, commercial loans, billions of RUB	4,435.6	4,012.9	2,708.7	2,206.3
of which commercial loans, %	62.5%	61.0%	55.6%	51.7%
% of commercial loans in total gross loans	47.1%	47.9%	43.7%	40.5%
of which specialised loans, billions of RUB	2,660.2	2,563.7	2,163.5	2,060.0
of which specialised loans, %	37.5%	39.0%	44.4%	48.3%
% of specialised loans in total gross loans	28.2%	30.6%	34.9%	37.8%
Change in gross loans to legal entities vs. prior reporting date, %	7.9%	35.0%	14.2%	--
Provision for impairment, billions of RUB	(492.6)	(593.3)	(633.7)	(508.5)
Net loans to legal entities, billions of RUB	**6,603.2**	**5,983.3**	**4,238.5**	**3,757.8**

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
Change in net loans to legal entities vs. prior reporting date, %	10.4%	41.2%	12.8%	—
Share of 20 largest corporate customers in gross loan portfolio to legal entities, %	28.7%	29.7%	28.8%	29.1%

(i) Loans available to all customer segments

Sberbank offers companies a wide range of credit products. The main types of corporate loans available to all categories of corporate customers include: short-term loans for current business needs of customers using cash and settlement services of Sberbank; medium-term corporate loans; medium-term partially secured loans to companies with positive credit history with Sberbank and/or stable financial condition; overdrafts on settlement accounts; project and investment financing; financing of leasing transactions; and financing of foreign trade transactions. Loans are generally available in Roubles and in foreign currencies (primarily U.S. dollars and Euros).

In addition, Sberbank offers loans tailored to the needs of particular categories of customers, which take into account specific considerations, such as industries in which such customers operate. These loans may include, for example: financing to enterprises working in the Russian defence industry, financing of construction projects, financing to network retail distributors, financing to agricultural companies secured by future crops and loans to gold and silver mining companies with follow-on purchase of gold and silver bullion.

Sberbank offers, and is continuing to develop, more complex credit products, such as financial leasing (through Sberbank Leasing) and structured financial products, which currently require cooperation of several divisions inside Sberbank.

(ii) Lending to the largest, large and medium-sized customers, and to special customer segments

The largest, large and medium-sized companies, in addition to lending products generally available to corporate customers, can also benefit from loans specially developed by Sberbank, taking into account their scale and needs. Such special lending products include: (i) long-term financing for corporate borrowers that fall within the largest and large customer categories (for up to 15 years); (ii) financing to companies in the top 10 of their industry in Russia and Russian defence enterprises (loans are for up to 5 years, and 100 per cent. security is not required if the borrower's proceeds pass through settlement accounts with Sberbank); (iii) financing of certain retail leasing operations qualifying for leasing companies that belong to the largest, large and medium-sized customers; and (iv) foreign trade financing to Russian companies.

Sberbank provides special lending terms to a sub-category of the largest and large corporate borrowers, which it deems to have "nationwide importance", as well as to enterprises of the Russian defence industry, if the maturity of a loan does not exceed three years and subject to other conditions set by Sberbank, including the borrower's stable financial condition. Loans offered on such terms cannot be used for corporate restructuring or corporate acquisitions.

(iii) Lending to special customer segments

Sberbank provides interbank loans to other banks, including the CBR, primarily for liquidity management purposes. As of June 30, 2012, Sberbank's gross interbank portfolio amounted to RUB56.8 billion compared to RUB35.1 billion, RUB13.0 billion, and RUB10.2 billion as of December 31, 2011, 2010, and 2009, respectively.

Sberbank also provides loans to sub-federal units and municipalities of Russia, which can be used, among other purposes, for funding regional and local development programmes. These loans are made on market terms. See "*Risk Management—Credit Risk Management—Credit Risk Management for Corporate Loans.*" As of June 30, 2012, the Group's loans to sub-federal units and municipalities amounted to RUB245.7 billion (2.6 per cent.) compared to RUB268.1 billion (3.2 per cent.) as of December 31, 2011, RUB153.3 billion (2.5 per cent.) as of December 31, 2010, and as further compared to RUB94.0 billion (1.7 per cent.) as of December 31, 2009, all before provision for loan impairment and as percentage of the Group's gross loans to customers as of the relevant date.

(iv) Lending to small- and micro-business customers

Sberbank believes that lending to small- and micro-business customers has significant potential, especially in a period of high market volatility. See "*—Corporate Banking Services—Customer Base and Customer Segmentation*". It aims to provide access to credit resources for all solvent small and micro- businesses by offering simple, yet high quality, standardised products and services.

Since 2010, Sberbank has introduced a new set of lending products for these segments, comprising base credit products (including "Trust", "Business-Start", "Business-Project", "Business-Invest" and "Business-Real Estate") and specialised credit products (including "State contracts" and "GAZ" programmes (the latter abbreviation stands for a Russian automobile manufacturer)). All credit products, except for "Trust" and "Business-Rent", contain restrictions limiting the purpose for which such credits may be used (however, these purposes correspond to the most common borrowing needs of the small and micro-business customers). The majority of credit products for this segment require collateral, although the terms of "Business-Turnover" and "Business-Invest" allow for partially unsecured lending, the borrower's financial condition and credit history permitting (although the unsecured portion should not exceed RUB1 million).

(v) Lending to the construction industry

Sberbank believes that it has a sizeable share of domestic lending to the construction industry, including financing of housing construction, utilities infrastructure, office, retail, entertainment and sports facilities and hotels. As of June 30, 2012, the Group's loan portfolio for the construction industry equalled RUB368.6 billion (3.9 per cent.), having increased from RUB 451.3 billion (5.4 per cent.) as of December 31, 2011 and compared to RUB404.6 billion (6.5 per cent.) as of December 31, 2010, and RUB408.3 billion (7.5 per cent.) as of December 31, 2009, all before provision for loan impairment and as a percentage of the Group's gross loans to customers as of the date specified.

There are a number of products offered by Sberbank under the umbrella of real estate financing, including project-finance type loans (where the source of repayment is primarily cash flows from the project), investment-finance type loans (where the source of repayment is primarily cash flows from the entire borrower's business) and refinancing customer's expenses for a project.

Sberbank aims to provide high-quality customer services in this segment, and has thus developed detailed internal guidance for each type of real estate financing, depending on the object and method of financing. This guidance is reviewed on a quarterly basis, so as to take into account market trends and customers' needs.

Sberbank participates in financing of federal and regional programmes implementing the national project "Affordable and Comfortable Housing – for the Russian Citizens". As part of these programmes, Sberbank finances various projects for allocation of state-subsidised housing to former military personnel, people entitled to state-funded housing and people relocated from obsolete housing.

Sberbank believes that its nationwide distribution network creates a competitive advantage for Sberbank in construction industry lending, because it allows Sberbank and its customers to locally implement and supervise construction projects in various regions of Russia.

Deposits and Other Interest Income Products for Corporate Customers

Sberbank offers five major types of deposits, deposit-like and other interest-generating products for its corporate customers, including: (i) short-term deposits (for up to six days); (ii) term deposits that allow different levels of flexibility in terms of depositing additional funds or funds' withdrawal; (iii) maintaining a minimum account balance at a settlement account open with Sberbank during a set term; (iv) Sberbank promissory notes; and (v) Sberbank depositary certificates. All of the corporate deposit products, except for depositary certificates, are available in at least three currencies (Rouble, U.S. dollar and Euro) and some provide other currency possibilities. Sberbank believes that a range of its products allowing corporate customers to earn interest on temporarily available funds adequately addresses the varying needs of these customers and provides them with convenient and competitive solutions.

As of July 1, 2012, according to Sberbank's calculations based on CBR data, Sberbank's share in the Russian market for corporate deposits and deposit-type products equalled 16.8 per cent. The competition among Russian banks for corporate deposits has traditionally been strong, and Sberbank aims to maintain its competitive position by offering comprehensive banking solutions, of which corporate deposits is a part.

The table below sets forth certain information about the amounts held by legal entities (including sub-federal units and municipalities of Russia) in customer deposits and accounts at the Group, as of the dates indicated:

As of June 30,		As of December 31,					
2012 (Unaudited)		2011		2010		2009	
billions of RUB	*as a % of total deposits*	*billions of RUB*	*as a % of total deposits*	*billions of RUB*	*as a % of total deposits*	*billions of RUB*	*as a % of total deposits*
2,593.5	29.6%	2,205.8	27.8%	1,816.7	27.3%	1,651.6	30.4%

Since 2009, approximately two thirds of the Group's corporate deposits have been in Roubles, the remainder being in foreign currencies (primarily U.S. dollars and Euros).

Sberbank follows a policy of transparency regarding its interest rates on corporate deposits and deposit-like products. Since April 1, 2011, Sberbank has daily published its standard interest rates for such products on the Russian part of the web-site, although, the largest customers and large customers can still get individually negotiated interest rates on their deposits. Sberbank is focusing on increasing the balances held in corporate on-demand and settlement accounts, as they are a source of cheaper funding for Sberbank, compared to term deposits.

Trade and export finance

Trade and export finance represents a significant and growing source of revenue for Sberbank. Sberbank provides a wide range of banking services related to foreign trade operations of its corporate customers, including trade finance loans (including pre-export and post-import financing) and trade-related documentary operations, such as letters of credit (including stand-by and revolving ones) and guarantees. When providing trade and export finance and related services to its customers, Sberbank actively cooperates with export credit agencies, such as Euler Hermes (Germany), SACE (Italy), EKF (Denmark), Finnvera (Finland), SERV (Switzerland) and others. In addition, Sberbank assists its customers in preparing documentation complying with the Russian currency control requirements and settling foreign trade transactions. Sberbank funds its trade finance activities with credit facilities from a number of foreign credit institutions.

Transactional services

(i) Accounts, Cash and Settlement Operations for Corporate Customers

The vast majority of Sberbank's corporate customers use its cash and settlement services. Sberbank assists legal entities and individual entrepreneurs with opening corporate bank accounts and advises them on the use of various banking products in their businesses. Sberbank provides legal entities with overdraft facilities, the sizes of which are based on the volume of financial operations through the relevant accounts. See "*—Corporate Lending—Loans available to all customer segments*".

Sberbank's settlement operations principally consist of accepting non-cash payments and processing of non-cash payments made by its customers. Sberbank's proprietary settlement system services customers' cash flows and allows settlement of payments made by its customers between Sberbank's branches in real time. As of June 30, 2012, Sberbank maintained correspondent relations with more than 200 leading international banks in order to support customers' foreign economic activity and provide high-quality international settlement services. Legal entities may conduct their cash management operations and get related banking services (such as execution of payment orders, foreign exchange transactions and payroll transfers) through Sberbank's proprietary "Client – Bank" and "Internet – Bank" remote communication systems.

The table below sets forth certain financial information on the fees and commissions generated by the Group during the periods indicated from cash and settlement transactions with legal entities:

	For the six months ended June 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
	(Unaudited)				
Fee and commission income, billions of RUB	21.5	19.4	42.5	40.6	36.9
Change vs. prior period (by value), %	10.8%	—	4.7%	10.0%	—
As a % of total fee and commission income	25.2%	28.2%	28.0%	31.0%	34.9%

(ii) Cash Collection Services

Sberbank's cash collection (handing) services include cash collection at locations designated by a customer, transfer of cash deposited by a customer at a Sberbank branch into the customer's account and delivery of cash to a customer in banknotes of particular denomination or coins. In the six months ended June 30, 2012, Sberbank cash collection units provided cash handling services at approximately 76,100 corporate customer locations, including commercial banks, collecting approximately RUB1.8 trillion and delivering approximately RUB205.9 billion in cash to corporate customers.

The table below sets forth certain financial information on the fees and commissions generated by the Group during the periods indicated from cash collection services:

	For the six months ended June 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
	(Unaudited)				
Fee and commission income, billions of RUB	2.3	2.2	4.7	4.4	4.1
Change vs. prior period (by value), %	4.5%	—	6.8%	7.3%	—
As a % of total fee and commission income	2.7%	3.2%	3.1%	3.4%	3.9%

(iii) Payroll Services

Sberbank is a leading bank for payroll services used for payment of salaries into employee bank accounts, as measured by the number of corporate customers to whom Sberbank is providing payroll services. Payroll services include the opening of RUB bank accounts for employees of its corporate customers, together with the issuance of debit cards linked to these accounts, and the establishment of a system for the transfer of such employees' salaries to their accounts with Sberbank. In 2011, commercial enterprises paid RUB 4.07 trillion in salaries to their employees through Sberbank's payroll programmes. As of January 1, 2012, over 320,000 enterprises paid salaries through Sberbank, with the number of salary recipients reaching 26 million (which represented approximately 30 per cent. of the economically active population in Russia, according to data from the Federal State Statistics Service for 2011).

From March 2011, Sberbank commenced supporting employees of its payroll customers via a project "Bank at Work", whereby Sberbank's employees offer consultations and assistance with preparation of banking documents directly at the locations of enterprises on the payroll programmes. The "Bank at Work" project has covered to date approximately 200,000 enterprises, providing additional selling opportunities for Sberbank.

(iv) Clearing services

Sberbank offers its financial institution customers a full range of Rouble clearing services in respect of most of the freely convertible currencies and partially convertible currencies, as well as unallocated bullion (gold, silver, platinum and palladium) accounts. Sberbank believes that it is the world's largest commercial provider of Rouble clearing services to financial institutions, providing clearing services to approximately 750 banks worldwide, including Russian, CIS and international financial institutions.

Investment Banking Services

Acquisition of Troika Dialog

In May 2011, Sberbank and the shareholders of Troika Dialog, Standard Bank Group International Limited and TDM Limited Partnership, signed a share purchase agreement relating to the acquisition of 100 per cent. of the shares in Troika Dialog, one of Russia's leading investment banks, by Sberbank. Troika Dialog specialises in equity and debt capital markets transactions, mergers and acquisitions, securities trading, brokerage, asset management and private banking. Troika Dialog operates primarily in Russia, Ukraine and Kazakhstan, and also has trading platforms in London and New York.

Sberbank's rationale for acquiring Troika Dialog was to further transform Sberbank into a universal bank offering with a full spectrum of corporate and investment banking products and services to its large and diversified customer base by combining its substantial financial resources and strong balance sheet with Troika Dialog's investment banking, corporate finance and asset management expertise and product offering. Specifically, Sberbank expects that its customers in the largest, large and medium-sized business customer segments could benefit from Troika Dialog's investment banking and corporate finance capabilities, while its small- and micro-business and retail customers could take advantage of Troika Dialog's asset management and private banking services.

Under the terms of the share purchase agreement, for the three years after the completion of the acquisition, Troika Dialog will operate as a stand-alone entity with certain of its businesses being integrated with the corporate services of Sberbank. In addition, Sberbank will exercise oversight and control of the strategic functions within Troika Dialog by electing a majority of its board of directors. During the three-year post-completion period, Ruben Vardanian, Troika Dialog's CEO, will remain as the CEO.

Pursuant to the share purchase agreement, the transaction is to be completed in two stages between 2012 and 2013. At the first stage of the acquisition completed in January 2012, Sberbank acquired a 100 per cent. equity stake in Troika Dialog from its two current shareholders, Standard Bank Group International Limited and TDM Limited Partnership, for the consideration of U.S.$1 billion. However, in December 2011, once the regulatory consents for the transaction were obtained, but prior to the transfer of the equity stake in Troika Dialog to Sberbank, Sberbank obtained the power to govern financial and operating policies of Troika Dialog, as Sberbank and Troika Dialog started the integration processes (see Note 37 to 2011 Annual IFRS Financial Statements).

During the second stage, scheduled to be completed in 2013, Standard Bank Group International Limited and TDM Limited Partnership will be entitled to earn-out consideration, the amount of which will depend on the financial performance of Troika Dialog between 2011 and 2013. The share purchase agreement also contains certain earn-out protection conditions that, if triggered, would result in the earn-out consideration being fixed and becoming due and payable prior to the scheduled completion of the second stage. The amount of such second-stage consideration may be lower or higher than the amount that is reflected in the Group's 2011 Annual IFRS Financial Statements. The structure of the transaction stipulates an integrated bonus pool for the Troika Dialog employees who participated in the integration process to be paid from the earn-out consideration to the selling shareholders. Sberbank funded the first stage consideration entirely out of its available internal cash flow.

See also "*Risk Factors—Risks Relating to Sberbank's Business and Industry—Sberbank faces risks in relation to recently completed, announced and other potential acquisitions*".

Global Markets Services

(i) Sales, trading and brokerage

Sberbank, together with Troika Dialog, is one of the leading providers of trading services with Russian equities and bonds for a wide range of domestic and international clients, including global and domestic institutional investors and hedge funds, as well as corporate investors and private individuals.

Troika Dialog is also an active participant in the derivatives market and provides trading liquidity in Russian index futures, index options and stock options.

With respect to brokerage services, in the six months ended June 30, 2012, Sberbank, together with Troika Dialog, kept the leading position in the MICEX-RTS ranking of major domestic brokers by number of registered clients.

(ii) Research

Troika Dialog's research department has one of the largest teams of analysts covering the CIS capital markets and is consistently top ranked by the major industry sectors and the macro-economy in the CIS market by such market publicists as Institutional Investor and Thomson Extel. Troika Dialog's research department follows 279 companies and provides in-depth analysis of 131 major listed Russian, Ukrainian and Kazakhstani companies. Troika Dialog's research includes coverage of equities and bonds through a broad range of publications, which comprise market dailies, strategy and economic monthlies, as well as individual company desknotes or reports.

(iii) Trustee and investment management services

Sberbank provides trustee and investment management services to its customers. According to Sberbank operational data, as of June 30, 2012, customer funds managed by Sberbank itself and Sberbank Asset Management (a specialised subsidiary created to provide professional asset management services to Sberbank's customers) totalled RUB86.8 billion, compared to approximately RUB5.4 billion as of December 31, 2011, RUB5.5 billion as of December 31, 2010 and RUB1 billion as of December 31, 2009. In addition, the value of the net assets of mutual funds under management of Sberbank Asset Management reached RUB 1.6 billion as of December 31, 2011 (according to publicly released data), compared to RUB140 million as of December 31, 2010.

(iv) Depositary and custodian services

Sberbank is one of the leading providers of depositary and custodian services in Russia, having more than 252,000 customers as of June 30, 2012. As of the same date, the market value of the customers' assets reached RUB2.2 trillion according to Sberbank operational data. Sberbank acts as a sub-custodian (holding in custody shares in major Russian issuers) for depositary receipt programmes established by JP Morgan Chase, BNY Mellon and as the depositary in the issuance of Russian depositary receipts for UC RUSAL Plc, which was the first issuance of Russian depositary receipts in Russia.

Investment Banking Services

(i) Debt and equity capital markets (underwriting services)

In 2011, Sberbank and Troika Dialog distributed or participated in the distribution of bonds of 38 issuers in 65 issuances in aggregate, including issuances by municipalities and sub-federal units of Russia. The total value of the issuances arranged with the participation of Sberbank or Troika Dialog in 2011 exceeded RUB 446 billion (by par value of the issuances). In the first half of 2012, Sberbank and Troika Dialog distributed, or participated in the distribution of, bonds in 35 issuances by 28 issuers in aggregate, with the total par value of such issuances in excess of RUB210 billion. In 2011 and the six months ended June 30, 2012, some of the notable transactions in which Sberbank or Troika Dialog participated included the issuance of bonds (or Eurobonds) by the Russian Federation of USD7 billion and by such companies as VimpelCom (several series), Metalloinvest (several series), EVRAZ Holding, NMLK (several series), Gazprom Neft (several series), FGC UES (several series), RUSAL Bratsk (several series), Mechel (several series) and Vneshekonombank (several series), as well as bonds to finance the construction of the Western High-Speed Diameter in St. Petersburg, which is a strategic construction project of regional and national significance.

Furthermore, Sberbank and Troika Dialog also participated in several international debt capital markets transactions. In 2010, Sberbank acted as one of the organisers of the distribution of sovereign Rouble-denominated bonds of the Republic of Belarus (which was the first foreign sovereign public debt issuance in Russia). In 2010-2011, Sberbank acted as a joint lead manager of the several sovereign Eurobond issues by the Republic of Belarus. In June and July 2011, Troika Dialog acted as a joint lead manager of the debut Eurobond issuances by Koks Group and Metalloinvest. In November 2011, Troika Dialog established a new instrument on the market by acting as a lead manager of the first Rouble-denominated bond issuance by a foreign corporate in Russia, Uranium One Inc., which is incorporated in Canada. In 2012 Troika Dialog acted as a joint lead manager of Eurobond issues by, among others, the Russian Federation for USD 7 billion, Sberbank for USD 2.75 billion, Evraz for USD 600 million and Raspadskaya for USD 400 million.

Sberbank or Troika Dialog have arranged, alone or together with other banks, a number of equity capital market transactions for Russian companies, including IPOs of PhosAgro, Global Ports, TransContainer, Mostotrest, KTK, RUSAL and SPOs of Globaltrans, Highland Gold Mining and EDC.

(ii) Mergers and Acquisitions (corporate advisory services)

Sberbank and Troika Dialog provide a full range of M&A services, including mergers, sell-side and buy-side advisory, leveraged buyouts, joint ventures and strategic alliances. Over recent years, Sberbank or Troika Dialog have advised both Russian and international clients on a number of key transactions in the Russian market, including, the merger of MICEX and RTS, an acquisition of Russian energy assets by Inter RAO, the sale of 36 per cent. of AvtoVAZ to Renault SAS, the sale of 22.3 per cent. of Sibir Energy to Gazprom Neft and the merger of West Siberian Resources and NK Alliance.

Merchant Banking Division

As part of the integration of Sberbank and Troika Dialog a new structural subdivision, Sberbank Merchant Banking, is being created within CIB and plans to make strategic investments on behalf of Sberbank into major Russian companies that are clients of Sberbank, along with contributing its expertise to further development of such companies. Investments will include shares, derivatives and structured instruments. It is expected that initially Sberbank Merchant Banking will focus on investing Sberbank's own funds, with a possibility that in the future Sberbank Merchant Banking could also manage funds from co-investors.

Proprietary Activities and Liquidity Management

Sberbank is the largest operator in the Russian government securities market, conducting significant trading and investment operations with Russian government securities. Sberbank's trading operations largely serve the purpose of liquidity and risk management. It acts as a market maker and engages in trading operations in government securities on all Russian stock exchanges and participates in government securities auctions conducted by the CBR and in purchase and sale and repurchase ("repo" and "reverse repo") transactions with Russian and foreign banks and financial companies. In addition, Sberbank is a key market maker in the domestic Rouble/U.S. dollar conversion market and engages in foreign currency trading activities in the international markets. It also trades in foreign currency futures on MICEX. For a description of the composition of the Group's securities portfolio, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Total Assets—Securities Portfolio*".

The Group also conducts proprietary trading activities in corporate debt and equity securities and municipal securities (primarily, municipal bonds of the cities of Moscow and St. Petersburg). Such proprietary trading activities in corporate debt and equity securities are principally conducted through Troika Dialog.

During the first half of 2011, Sberbank experienced a considerable Rouble surplus, which it placed in short-term low-return financial instruments, such as deposits with the CBR, interbank deposits, "nostro" accounts and bonds. During the first half of 2011, major efforts were undertaken to enhance corporate and retail loan portfolio growth to utilise liquidity surpluses. As a result of these efforts, the growth of the bank's loan portfolio in the first half of 2011 was greater than that of deposits and the redemption/disposal of investments in CBR bonds. In the second half of 2011, Sberbank continued to increase its Rouble-denominated lending in response to a considerable demand for such loans (especially in the retail sector). Accordingly, Sberbank funded its loan portfolio growth instead of investing excess liquidity in low-return financial instruments. As the demand for liquidity has increased generally in the Russian banking sector beginning in the second half of 2011, Sberbank has been securing its liquidity (including in foreign currencies) through mid- and long-term repurchase transactions with the CBR, trade finance transactions with foreign banks, extension of certain major deposits held at Sberbank and borrowing on the international market. In the six months ended June 30, 2012, the corporate and retail loan portfolios of Sberbank continued to grow, albeit at a slower pace than in the fourth quarter of 2011. To fund the loan portfolio in this period, Sberbank attracted retail and corporate deposits, used short- and medium-term borrowings from the CBR, and diversified its funding sources through issuing loan participation notes under the Programme. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Total Liabilities—Loan Participation Notes Issued under the Programme*".

In 2011 and the six months ended June 30, 2012, the Group's securities portfolio consisted of an expanded range of securities, including Eurobonds of sovereign borrowers and corporate issuers (primarily from the CIS). As of June 30, 2012, the share of non-Russian sovereign bonds in the Group's portfolio was 3.4 per cent..

Distribution Channels

As of July 1, 2012, Sberbank's distribution network consisted of approximately 19,040 domestic branch outlets nationwide, and is conveniently complemented by comprehensive electronic banking channels for both retail and corporate customers. In addition, since March 2011, Sberbank has been supporting employees of enterprises who are on Sberbank's payroll programmes via the "Bank at Work" project (see "*—Russian Banking Services and Activities—Corporate Banking Services—Transactional Services—Payroll Services*").

Branch Network

As of July 1, 2012, Sberbank's branch network consisted of its head office in Moscow, 17 regional head offices, 64 principal branches, 422 branches and 18,538 sub-branches. Based on CBR data, Sberbank's branch network is approximately as extensive as the branch networks of all the other Russian banks, taken together**.** The regional head offices coordinate the business of principal branches (where those have been created), branches, sub-branches and other outlets located in their respective regions. As of July 1, 2012, 20.9 per cent. of Sberbank's outlets were located in the central cities of the Russian regions, 7.5 per cent. in other cities with a population of over 100,000, 17.7 per cent. in smaller cities, 6.8 per cent. in villages and 47.1 per cent. in the countryside.

As of July 1, 2012, 40.9 per cent. of Sberbank's outlets provided lending services, 51.8 per cent. provided foreign currency account services, 47.4 per cent. provided foreign currency exchange services and 63 per cent. issued and serviced bank cards.

As part of Strategy – 2014, one of Sberbank's development priorities is creating an "ideal branch network", optimising its urban branch network to better correspond to areas of current or potential demand for banking products and services. First, this is achieved by consolidating smaller operating outlets into larger banking centres that offer an extended range of services, opening new outlets in areas of high socio-economic development where Sberbank's presence is lacking, as well as by relocating existing outlets in order to increase their profitability and accessibility for customers. Second, Sberbank has designed various types of outlets, oriented for particular customer services and fitting a particular geographical location. The optimisation of the branch network is complemented by the development of the network comprising ATMs and self-service terminals in areas where an outlet is not economically feasible.

Currently, Sberbank's branch network development focuses on large cities and regional centres, where the majority of the population and business activities are concentrated. Sberbank intends to complete the modernisation and optimisation of its urban branch network by 2016. For rural areas, Sberbank is developing a special layout of an outlet consistent with the customary demand for banking in such areas.

As of July 1, 2012, Sberbank's branch network comprised approximately 8,950 outlets in rural areas. As part of its branch optimisation programme, Sberbank intends to close some of its rural branches, subject to preserving banking accessible to local residents, *e.g.* through installation of replacement automated facilities (such as self-service zones), keeping branches at regional centres reachable by public transport or arranging scheduled transportation for local residents to the nearest Sberbank branch. Sberbank also operates approximately 100 mobile cash units that periodically visit certain rural areas and provide local banking services.

Electronic Banking

Sberbank actively develops alternative distribution channels and various forms of self-service, such as introducing improved software for the repayment of individuals' loans via ATMs and for cash service payments using payment and informational terminals, as illustrated by the launch of the "Sberbank Online" retail internet and mobile banking system in all Moscow branches and in all regional head offices, the "Mobile Bank" service, which provides customers with information on their current outstanding debt, details of loan repayment via billing technologies and payments made to various corporate payees via telephone text messaging, and the "Internet Bank Cards" service, which provides customers holding international credit cards with the ability to pay bills, make transfers and obtain other information over the internet. See "*—Russian Banking Services and Activities—Retail Banking Products and Services.*"

IT Infrastructure

IT systems are an integral part of Sberbank's operations. Sberbank is committed to further improving its existing IT infrastructure to the extent needed to procure uninterrupted functioning of its business and support customers' growing demand for remote banking services (see "*—Strategy and Strategic Goals—Sberbank is becoming a technological leader in banking by pursuing operational efficiency—Information Technologies (IT)*"). According to Sberbank operational data, in 2011, Sberbank invested approximately RUB11.9 billion in the development of its IT infrastructure.

Sberbank is focused on providing, and being able to provide in the future, an efficient remote banking service, in line with customers' growing demand for remote banking channels and a "one-shop" approach to financial services. Sberbank believes that the improvements to the IT solutions used by the front office ("Sberbank Online", Mobile Banking, Internet bank cards, online brokerage, ATMs and self-service terminals, call centres and money transfer system) have enhanced customer experience and service quality. The ongoing modernisation of the IT technologies used by the mid- and back- office (centralisation of IT platforms, creation of data processing centres, implementation of product "factories" and "conveyors" and client relationship management platform) have already increased, and are expected to increase, the overall efficiency and speed of operations. Together, these two lines of improvement contribute to the goal of making Sberbank the banking technology leader in Russia, and allow it to operate an IT platform that, Sberbank believes, is on par with those of leading global financial institutions.

IT Systems at Sberbank

Sberbank is in the process of centralising its core banking systems. Most of Sberbank uses two sets of core banking systems: the first set was developed in-house and the second set is supplied by third-party providers of banking software solutions. Both sets include a general ledger and corporate services system, a retail services system and a retail and corporate lending system.

Some regional banks use different IT solutions for their core banking systems. However, as part of centralising IT processes, the regional head offices are being migrated to one of the above solutions, so that, ultimately, approximately half of the regional head offices use the in-house set of core banking systems and the remaining head offices use a third-party provided set. The process of integration and streamlining of the core banking systems is expected to be completed in 2013.

In line with Strategy – 2014, Sberbank has in place, or is in the process of installing, specialised automated systems from leading vendors to support specific processes within Sberbank, such as loan origination, data warehousing, client relationship management (CRM), enterprise resource planning (ERP) and business process management (BPM). In most cases, the new automated systems are being installed centrally to Sberbank as a whole. Sberbank generally seeks to ensure that such process-oriented applications have been successfully tested at other international banks having a comparable scale of operations.

The sophisticated in-house developed systems enable Sberbank to implement new products and services and to adapt IT systems to support their respective services, while taking into account the unique territorial and scale demands of Sberbank's activities. At the same time, installing systems from the leading global providers of IT services gives competitive advantages to Sberbank and provides a basis for further growth of business and operations efficiency.

Recognised Successes of Sberbank's IT Development

According to the recertification audit conducted in January 2010, the quality level of management of Sberbank's information services conforms to the international standard ISO/IEC 20000:1-2005. Sberbank has continuously met this standard since first being awarded it in 2007.

Sberbank's current portfolio of IT-related projects contains more than 200 initiatives in all business sectors. In order to implement such number of projects, Sberbank implements an industrial process of project management, which received recognition from the IPMA Approval Commission and an IPMA Level B compliance certificate in 2010. This recognition confirms that Sberbank is capable of undertaking complex IT projects both locally and on a global scale.

IT Systems of the Group

Currently, Sberbank is in the process of gradually unifying and integrating the IT systems within the Group's banking and financial services entities and has launched a series of strategic initiatives for this purpose.

- In April 2011, Sberbank set a unified suite of standard applications for use in its subsidiary banks.
- Sberbank has initiated the implementation of a standardised technology "Credit Factory" in the four subsidiary banks in Belarus, Kazakhstan, Ukraine and the VBI subsidiary bank in the Czech Republic and plans to complete the project by the end of 2014.
- Sberbank has initiated the implementation of a standardised CRM-technology in the three subsidiary banks in the CIS, to be completed by the end of 2013.

Based on a preliminary analysis of the IT architecture of Troika Dialog, as well as a comparative analysis of the architectures of Troika Dialog and Sberbank, the acquisition of Troika Dialog, once integration processes are completed, is expected to provide synergies with respect to IT solutions proven to be efficient to Troika Dialog's operations in international markets, asset management, mutual funds and work with complex derivatives.

Sberbank has conducted a thorough review of VBI's current IT systems, the development of an integration scheme for VBI's current applications architecture and IT infrastructure, and general IT integration schemes for the entire VBI group. This project is expected to be completed in 2012.

Risk Management, Data Back-Up and Disaster Recovery Systems

To provide business continuity, Sberbank has established reserve computer centres at its headquarters and all of the regional head offices and is creating reserve systems to prevent local interruptions to its IT infrastructure. All base systems at Sberbank use cluster-based disaster recovery solutions that replicate data to a remote site. Sberbank is also putting in place emergency plans and training its IT personnel to handle exceptional circumstances. All of Sberbank's computer systems are protected from power supply interruptions.

In order to increase the efficiency of capital expenditures, Sberbank is in the process of consolidating a large number of existing territorially dispersed centres of data processing (CDPs) into two Mega-CDPs—a principal one and a reserve one. The principal CDP started its operations in November 2011 with the first round of the installed equipment. The current stage of the consolidation process is expected to be completed by the end of 2012.

Sberbank has recently undertaken significant measures to improve the infrastructure (including IT systems) supporting its new risk management strategy. For managing credit risk, Sberbank has set up automated systems for corporate and retail lending (*e.g.* loan application, risk profile analysis, loan approval and ongoing monitoring of a disbursed loan). For market risk, Sberbank has an automated system for controlling the use of limits, as well as generating internal reports on the risk level on an ongoing basis. To strengthen operational risk management, Sberbank is implementing a leading platform for operational risk management, used by major banks worldwide. Over the course of 2012 and 2013, Sberbank plans to implement an Enterprise Risk Management (ERM) system in order to measure the Group's risk appetite and economic capital, as well as to perform stress-testing. This project follows the creation of the principal CDP, which is instrumental in gathering and storing the information required for risk analysis.

Ongoing IT Projects

Sberbank has set up, and is currently implementing, the following strategic programmes for IT development (in addition to the integration and construction of CDPs).

- Enhancing reliability and productivity of IT systems (ongoing programme)

The ongoing programme for enhancing reliability and productivity of Sberbank's IT systems consists of various projects that encompass Sberbank's main automated systems for customer services. The goal of the programme is to ensure the continued reliability and productivity of the main systems and sustaining its Service Level Agreement (SLA) standard during a potential radical growth of automated systems and potentially significantly growing business volume (*i.e.* measured by number of customers, accounts, deals and transactions).

- Enhancing efficiency of Sberbank's IT service

This project seeks to enhance the quality of the software solutions developed in-house and reduce the timing for their development and implementation. The project relies on enhanced IT management processes and application of the "Lean" system in the IT-processes within Sberbank.

Employees

The number of employees at Sberbank (on an unconsolidated basis) was 238,053, 241,037, 240,895 and 249,829 as of June 30, 2012, December 31, 2011, December 31, 2010, and December 31, 2009 respectively.

The tables below set forth information regarding the number of Sberbank's employees working, respectively, in the regional head offices of Sberbank and in the principal areas of Sberbank's business (all according to Sberbank operational data).

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
	(persons)			
Regions				
Altay[(1)]	—	—	—	5,892
Baikal	6,507	6,569	6,616	7,218
Volgo—Vyatsk	22,550	22,586	22,912	24,265
East—Siberia	5,830	5,849	6,014	6,241
Far East	7,930	7,877	8,089	8,856
West—Siberia	9,676	8,633	8,385	9,313
West—Urals	10,128	10,327	10,302	10,659
Moscow Bank	16,499	17,307	17,655	19,235
Volga	24,969	24,658	24,905	26,420
North	8,722	8,836	8,859	9,183
North—East	3,431	3,567	3,558	3,714
North—West	18,362	19,338	19,122	19,406
North—Caucasus	8,112	8,290	8,162	8,571

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
		(persons)		
Siberia	14,909	15,140	15,154	10,115
Middle Russia	19,865	20,057	20,209	21,301
Urals	20,615	21,689	21,701	20,902
Central—Chernozem	15,681	16,077	16,055	15,675
South—West	14,326	14,616	14,516	15,580
Total for regional head offices	**228,112**	**231,416**	**232,214**	**242,546**
Headquarters of Sberbank	**9,941**	**9,621**	**8,681**	**7,283**
Total for Sberbank	**238,053**	**241,037**	**240,895**	**249,829**

(1) Merged into the Siberian head office on January 1, 2011.

	As of June 30,	As of December 31,		
	2012 (Unaudited)	2011	2010	2009
		(persons)		
Business Segments				
Retail Business	128,293	126,871	126,975	132,112
Corporate Business	12,206	11,835	11,113	11,015
Finances and Risks	9,196	10,827	16,098	23,550
Information Technologies	8,772	8,796	9,185	8,158
Operational Segment	27,923	30,881	25,080	16,665
Administrative Segment	24,805	24,356	24,066	25,880
Development and Branch Management	1,778	1,636	1,372	495
Work with Distressed Assets, Security, Legal Matters	14,936	15,349	16,168	17,412
Other Segments	10,144	10,486	10,838	14,542
Total for Sberbank	**238,053**	**241,037**	**240,895**	**249,829**

The Russian labour market for qualified banking personnel, especially for junior and middle management, remains highly competitive. As part of Strategy – 2014, Sberbank has sought to ensure that it is able to attract and develop high quality personnel and management. In order to achieve this and to ensure competitiveness and appropriate remuneration among new personnel, Sberbank has established (i) a competence assessment system, a tool for selecting and employing highly qualified personnel, (ii) a training system for existing employees and (iii) a "5+" performance appraisal system (the latter two systems being designed to ensure development and career promotion for existing employees).

Given the scale of Sberbank's operations, Sberbank has put in place a model to structure personnel management and motivation. The Corporate Competence Model, which was launched in 2009, and serves as the basis for Sberbank's competence assessment system, defines requirements for employees and management and serves as the basis for major HR processes, including recruitment and selection, career planning, promotion, development and training. Sberbank's competence assessment system includes such tools as computerised online assessment, group assessment exercises, competence-based interviews, individual one-on-one assessment and assessment through business simulations and case studies.

Sberbank's "5+" performance appraisal system serves as a link between individual objectives and corporate goals. This system supports Sberbank's strategy, motivates employees by setting ambitious goals and sets out promotion criteria. This system has been applied to assess the performance of personnel at the headquarters, regional head offices and service centres since the second quarter of 2010. Sberbank rolled out the system to assessments of its entire workforce across Russia in the first quarter of 2012.

Sberbank has established a system for selecting and employing highly-qualified graduates from the leading Russian institutions of higher education, as well as formed strategic relationships with various leading Russian universities. Sberbank is also working actively with universities in regional areas of Russia to train young professionals for its branches, given its significant operations across Russia's regions. When recruiting front office employees from cooperating universities and colleges, special attention is paid to their knowledge of operational procedures and the banking product range, as well as sales and customer skills. Sberbank uses internal certification standards for its operational personnel. These standards are compliant with the CBR's requirements regarding the quality of banking services and have been recently revised to reflect significant improvement in the standards of customer services that Sberbank offers.

Sberbank employs a corporate training system focused on the systemic improvement of key competencies and the development of skills required to improve performance in an employee's current role and/or to enhance competencies required for career development. Starting from 2010, Sberbank organised a number of core skills training sessions to facilitate the development of customer service, sales and negotiation skills. More than 190,000 employees received product, sales, service, project management, and communication training in the six months ended June 30, 2012 alone. Sberbank also actively uses remote access learning systems.

Sberbank has two training facilities in Moscow which were expanded in 2010 and house simultaneously more than 500 participants (with a third one presently under construction, expected to be completed in 2013) and several others in the regions of Russia, together known as the "**Corporate University**". The Corporate University was established to combine academic education and interactive training in order to enhance professional skills and management development. The Corporate University co-operates with leading European business schools and business consultants. The Corporate University offers universal training programmes to Sberbank's employees and managers in all branches in Russia and in countries where subsidiary banks are located. More than 32,000 top, middle and line managers improved their professional qualification in 2011. The Corporate University serves as a base for special programmes for Sberbank's top and middle management with high potential, such as the London Business School Programme for Sberbank in Leadership and Finance (50 participants per year) and Sberbank 500 Leaders Program (INSEAD in partnership with NES – 500 participants per year). In 2010-2011 Sberbank organised full-time seminars led by internationally recognised professors and speakers which were attended by more than 40,000 employees including attendance via a videoconference training system. In total, in 2011, more than 225,000 of Sberbank's employees completed one or several training classes at the Corporate University.

Sberbank's salary structure is commensurate with that of other leading Russian banks. The Group's payroll and other staff costs accounted for 58.5 per cent. of its operating expenses in 2011 and 57.8 per cent. in the six months ended June 30, 2012. The existing compensation system provides for a combination of monetary and non-monetary performance rewards and various incentives for employees in different professional categories and was put into place during the second half of 2010, with the aim of making Sberbank competitive in the domestic market. In 2010, Sberbank continued implementing measures in relation to employee motivation, which included new medical insurance and corporate education programmes.

Furthermore, Sberbank, in cooperation with the Non-State Pension Fund of Sberbank, has established a pension plan for its employees under a so-called "defined pension contribution scheme" (as opposed to a benefit plan with defined pension payments, which used to exist at Sberbank before 2010, and which remained applicable to approximately 93,000 participants as of June 30, 2012). Under the current pension plan of Sberbank, employees with three years of experience at Sberbank are enrolled into the plan, however they are not eligible to receive pensions unless they work at Sberbank for at least seven years (subject to them reaching the statutory pension age). The current pension plans cover approximately 170,000 participants. Sberbank makes a pension contribution to the Non-State Pension Fund of Sberbank for each participating employee on an annual basis. The pension amount will depend on the actual amount of contributions allocated to the respective employee's account throughout his/ her enrolment into the plan and the investment income of the funds managed by the Non-State Pension Fund of Sberbank. As of June 30, 2012, the aggregate liabilities accrued under the pension plans established by Sberbank for its employees (in addition to Sberbank's mandatory contributions to the Pension Fund of Russia as part of the social tax burden) amounted to RUB5.0 billion.

Sberbank believes that the above initiatives will produce a more productive, motivated and dedicated work force. In 2009, pursuant to its Strategy – 2014, Sberbank launched a programme to optimise its employee headcount and functions at its central head office, regional head offices, branches and other outlets. The increased productivity level of its personnel allowed Sberbank to reduce its overall headcount from approximately 269,100 as of December 31, 2008 to approximately 240,900 as of December 31, 2010. Sberbank intends to continue to refine its workforce, hiring more highly qualified personnel, improving the quality of the presently employed professionals and gradually reducing the overall headcount (as the efficiency of the current personnel permits). See "*—Strategy and Strategic Goals—Sberbank is investing in employees and their development*" and "*Risk Factors—Risks Relating to Sberbank's Business and Industry—There can be no assurance that Sberbank's business strategy will be successful*".

Approximately 76 per cent. of Sberbank's employees belonged to the all-Russia Sberbank labour union as of July 1, 2012. Sberbank has never experienced any strikes, work stoppages, labour disputes or actions that have affected the operation of its business, and Sberbank considers its relationship with its employees to be good.

Litigation

Sberbank is from time to time the subject of legal proceedings and other investigations in the ordinary course of its business. The FAS periodically investigates certain practices and procedures used by Sberbank in conducting its business. The vast majority of these investigations were either terminated by the FAS or discontinued once Sberbank demonstrated the reasons for particular business practices. Neither Sberbank nor any of its subsidiaries is involved in, or has been involved in, any governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which Sberbank is aware) during the 12 months preceding the date of this Prospectus that may have, or have had, during the 12 months preceding the date of this Prospectus, a significant effect on the financial position or profitability of Sberbank or its subsidiaries as a whole.

RISK MANAGEMENT

This section provides an overview of risk management coordination by the Group, but primarily covers risk management procedures of Sberbank. Unless indicated otherwise, financial information is presented on a consolidated basis under IFRS.

Overview of Risk Management at Sberbank

Sberbank has historically followed a conservative risk management policy, as part of its business model focusing primarily on customary retail savings and corporate banking services, with limited exposure to highly risky operations and instruments. The principal risks to which Sberbank's business is exposed are credit, market (including securities portfolio, interest rate and currency risks), liquidity and operational risks. The purpose of Sberbank's risk management strategy is to identify, measure, monitor and proactively manage the level and concentration of risks that Sberbank faces. Sberbank considers its risk management system a competitive advantage, as it aims to make the price of financial products critically dependent on the customer risk profile.

From 2010, Sberbank began to implement a more advanced, comprehensive and efficient risk management strategy based on the recommendations of the Basel Committee and the best practices of leading international banks. While developing this strategy, Sberbank has also followed the CBR's requirements and recommendations.

In terms of risk appetite, the new risk management strategy continues to take into account the unique position of Sberbank as Russia's largest commercial bank. However, compared with the earlier risk management system, it better supports the automatisation of banking operations that is currently being implemented at Sberbank. The basic building blocks of the present strategy are formalised, statistics-based quantitative risk assessment tools covering principal risks.

The risk management function of Sberbank has been consolidated in the Risks Department, reporting directly to the President and Chairman of the Executive Board of Sberbank and responsible for supervising the Group's exposure to individual risks as well as its overall risk exposure, and for designing and maintaining up-to-date risk management procedures. Sberbank has also reformed its organisational structure at the head office and regional levels to support the ongoing risk management enhancements.

Sberbank has recently undertaken significant measures to improve the infrastructure (including IT systems) supporting its new risk management strategy. For managing credit risk, Sberbank has set up automated systems for corporate and retail lending (*i.e.* loan application, risk profile analysis, loan approval and ongoing monitoring of a disbursed loan). For market risk, Sberbank has an automated system for controlling the use of limits, as well as generating internal reports on the risk level on an ongoing basis. To strengthen operational risk management, Sberbank is implementing a leading platform for operational risk management, used by major banks worldwide. Over the course of this year and 2013, Sberbank plans to implement an Enterprise Risk Management (ERM) system in order to measure the Group's risk appetite and economic capital, as well as to perform stress-testing. This project follows the creation of the principal centre of data processing, which is instrumental in gathering and storing the information required for risk analysis.

Sberbank has started preparations for the proposed implementation of Basel II standards in Russia (see "*Banking Regulation in Russia—Russian Banking Regulations—Basel Implementation in Russia*"), which is expected to be completed in 2014 at Sberbank and by 2015 Group-wide. Sberbank already has in place an internal rating framework for corporate lending (allowing a quick transition to an advanced internal rating-based (IRB) approach according to Basel II requirements), and has initiated the expansion of advanced risk management strategies to banking risks other than credit risk.

At least once a year, Sberbank performs stress-testing for all major types of risks it encounters. Sberbank chooses a variety of scenarios for stress-testing, depending on the prevailing macroeconomic parameters and market indicators most significantly affecting Sberbank's operations, such as the Urals oil price. The stress test results are analysed by Sberbank's management, with follow-up measures aimed at maintaining sufficient liquidity taken as appropriate.

Risk Management of the Group

In 2011, Sberbank began implementing risk management policies on a Group-wide basis. In February 2012, the Executive Board approved a formal policy on integrated risk management intended to be applicable to the Group. Currently, the same principles govern risk management within Sberbank and its regional head offices, but are not used throughout other divisions in the Group on a consistent basis. The expansion of such principles to the entire Group (including its subsidiary banks in the CIS, Troika and VBI) aims to ensure uniform risk management approaches, an optimal risk-to-income ratio in all areas of operations and maintenance of capital adequacy on a Group-wide basis.

The Group-wide risk management policy is built upon, among others, the following principles:

- vertical reporting, which establishes direct lines of communication from the risk management departments at Sberbank's subsidiaries and regional head offices up to the Group's chief risk officer (who is Sberbank's CRO);
- independence of risk management, through the separation of standardised risk management functions and the creation of self-contained areas of responsibility (*e.g.* developing methodologies, designing quantitative models for risk assessment, and controlling risk levels); and
- management of the overall risk appetite at the Group level and centralisation of controls over risks, which would create a single risk vision and control over the aggregate risk exposure of the Group.

Sberbank intends to have a fully centralised Group-wide risk management system in place by the end of 2014. The integration of Troika Dialog into the Group's risk management system (including the aggregate assessment of counterparty credit, market and operational risks under the "Basel 2.5" approach (also known as "Basel II Enhanced")) is underway and is also expected to be completed in 2014, together with the post-acquisition integration of VBI.

Organisation of Risk Management in the Group

The ***general structure*** of the risk management function of the Group contains ***three levels***:

Level 1 is the highest level represented by the Executive Board and the Sberbank Committee on the Risks of the Group ("**Risks Committee**"). It is at this level that the aggregate risk exposure of the Group is managed, mainly through: (i) setting requirements for managing principal risks to which the Group is exposed, (ii) outlining risk management processes for the Group members, (iii) designating bodies and divisions responsible for risk management of the respective risks at the Group members and (iv) approving risk management policies and standards applicable Group-wide and to particular Group members.

Level 2 is where requirements and limitations for specific types of activities and operations of the Group are set, represented by the Risks Committee, the Credit and Investments Committee, the Assets and Liabilities Committee ("**ALCO**"), the Trading Risks Committee and other bodies of Sberbank, as the Executive Board and the Risks Committee may designate.

Level 3 is operational and performed by designated bodies and divisions of the Group members, subject to requirements and limitations set at Levels 1 and 2. The main objective at Level 3 is to ensure compliance with local laws and regulations that may be applicable to a Group member, while at the same time carrying out policies and requirements set at Levels 1 and 2

The ***main bodies*** involved in risk management of the Group and at Sberbank, each of which is described below, are:

- *policy-setting, general management and monitoring bodies*: the Supervisory Board, the Executive Board, the Risks Committee, and the Risks Department;
- *policy-setting and decision-making bodies on credit risk taking*: the Credit and Investments Committee, the Sberbank Committee on Trading Risks ("**Trading Risks Committee**") with respect to credit risk in trading transactions, the Retail Credit Committee, the Problem Assets Committee, credit committees at regional head offices and certain branches, and underwriters' service;
- policy-setting and decision-making body on market risk taking: the ALCO and the Trading Risks Committee;
- *day-to-day execution*: lending departments within the Corporate Investment Bank, the Retail Division, the Problem Assets Division, the Legal Department, and the Internal Security Department; and

- *post-factum control*: the Internal Controls Service and the Statutory Audit Commission.

Policy-setting and monitoring bodies

Supervisory Board

The Supervisory Board bears the responsibility for risk management through its powers to determine the agenda for Sberbank's development and its controlling and monitoring powers, performed through the Audit Committee under the Supervisory Board. The Supervisory Board has the high-level decision-making role regarding the capital structure of Sberbank and its capital adequacy. The Executive Board, the ALCO and the Risks Committee support the Supervisory Board in this regard. The Audit Committee under the Supervisory Board is primarily responsible for analysis of the matters related to internal control function, including review of internal audit results prepared by the Statutory Audit Committee, the Internal Controls Service and external auditors' reports, as well as evaluating Sberbank's internal audit operations and suggesting improvements, including in the area of risk management. On the transactional level, the Supervisory Board is responsible for approving certain major transactions, interested-party and related-party transactions, as required by Russian law and Sberbank's charter.

Executive Board

The Executive Board determines priority business activities of Sberbank and the Group, taking into account the risk appetite and risk management limitations applicable to the Group. The Executive Board sets Sberbank's and the Group's high-level risk management policies, oversees their implementation, arranges organisational structure of the risk management function (including creation of the modern banking infrastructure, insofar as risks are concerned) and allocates responsibilities for management of particular risks at Sberbank and generally at the Group. The Executive Board assesses the efficiency of risk management processes at Sberbank, signs off on stress test results, and supervises certain bodies involved in risk management, including the ALCO and the Credit and Investments Committee. The Executive Board is also involved in managing the liquidity of Sberbank, insofar as it sets the interest rates on retail deposits.

Risks Committee

The Risks Committee manages the aggregate risk exposure of the Group, including through setting the level of the Group's risk appetite and detailed policies for its management, determining the impact of the Group's risk appetite on the implementation of strategic and immediate business targets and periodically monitoring the use of risk appetite on a Group-wide basis. The Risks Committee also distributes the risk appetite among the Group members and approves the structure of the economic capital of Sberbank and the Group, as well as the level of its adequacy. The Risks Committee pre-approves risk management policies and procedures that are subject to consideration and approval by the Executive Board, including regulations on specific bodies involved in risk management and approaches to recovery of problem assets.

Risks Department

The Risks Department formulates detailed risk management strategies and procedures for Sberbank and the Group in accordance with the CBR requirements and having regard to best international practices, coordinates the implementation of risk management policies at Sberbank and throughout the Group, assesses losses resulting from risk realisation events, and continuously monitors the level of risks undertaken by Sberbank on an aggregate basis. The Risks Department is headed by the chief risk officer of Sberbank, who is responsible for oversight of Sberbank's risk exposure and compliance with the risk management strategy, and reports to the President and Chairman of the Executive Board of Sberbank. The Risks Department is charged with coordinating risk management functions across all branches and business units (such as corporate and retail business units) of Sberbank, as well as the Group.

Policy-setting and decision-making bodies on credit risk-taking

Credit and Investments Committee

The Credit and Investments Committee is primarily responsible for approval and implementation of the credit policies at Sberbank (except for managing credit risks in trading transactions, which is performed by the Trading Risks Committee). The Credit and Investments Committee is comprised of various employees of Sberbank, as approved by the President and Chairman of the Executive Board of Sberbank (including a representative of the

Risks Department), and certain other participants on an *ad hoc* basis without voting rights. The Credit and Investments Committee meets on a weekly basis.

As a policy-maker, it approves various regulations dealing with credit risk management, including on credit risk assessment tools and monitoring of credit risk; regulations governing the creation and use of provisions; policies on bad loan write-offs; and regulations on loan monitoring post-disbursement. The Credit and Investments Committee defines the credit risk-taking authority of the regional head offices and certain branches. The Credit and Investments Committee is also involved in setting credit limits with respect to particular borrowers, as well as credit risk concentration limits by groups of assets, countries and regions. In connection with the new lending procedures for borrowers belonging to the largest, large and medium-sized corporate customers, the Credit and Investment Committee approves the categories of risk underwriters.

In addition to its policy-setting role, the Credit and Investments Committee is involved in lending and restructuring decisions in particular transactions (whether with corporate or retail borrowers), if such transactions are of significant amounts set in Sberbank's internal regulations. In certain cases (where the amount in question exceeds the decision-making authority of the Problem Assets Committee), the Credit and Investment Committee takes decisions on write-offs. The Credit and Investment Committee can make recommendations to the Executive Board regarding participation of Sberbank in other legal entities.

The Credit and Investments Committee has the authority to reconsider a decision approved by a lower-level committee involved in credit risk-taking, such as the Problem Asset Committee, the Retail Credit Committee and credit committees at Sberbank's head offices and branches, upon an initiative of any of its members.

Trading Risks Committee

Retail Credit Committee

The Retail Credit Committee supervises retail lending at Sberbank (except where the Executive Board is competent to act). It reports to the Credit and Investments Committee. The Retail Credit Committee comprises of representatives of various interested departments, such as the Risks Department, the security department, the finance department and the centre for support of customer operations, as approved by the President and Chairman of the Executive Board of Sberbank. The Retail Credit Committee is mostly involved in approving individual retail transactions that bear credit risk. However, it also has certain powers for setting standardised lending or restructuring terms for certain groups of retail clients.

Problem Assets Committee

The Problem Assets Committee was created at Sberbank in the aftermath of the 2008-2009 financial crisis in order to systematise the recovery of problem loans of both retail and corporate customers (including by way of coordinating loan recovery efforts of various divisions at Sberbank). The Problem Assets Committee reports to the Credit and Investments Committee and Executive Board. The powers of the Problem Assets Committee include, in particular, the following: approval of recovery strategies and parameters with respect to particular corporate loans and review of reports on their execution (subject to certain monetary decision-making thresholds; if a problem asset exceeds the threshold, the Credit and Investment Committee steps in); approval of certain transactions made in connection with the recovery of a particular loan; approval of new loans provided to borrowers with existing non-performing loans; setting the limits of the regional head offices' decision-making power with respect to problem assets' recovery; and approval of specific bad debts as eligible for write-off.

Underwriters' service

See "*—Credit Risk Management—Credit Risk Management for Corporate Loans—Credit Risk Management for Loans to Largest, Large and Medium Corporates—Loan review and sign-off by risk underwriter*".

Policy-setting and decision-making bodies on market risk taking and liquidity management

See "*—Policy-setting and decision-making bodies on market risk taking and liquidity management—Trading Risks Committee*".

Assets and Liabilities Committee

The ALCO is principally responsible for management of assets and liabilities (*i.e.* the balance sheet structure), liquidity risk (except where the Executive Board has such powers, in which case ALCO makes the relevant recommendations to the Executive Board), and currency and interest rate risks in the banking book of Sberbank and the Group. The ALCO reports to the Executive Board. One of the key functions of ALCO is to decide on the distribution of Sberbank's assets consistent with the set levels of profitability, net interest margins and risk. The ALCO approves the pricing of Sberbank's financial services, such as loans, deposits, fees for guarantee issuance (except for interest rates for retail deposits), as well as sets limits on risk taking that might impact on liquidity. The ALCO also takes decisions related to Sberbank's and the Group's regulatory capital structure and its compliance with regulatory and financial ratios, and makes recommendations to the Executive and Supervisory Boards regarding changes in the capital structure. To manage the market risk, the ALCO, among other matters, sets limits on market risk-taking in its area of responsibility and approves key parameters of new banking products carrying a market risk, as well as monitors compliance with these limits.

As part of its policy-making role, the ALCO approves, among others, Sberbank's and the Group's policies on liquidity and market risk management, as well as the methodologies used to stress-test and assess collateral where it consists of securities.

The ALCO monitors the use of limits for risk-taking related to the market risk of the banking book.

Trading Risks Committee

The Trading Risks Committee was created following the acquisition of Troika Dialog. The Trading Risks Committee manages the market risk that Sberbank and the Group are exposed to in the financial markets. Accordingly, the Trading Risks Committee sets credit and market risk limits in the trading operations of Sberbank and the Group, approves internal regulations on risk taking in the financial markets taking into account the risk appetite as set by the Risks Committee, and monitors compliance with the limits for credit and market risk-taking in the financial markets. The Trading Risks Committee is also involved in operational risk management, insofar as it relates to financial markets transactions. The Trading Risks Committee usually meets every two weeks.

Day-to-day execution

For a description of the day-to-day lending process, please see "*—Credit Risk Management—Credit Risk Management for Corporate Loans*" and "*—Credit Risk Management—Credit Risk Management for Retail Loans*".

Post-factum control

Internal Controls Service

Sberbank's Internal Controls Service is responsible for evaluating and improving Sberbank's system of internal controls. The Internal Controls Service regularly audits all of Sberbank's activities and evaluates internal control processes and procedures related to banking operations, accounting and financial reporting and IT systems for compliance with internal policies and procedures, as well as with the relevant CBR requirements. To facilitate monitoring, the Internal Control Service sets standardised policies and methodologies for internal audit of the Group members. The Internal Controls Service is subordinate to Sberbank's President and Chairman of the Executive Board and reports to the Executive and Supervisory Boards.

Statutory Audit Commission

The Statutory Audit Commission oversees Sberbank's financial and economic activities, as set forth in Sberbank's charter and Russian regulations on joint-stock companies. The principal duties of the Statutory Audit Commission are to audit Sberbank's financial and economic activities on the basis of annual results and to assess the adequacy of data included in Sberbank's annual report and annual financial statements prepared in accordance with RAS. The General Shareholders' Meeting elects members of the Statutory Audit Commission until the next annual General Shareholders' Meeting.

Credit Risk Management

Credit risk is the risk of loss from a counterparty or obligor being unable to meet its obligations to deliver money and/or other financial assets when due. Sberbank is exposed to credit risk primarily through its loan portfolio, investment portfolio, guarantees and other on- and off-balance sheet credit risk exposures.

Sberbank's credit risk management policy aims to ensure sustainable growth of Sberbank and competitiveness of lending terms, increase the range of its borrowers and diversify available loan products, while at the same time improving the overall quality of the loan portfolio.

Sberbank's new comprehensive system of credit risk management utilises a variety of methods to improve the quality of lending, including:

- streamlining its credit approval process through setting a unified workflow for loan application, processing, risk assessment and post-disbursement monitoring, and greater use of automated systems;

- incorporating transparent risk-based pricing and assessment at all stages of the credit approval process;

- mitigation of risks through formation of loan provisions, transaction structuring and collateral;

- reduction of the scope of credit risk by setting aggregate risk limits for different units at Sberbank and stricter delineation of the lending authority;

- improving Sberbank's ability to forecast potential risks with more sophisticated central databases and assessment models; and

- continuous monitoring of credit risk exposure under a particular transaction and general monitoring of Sberbank's overall position at risk, as well as compliance with the risk management policies.

Sberbank's new system of credit risk management was designed, in part, to prevent earlier incidents when isolated failures of internal controls might have been repeated or compounded before they were discovered and rectified. For example, between 2005 and 2007, a certain number of loans were originated from two of Sberbank's Moscow branches based on false data submitted by borrowers. This was possible due to (i) the absence of an effective independent loan underwriting function, and (ii) the branches having excessive loan approval authority. The amount of these compromised loans did not exceed RUB21.3 billion in aggregate, according to Sberbank operational data. RUB2.5 billion, or approximately 12 per cent., of such loans have since been written off as bad debts, and the rest have been provided for in Sberbank's financial statements. The redesign of Sberbank's corporate and retail lending processes (including the introduction of a fully independent loan underwriting function, a significant reduction of branch loan approval authority and a comprehensive data verification system) should help to prevent cases of such nature and scale in the future.

Streamlining the recovery of non-performing loans is an important addition to the credit risk management at Sberbank. Consequently, in an effort to improve performance in this area, Sberbank has started to standardise its loan recovery processes, linking them to the quality of non-performing loans, their amounts and types of borrowers. Sberbank believes that the standardised recovery techniques, together with the improved loan decision-making, have positively affected the overall quality of the loan portfolio, as evidenced by the gradually decreasing share of non-performing loans in the net loan portfolio (see "*Management Discussion and Analysis of Financial Condition and Results of Operations— Financial Condition—Total Assets—Loans and Advances to Customers; Non-Performing Loans and Advances to Customers*").

Credit Risk Management for Corporate Loans

As part of reforming its corporate banking, in 2010, Sberbank revised its corporate lending policy to raise the efficiency of the lending process and improve the overall quality of the corporate loan portfolio. To address lending efficiency, Sberbank separated the most income-generating segments – lending to the largest, large and medium-sized customers – from small- and micro- business lending, allowing for better analytics and loan processing to be applied to each of these specialised groups (see "*Business—Corporate Banking Services—Customer Base and Customer Segmentation*" and "*—Credit Risk Management for Loans to Largest, Large and Medium-Sized Corporates*"). By separating small- and micro- business lending from other corporate lending segments, Sberbank better focused on these customers, creating a dedicated credit department and specialised loan products (see "*Business—Corporate Banking Services—Corporate Lending—Lending to small- and micro-business customers*"). Sberbank believes that the implementation of specialised software applications in the corporate lending processes has also contributed to improving their efficiency.

The core of the new corporate lending process is the close link between credit risk assessment levels and pricing of a loan. To date, the new corporate lending process has been rolled out to the largest, large and medium-sized customer segments, including loans made prior to the roll-out, as the earlier loans have been made subject to new risk assessment standards and metrics for the purpose of their post-disbursement monitoring.

The new corporate lending process reflects Sberbank's general credit risk management methods, resting on *four key principles*:

(i) *Credit risk limits and risk profiles:*

- all regional head offices and branches taking credit decisions are centrally assigned a risk profile, which determines how much and what kinds of credit risk a particular division can take;

- a risk profile of a particular loan is quantitatively determined according to a centrally set sliding scale that factors in the size of the proposed loan, its collateral and the proposed borrower's risk profile;

- a regional head office or branch can make a loan, if its own risk profile and risk limits permit it to incur credit risk corresponding to the loan's risk profile (if a proposed loan is beyond the risk profile of the division, Sberbank's head office takes the lending decision); and

- all loans are issued within the predefined risk limits for each customer, which expedites processing of a loan application, and contributes to lasting client relationships (the exposure limits for single borrowers and groups of related borrowers set by Sberbank are stricter than those provided by the CBR regulations); and

- Sberbank's limit system also includes exposure limits on a per country and regional basis.

(ii) *Independent risk underwriting:*

- a centralised division of underwriters, located outside of Sberbank's branches, performs an independent risk analysis of each proposed loan and has the final "say" on setting its risk profile; and

- underwriters use Sberbank's new risk assessment tools making the analysis comprehensive and transparent throughout the lending process for enhanced decision-making and review.

(iii) *New tools for credit risk assessment, which help analyse loans systematically, standardise the lending process and determine the credit-approval authority:*

- Sberbank has developed models for assessing the risk profile based on statistical data (so-called "expected loss" from a loan, see below *"—Credit Risk Management for Loans to Largest, Large and Medium-Sized Corporates*").

(iv) *New credit workflow:*

- Sberbank has a software application designed to support the entire corporate lending process, from credit application to approval and monitoring the loan performance.

Credit Risk Management for Loans to Largest, Large and Medium-Sized Corporates

The following chart illustrates the basic corporate lending process in the segments of the largest, large and medium-sized corporates under the new risk management strategy:

Each step of the process and the personnel involved have, as a rule, been kept separate, so as to avoid overlap of functions, limit risks taken and mitigate conflicts of interest. The relationship manager maintains customer relations and assists in preparing a loan term sheet, ensuring a standardised application. The credit officer specialising in the relevant lending product takes the term sheet from the relationship manager. The credit officer's task is to prepare a loan application for the formal credit decision-making process. The loan application is processed through Sberbank's central software, where the application is verified against the applicant's submitted and external data, and against the risk profile and limits, determined pursuant to Sberbank's "expected loss" models. The underwriter must then utilise the standardised metrics and data to create his analysis of risk. The underwriter has the authority to sign-off on a loan, change its proposed terms, or reject the loan. Finally, the credit committee considers the loan application, together with the underwriter's risk assessment, and can approve or reject the loan application. If risk profiles of the borrower and the loan and internal Sberbank risk limits so permit, formalised meetings of the credit committee are not held, but rather the underwriter, the credit officer and the relationship manager review and decide on the completed application, acting as a credit committee. This process is known as a "six-eye approval".

(i) Loan origination

A prospective borrower typically makes a loan request through a relationship manager, or a relationship manager suggests a loan to an existing or potential customer of Sberbank. A relationship manager and a customer preliminarily agree on the major commercial terms of a future loan.

(ii) Processing of the loan application and its initial review; "expected loss" model

A relationship manager contacts a credit officer for preparation of a formal loan application and its initial review and processing. The credit officer's primary tasks are to: (i) collect basic information on the prospective borrower and its business, such as regulatory compliance track record, shareholders and managers, the borrower's position in its industry and industry prospects; (ii) analyse the proposed use of the loan proceeds and sources for repayment; (iii) understand the prospective borrower's financial condition; (iv) assess creditworthiness of the prospective borrower and its management, its debt service history with Sberbank and other creditors, and its current ability to repay a loan; and (v) assess the proposed collateral or other assurance arrangement. If the loan applicant is an authority of a sub-federal unit or municipality of Russia, then the loan review includes assessment of such authority's budget status, compliance with budgetary rules and the level of dependence on large taxpayers. Finally, a credit officer performs an initial calculation of the "expected loss" from the loan, using primarily an appropriate "probability of default" model ("**PD model**") and "loss given default" model ("**LGD model**"), which remains subject to an underwriter's reassessment.

Sberbank uses the "expected loss" result for the following purposes: credit approvals, including setting exposure levels; loan loss provisioning under IFRS (only the PD model is used for this purpose); managing of exposure limits, including setting loan decision-making authority; risk reporting; and risk-based pricing. As Basel II is being implemented in Russia (see "*—Overview of Risk Management at Sberbank*"), Sberbank plans to submit the models for approval by the CBR as part of its advanced internal ratings based approach and extend the use of "expected loss" results for IFRS capital management purposes.

At this stage, the legal department reviews the proposed customer's legal status, its contracting authority and the status of collateral, and makes recommendations on the credit documentation (the legal division may stay involved at later stages, if needed). The security division reviews the available information about the customer's operations and business reputation.

- Customer credit rating ("probability of default" model)

  A customer credit rating is assigned on the basis of a PD model. The rating includes 26 grades (1 – 26), much like the grading system of major rating agencies. The grade depends on assessment of external and internal factors of credit risk and the degree to which such factors might influence the borrower's ability to service the accepted obligations. The assigned rating can be either short- or long-term and is usually reviewed on a quarterly basis.

  Sberbank developed PD models internally for each principal category of loans to legal entities, based on its own statistical data on the historical performance of its corporate loan portfolio from 2006 through the 2008 – 2009 financial crisis. Sberbank continues to collect the current observable data for verification. In Spring 2012, the PD models were validated and recalibrated based on the validation results.

- Collateral appraisal ("loss given default" model)

  Sberbank usually requires collateral and/or guarantees for loans to legal entities. Acceptable forms of collateral include real estate, securities (within Sberbank's risk limits for such securities), equipment, inventory, precious metals, certain contract rights and certain personal property. Sberbank accepts guarantees from solvent legal entities within its risk limits for such entities. A guarantor is evaluated in the same manner as the relevant borrower. In order to further reduce credit risk, several types of collateral may be used simultaneously. The value of the collateral or the amount of the guarantee must cover the principal and interest on the loan over a period of three months.

Depending on the type of collateral, Sberbank determines its value on the basis of an internal or third-party appraisal of its market price. Borrowers must either insure their collateral or make a payment to Sberbank reflecting the increase in credit risk due to a lack of insurance. Direct debit rights against a borrower's account opened with Sberbank often serve as additional assurance for loan repayment.

When assessing the proposed collateral, Sberbank uses its internally developed model to determine a loss given default ("**LGD**"). In constructing the LGD model, Sberbank relied on its own historical statistics of defaulting loans and enforcement of collateral for seven years from 2005 to 2011. Sberbank uses statistics to test the model and, if necessary, update its parameters.

For risks related to collateral, see "*Risk Factors—Risks Relating to Sberbank's Business and Industry—The volume and type of collateral securing Sberbank's loans may prove inadequate, or a decline in the value or illiquidity of such collateral may adversely affect Sberbank's performance, and Sberbank may also face difficulties enforcing and dealing with such collateral*".

Sberbank provides unsecured loans to its customers. However, such loans still undergo the regular process of risk assessment and are available only to the highest-quality borrowers (as determined by the borrower's rating grade), their risk limits permitting. Generally, the proportion of unsecured loans in the overall corporate loan portfolio is moderate.

(iii) Loan review and sign-off by risk underwriter

The risk level of each corporate loan is independently reviewed by underwriters after the loan application has gone through the credit officer. The main tasks of the underwriters' service include the following:

- to ensure that the "expected loss" model has been correctly applied;
- to independently assess the risks related to a loan application;
- to make an independent proposal regarding the borrowing limits to be set and terms of the loan (including its use); and
- to confirm a borrower's rating post-disbursement.

Upon review of a loan application, an underwriter may reject a proposed loan, sign-off on the loan, or sign-off on it with revised lending terms.

The underwriters form a separate centralised division within Sberbank, reporting to the Risks Department. They are based at several locations outside the branch network, and all these underwriters' centres have the same level of decision-making authority. Each underwriter is assigned a level of competence and can only assess a risk falling within such competence. The levels of competence are linked to the risk level and amount of a proposed loan or credit rating of the borrower, determined through the "expected loss" model.

Sberbank has put in place several structural approaches to ensure that the underwriters remain independent:

- generally, underwriters do not otherwise participate in the loan process, which allows the underwriters to focus on the loan review; in some cases, underwriters may participate in the lending decision-making through the so-called "6-eye approval" (see, "*—Loan approval by a credit committee*");

- underwriters' risk assessment is not subject to review by other divisions of Sberbank and their findings remain part of the loan application file; and

- underwriters are separate from the unit that originated the loan, as the underwriters' centres are located outside of the branch network.

Sberbank organises regular seminars and training for the underwriters on loan decision-making and analytics techniques used for risk review. The underwriters' remuneration depends of the quality of their risk analysis. The underwriters' level of competence is assessed annually with the participation of the Risks Department. Finally, the Risks Department carries out regular spot checks of the underwriters' service.

(iv) Loan approval by a credit committee

Unless a risk underwriter rejects a loan application, a loan application proceeds for approval to a credit committee of the appropriate lending authority. See "—*Organisation of Risk Management in the Group*".

The credit committee reviews the loan file, at a session open for participation by the relationship manager, the credit officer in charge of the file, the underwriter, the internal security and legal departments. The credit committee can take into account a potential borrower's market position, financial condition, turnover, condition of the borrower's business, existing indebtedness and business plan, as well as the proposed collateral and the transaction being financed.

In addition to the analytics that have gone into the evaluation of the loan application, a credit committee may consider the following aspects, according to Sberbank's lending policy:

- whether the borrower operates within a key sector of the economy, for example, sectors satisfying vital needs of the population (such as retail chains and pharmacies), sectors fulfilling life-supporting functions (such as utilities and transportation), the defence sector, and the agricultural sector;

- whether the borrower is an existing customer of Sberbank;

- whether the continuity of the borrower's business is critical for Sberbank's other customers; and

- whether the loan is required to fund short-term working capital and immediate business needs of the borrower.

To expedite this part of the credit approval process, a formal credit committee does not meet to consider smaller regular loans. These loans are approved through the so-called "six-eye approval", consisting of a relationship manager, a credit officer and an underwriter that worked on a loan application. Sberbank's credit risk management policies set forth the maximum level of a borrower's risk and monetary exposure for a lending decision to be made through the "six-eye approval".

Credit Risk Management for Loans to Small and Micro-Businesses

Sberbank is currently in the process of reforming the loan decision-making process for small businesses. Sberbank has started using the "loan conveyor" technology for loans to small businesses, which is built on the basis of the lending technology for the medium-sized to the largest customer segments, with adjustments appropriate for the scale and borrowing needs of small businesses. In particular, prior to the consideration of a loan by an underwriter, the application package will be filtered through the "loan conveyor" for its compliance with the formal requirements. In September 2011, two pilot programmes at regional head offices set off implementation of the "loan conveyor". The goals of the pilot programmes included establishing and testing the new decision-making process, creating a unified approach to collateral assessment and a centralised system for evaluating the credit history and reputation of borrowers. Sberbank expects to complete the roll-out of the "loan conveyor" technology for this customer segment throughout its network in 2013. Sberbank anticipates that the "loan conveyor" technology will allow it to expedite the lending process to small businesses, decreasing the loan approval time to five business days. This technology is also expected to enhance risk management procedures, including through consistent borrower ratings, risk-based pricing and limits.

With respect to lending technologies used for the micro-business customer segment, see "*—Credit Risk Management for Retail Loans—"Credit Factory" Technology*".

Post-Disbursement Management of the Corporate Loan Portfolio and Recovery of Non-Performing Loans

Sberbank undertakes continual monitoring of loans post-disbursement, regardless of whether the loan is performing or whether a borrower's financial condition or performance requires Sberbank to recognise the loan as a problem or potential problem asset. The corporate loan portfolio is primarily monitored by designated monitoring units within the lending departments of the Corporate Investment Bank, subject to spot-checks by the Risks Department. In addition, the collateral division monitors collateral securing the loans granted. A designated division within the Corporate Investment Bank carries out daily monitoring of securities provided as collateral on "margin call" terms. The Problem Assets Division supports post-disbursement management of the corporate loan portfolio by monitoring public notifications about declared insolvencies and bankruptcy court proceedings.

Sberbank employs a variety of methods for conducting post-disbursement monitoring of the corporate loan portfolio, including:

- for borrowers from the medium-sized, large and largest segments, a dedicated credit officer of the Corporate Investment Bank is assigned to each borrower not only to administer the loan review and disbursement process, but also to monitor the loan performance; Sberbank has reformed this process by transferring the monitoring duties to dedicated monitoring units within the Corporate Investment Bank;

- generating early alerts through the CRM software platform and proactively contacting borrowers;

- regular and comprehensive monitoring of the borrower's (or its group's) financial condition and rating and continuous assessment of a borrower's debt service;

- if Sberbank gets information about a borrower that materially impacts the parameters of its risk assessment, it switches to daily monitoring of certain early alerts that might signal information about the borrower's financial position and ability to continue servicing its loans; and

- on-site visits to examine the collateral that is not kept in the possession of Sberbank and periodic financial reports by the borrower.

If a monitoring unit or a lending department reveals or is notified of one of the standardised risk alert signals, the lending department must classify the loan as a problem asset of a particular type: (i) "yellow zone" (meaning a potential problem asset); (ii) "red zone"; and (iii) "black zone" (both (ii) and (iii) are deemed problem assets). With respect to major corporate borrowers, such classification is subject to confirmation by the underwriting service. If during the post-disbursement monitoring of a loan, Sberbank reveals facts indicating potential deterioration of the borrower's financial condition and default on its payments, the underwriters' service revises the borrower's and (if applicable) its group's credit rating. Future loans can be provided to such borrower taking into account the revised credit rating.

Sberbank employs two models for the recovery of corporate loans which have been classified as falling within "yellow", "red" or "black" zones, depending on the borrower's category and loan amount.

- *Individualised loan collection system* for: (i) all borrowers belonging to the medium-sized, large and largest customer segments, (ii) small and micro-businesses if their aggregate indebtedness and/or credit limit exceeds RUB5 million and in certain other cases, and (iii) to all corporate borrowers whose securities are publicly traded; and

- *"Conveyor" loan collection system* for small and micro-businesses, whose aggregate indebtedness and/or credit limit do(es) not exceed RUB5 million.

The key difference between the two loan recovery systems is that a project group and customised loan recovery plan are created for each defaulting (or potentially defaulting) loan that falls under the individualised loan collection system, while the conveyor system applies a pre-determined loan recovery strategy, depending on the loan classification as "yellow", "red" or "black".

Under the *individualised loan collection system*, once a loan is classified as "yellow", "red" or "black" a plan for recovery of the loan, including a target recovery rate and timeline, is approved by an appropriate Sberbank committee, depending on the size of the indebtedness (*e.g.* larger loans are reviewed at the Credit and Investment Committee and others at the Problem Assets Committee or committees at the regional head offices and certain branches). Sberbank can follow one of three recovery strategies: (i) a work-out (restructuring) of a loan, (ii) a default recovery strategy, *e.g.* court enforcement of a loan and its collateral or retaining of collateral in an out-of-court procedure, and (iii) loan-to-equity swap. The responsibility for recovery of a defaulting (or potentially defaulting) loan is generally split between the respective divisions of Sberbank, as follows:

- if a loan is classified in the "yellow" or "red" zones, the lending department of the Corporate Investment Bank is responsible for its settlement;
- if a loan is deemed to fall in the "black zone", the Problem Assets Division is responsible for undertaking recovery actions, as they would usually involve court proceedings and enforcement of collateral; and
- if the chosen recovery strategy is a loan-to-equity swap, the defaulting loan is usually assigned to Sberbank Capital, which then executes the Group's acquisition of a share stake in exchange for cancellation of the loan and manages the resulting equity investment.

If a proposed recovery plan is not implemented in time and/or in full, a revised strategy for recovery and target recovery rate are considered by the same committee that approved the original plan. Sberbank has installed an automatic system for controlling execution of a loan recovery plan in its CRM application.

Under the *conveyor loan collection system*, no project group or customised strategy is set up, but rather a standard loan recovery strategy is executed depending on loan classification as "yellow", "red" or "black". Defaulting (or potentially defaulting) loans that are subject to the conveyor collection system are largely handled by the Problem Assets Division (currently, with the involvement of the lending department with respect to "yellow" loans). The conveyor loan collection system includes two stages: "soft" collection and loan recovery.

- "Yellow" loans which are less than 30 days overdue are handled as part of the "soft collection" process;
- "Red" loans automatically fall under the work-out (restructuring) recovery strategy, according to Sberbank's standardised methods for changing the loan terms; and
- "Black" loans are subject to court enforcement.

From time to time, Sberbank engages collection agencies for dealing with "red" and "black" corporate loans.

Credit Risk Management for Retail Loans

"Credit Factory" Technology

In 2009, Sberbank launched the "Credit Factory" project and, in 2010, completed its roll-out for consumer loans, auto loans and credit cards at all of its branches. In 2011 – 2012, Sberbank extended the "Credit Factory" technology to its residential mortgage products. The "Credit Factory" project is designed to ensure automated decision-making for retail loan applications, based on centralised and standardised analysis and processing of retail credit transactions at all Sberbank branches. The "Credit Factory" technology has replaced time-consuming manual processing of consumer loan applications and credit committee approval at the branch level that were used at Sberbank in retail lending. Also, the "Credit Factory" has made the process of communication between Sberbank and a prospective borrower more convenient and client-friendly.

"Credit Factory" technology links the information systems involved in the granting of consumer loans and automates the process.

- The system checks applicants through automated interfaces against various internal and external databases containing information about potential borrowers, including credit history data from third-party credit bureaus;

- The system transfers the information to the loan origination application that assesses the prospective borrower's creditworthiness and decides on whether to grant a loan;

- In case an operational mistake is revealed, such as an incorrect interaction between databases used in the "Credit Factory" technology, a refused loan application can be considered via the "Credit Factory" platform anew; and

- The system transfers data on the granted loan approvals to other Sberbank systems for the purpose of contracting, loan disbursement and post-disbursement management.

Centralised underwriting of all retail loans, which is at the core of the "Credit Factory" technology, has made decision-making on loan applications more efficient. The "Credit Factory" has substantially increased the number of loan applications considered and the speed of the approval process, reduced the risk of fraud and collusion between borrowers and loan officers, generally improved the quality of the existing retail loan portfolio and reduced the cost of transaction analysis and documentation. Sberbank can process up to 60,000 consumer loan requests each day through its "Credit Factory" platform.

Some of Sberbank's lending products to micro-businesses are built on the "Credit Factory" platform, with relevant adjustments for exposure limits and assessment of their business processes. See "*Business—Corporate Banking Services—Customer Base and Customer Segmentation*".

Retail Lending Policies

Sberbank usually requires collateral and/or guarantees (suretyships) for consumer loans, although consumer loans to customers of Sberbank up to RUB1.5 million, bank card overdrafts and credit cards are unsecured. According to Sberbank management accounts, as of July 1, 2012, unsecured loans represented approximately 40 per cent. of its retail loan portfolio. Acceptable collateral for individuals includes items such as real estate and cars. Sberbank accepts guarantees from individuals and solvent companies, which employ the borrower or in which the borrower participates as a shareholder. The value of collateral or the amount of a guarantee must cover the principal and interest on the loan for a period of at least one year. Sberbank determines the value of collateral on the basis of an internal evaluation of its market price, discounted appropriately, depending on the type of collateral. Individual guarantors are evaluated in the same manner as the relevant borrowers. The financial position of guarantors that are legal entities is assessed in the same way as for corporate borrowers.

Exposure limits for individuals are set on the basis of the individual's creditworthiness, which is determined individually for each customer by taking into account the level of the borrower's income (and family income, if applicable), employment background, available credit history and the amount of his/her previous credit obligations. The exposure limit also depends on the collateral proposed by the customer.

See also, "*Business—Russian Banking Services and Activities—Retail Banking Products and Services—Lending*".

Monitoring of the Retail Loan Portfolio and Recovery of Non-Performing Loans

The Risks Department divisions responsible for retail risk management, both at the level of Sberbank's head office and regional head offices, carry out the monitoring of the quality of retail loans. The head office approves the minimum quality parameters for the retail portfolio on an annual basis. To monitor the quality of the loans post-disbursement, Sberbank compares the actual performance parameters of the retail loan portfolio against the minimum quality parameters and classifies its retail loans as "grey" (in case of lack of statistical data), "green", "yellow" or "red". The monitoring frequency depends on the historical quality of the loan portfolio:

- if during the prior monitoring period the loan portfolio was classified as "green" or "grey", the next monitoring period is set as a calendar quarter; and

- if during the prior monitoring period the loan portfolio was classified as "yellow" or "red", the next monitoring period is set as one month.

Retail loan recovery is arranged by and subject to high-level supervision of the Risks Department. However, actual recovery work is coordinated by regional head offices and performed by designated retail loan recovery units reporting to the Problem Assets Division located throughout Sberbank's branch network. Starting from 2009, Sberbank structured the overdue retail loan recovery as a two-step process consisting of "soft" (pre-court) and "hard" (court enforcement) stages.

The "soft" stage generally applies to retail loans which are no more than 90 days overdue. For pre-court recovery of overdue retail loans, Sberbank uses two key methods: (i) text message reminders are sent to overdue borrowers on their cell phones and (ii) overdue borrowers are contacted by phone or in person at their known address. The recovery process at the "soft" stage is automated through a dedicated software application and is centralised through two centers for "soft" retail loan collection located in Moscow and Yekaterinburg. Sberbank also supports the "soft" collection stage by renegotiating the repayment plan for a defaulting retail borrower, depending on the borrower's willingness to perform its obligations to Sberbank and results of the cost-benefit analysis performed by Sberbank.

Ninety days after a borrower's default, the "hard" collection stage begins. Prior to court enforcement, a renegotiation of the repayment plan for a defaulting retail borrower is possible, depending on the borrower's willingness to comply with loan terms and on the results of Sberbank's cost-benefit analysis. If in-court enforcement is necessary, Sberbank's legal departments of regional head offices support it. At the "hard" collection stage, Sberbank may also sell a defaulting retail loan to third-party collection agencies, subject to applicable legal requirements.

In the six months ended June 30, 2012, the average level of recovery of overdue retail loans was approximately 62 per cent. in the "1-180 days overdue" group (before provision for loan impairment).

Off-Balance Sheet Financial Instruments

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

Market Risk Management

Market risk is the risk of suffering financial losses as a result of unfavourable fluctuations in exchange rates, equity prices, interest rates and other market changes that affect market risk-sensitive instruments (*e.g.* commodities and equity interests). Sberbank and Troika Dialog have a common Policy for Managing Market and Credit Risks of Financial Markets Transactions, which is written so as to optimise the risk-to-return ratio, minimise losses on the occurrence of unfavourable developments and reduce the deviation of actual financial results from expected ones. The market risk is principally concentrated in Moscow and is managed and controlled at this level. Subsidiary banks and companies (other than Troika Dialog) manage market risks individually based on the principles set by the ALCO and the Trading Risks Committee.

Sberbank and Troika Dialog separate banking book (non-trading positions) from trading book risk. The trading book covers the financial instrument and commodities positions that are held for trading or hedging purposes. The banking book covers all assets and liabilities and off-balance sheet positions not covered in the trading book.

Accordingly, Sberbank and Troika Dialog include the following categories of risk in market risk:

- Market risk for ***non-trading positions***, comprising: (i) *interest rate risk* (risk of decrease in the interest rate revenues or increase in the interest rate expenses if the yield curve changes due to a mismatch in maturities or repricing terms across interest rate-sensitive assets and liabilities) and (ii) *exchange rate risk* (risk arising from unfavourable fluctuations in foreign exchange rates, principally the U.S. dollar and the Euro against the Rouble); and

- Market risk with respect to the ***trading book***, comprising, in particular: (i) *interest rate risk on debt securities* (risk arising from unfavourable fluctuations in quotations of debt securities), including interest rate risk on direct and reverse repurchase agreements and derivative instruments sensitive to interest rates; (ii) *equity price risk* (risk arising from unfavourable fluctuations in quotations of ordinary and preference shares); (iii) *currency risk* (risk arising from unfavourable fluctuations in foreign exchange rates and precious metals prices); and (iv) *volatility risk* (risk arising from unfavourable fluctuations in implied volatilities).

Sberbank and Troika Dialog have segregated risk management policies for their banking book and trading book. The market risk management division monitors trading positions on a daily basis, to ensure that they comply with the policies and regulatory requirements.

Sberbank and Troika Dialog manage market risk through securities portfolio management and control over positions in currencies, interest rates and derivatives. For this purpose, ALCO, together with the Trading Risks Committee, sets limits on each of their securities portfolios, open positions, stop-loss and other limits. Market risk limits are updated at least once a year and are continuously monitored. The ALCO and the Trading Risks Committee approve market risk management methodologies and set limits on particular operations for the central head office and regional head offices. The market risk division of the Risks Department controls market risks by monitoring the operations on foreign exchange and securities markets.

Market risk limits are set on value-at-risk analysis, scenario analysis and stress-testing as well as regulatory requirements of the CBR. Sberbank and Troika Dialog make market risk assessment both by components and in aggregate, determining the effects of diversification. The most significant components of market risk are described below.

Management of Interest Rate Risk for Non-Trading Positions

Sberbank is exposed to interest rate risk on its cash flows. Interest rate risk of non-trading positions is a result of unfavourable interest rate changes and includes:

- risk of a parallel shift, change in the slope and shape of the yield curve resulting from a mismatch in maturities (repricing) of interest rate-sensitive assets and liabilities;
- basis risk, which results from a mismatch in the degree of interest rate sensitivity of assets and liabilities with similar maturity (or repricing term); and
- risk of early repayment (or repricing) of interest rate-sensitive assets and liabilities.

Increasing interest rates can increase the cost of borrowed funds faster and at a higher growth rate than return on investments, thus worsening financial results and interest rate margin, whereas decreasing interest rates can decrease return on working assets faster than the cost of borrowed funds.

The objective of managing this type of market risk is to reduce the impact of market interest rates on net interest income.

To manage interest rate risk for non-trading positions:

- the head office ALCO sets for Sberbank the maximum interest rates on corporate deposits and current accounts, minimum rates on corporate loans, rates on retail loans, minimum rates of return on investments in securities and limits on exposure to long-term assets (the latter inherently being the riskiest assets);
- the ALCO of each regional head office approves interest rates for deposits and loans to corporate customers, taking into account the regional market situation, the efficiency of the regional head office's transactions on the assets and liabilities side, as well as limits on interest rates set by the head office ALCO; and
- subject to prior approval of the ALCO, the Executive Board approves interest rates on retail deposits.

The interest rate risk for non-trading positions is assessed using scenario analysis. Forecasting of possible changes in interest rates is carried out separately for Rouble positions and positions in foreign currency. The indicative rate for three-month term loans at the Moscow interbank market is used as the base rate for an estimation of rate volatility on Rouble positions and three-month LIBOR and three-month EURIBOR is used for positions in foreign currency. Sberbank also stress-tests the interest rate risk measuring interest income and expense fluctuations given significant changes in interest rates, including the risk of interest rate repricing and early repayment of loans (before the contractual date).

Based on the results of such analysis, Sberbank adjusts the maturity and repricing structure of its assets and liabilities, and maintains the interest rate exposure in its banking book at an acceptable level.

Interest Rate Risk on Trading Book

The Group is exposed to interest rate risk on debt securities and other instruments sensitive to interest rates, when changing interest rates impact the fair value of relevant securities and contracts.

To manage interest rate risk across the debt securities portfolios of Sberbank and Troika Dialog, the Trading Risks Committee and the ALCO set limits in accordance with the market risk policy and monitor performance of the trading portfolios. The limits set by the Trading Risks Committee and the ALCO include aggregate limits for bond categories and currencies, limits on trading losses, limits on repo and reverse repo transactions, and limits on sensitivities to interest rates broken down by groups of portfolios and currencies. The Group also assesses interest rate risk by the type of debt security: aggregate for the securities at fair value through profit or loss and for the securities available for sale.

The Group also assesses interest rate risk using a value-at-risk (the "**VaR**") methodology. VaR is calculated using the following assumptions:

- historical data on changes in financial market indicators comprise two years;
- movements in financial market indicators are calculated over a 1-day period (or, in certain circumstances, a 10-day period), *i.e.* an average period when Sberbank is able to close or hedge its positions exposed to market risk; and
- a 99 per cent. one-way probability confidence level is used.

To evaluate the adequacy of the VaR calculation model, Sberbank regularly tests the model by comparing the modelled losses with actual losses.

VaR methodology has inherent shortcomings, including:

- past price fluctuations may not be sufficiently indicative for assessing future price fluctuations accurately;
- the calculation of financial market price indicators over a 1-day / 10-day period assumes that Sberbank will be able to close (or hedge) all positions within this period. This assessment may not be accurate in measuring risk exposure where there is reduced market liquidity as the period to close (or hedge) positions may increase;
- using a 99 per cent. one-way probability confidence level does not estimate losses with a probability below 1 per cent.; and
- VaR is calculated based on an end-of-day position and excludes Sberbank's intra-day risks.

The table below sets forth the Group's interest rate risk exposure on trading positions using the VaR methodology, as well as share of that exposure in total equity, as of the respective dates.

	As of December 31,		
	2011	**2010**	**2009**
Interest rate risk, RUB bln	41.7	40.1	45.6
As a % of total equity	3.29%	4.06%	5.85%

Equity Price Risk for Trading Positions

The Group is exposed to equity price risk on marketable equity instruments due to market volatility. To limit the equity price risk, the Trading Risks Committee and the ALCO set limits on positions in equities, on issuers of equity securities, and other restrictions.

The table below sets forth the Group's equity price risk exposure using the VaR methodology, as well as share of that exposure in total equity, as of the respective dates.

	As of December 31,		
	2011	**2010**	**2009**
Equity price risk, RUB bln	9.9	9.4	5.5
As a % of total equity	0.78%	0.95%	0.71%

Currency Risk for Non-Trading and Trading Positions

Currency risk results from fluctuations in the prevailing foreign currency exchange rates and precious metal prices. The Group is primarily exposed to foreign exchange risk on open trading positions (mainly the U.S.$/RUB and Euro/RUB exchange rate fluctuations).

As part of managing its foreign exchange risk, the Group sets sub-limits on open foreign exchange positions. A limits control system has been implemented for Sberbank's treasury arbitrage operations, which sets open position limits for foreign currencies, limits with respect to operations on the international and domestic markets, and stop-loss limits.

The table below sets forth the Group's currency risk exposure using the VaR methodology, as well as share of that exposure in total equity.

	As of December 31,		
	2011	2010	2009
Currency price risk, RUB bln	5.4	1.9	1.6
As a % of total equity	0.43%	0.19%	0.21%

Sberbank's central head office treasury aggregates the Group's currency position every day to ensure that the Group's currency risk exposure has been kept to a minimum. The Group uses swaps, forwards and U.S.$ futures contracts tradable on MICEX as the main instruments to manage its currency risk.

As of June 30, 2012, the Group had the following positions in various currencies:

	As of June 30, 2012 (Unaudited)				
	RUB	**U.S.$**	**Euro**	**Other currencies**	**Total**
	billions of RUB				
Assets					
Cash and cash equivalents	511.9	173.7	147.1	100.6	933.3
Mandatory cash balances with central banks	110.6	1.1	6.8	6.7	125.2
Debt trading securities	34.7	10.5	0.1	3.4	48.7
Debt securities designated at fair value through profit or loss	20.0	—	—	0.6	20.6
Due from other banks	12.4	8.6	22.9	12.9	56.8
Loans and advances to customers	6,786.6	1,567.5	249.6	257.8	8,861.5
Debt securities pledged under repurchase agreements	427.3	85.6	10.9	0.7	524.5
Debt investment securities available for sale	582.2	129.1	33.1	34.3	778.7
Debt investment securities held to maturity	133.3	13.6	0.6	0.3	147.8
Other financial assets (less fair value of derivatives)	77.4	23.1	1.5	1.1	103.1
Total monetary assets	**8,696.4**	**2,012.8**	**472.6**	**418.4**	**11,600.2**
Liabilities					
Due to other banks	685.4	91.5	70.1	26.0	873.0
Due to individuals	5,233.3	450.8	315.7	175.6	6,175.4
Due to corporate customers	1,563.1	740.4	144.9	145.1	2,593.5
Debt securities in issue	156.5	279.5	5.1	42.6	483.7
Other borrowed funds	0.1	253.0	19.0	6.6	278.7
Other financial liabilities (less fair value of derivatives)	135.0	42.3	0.6	3.1	181.0
Subordinated debt	313.0	0.2	1.3	—	314.5
Total monetary liabilities	**8,086.4**	**1,857.7**	**556.7**	**399.0**	**10,899.8**
Net monetary assets/ (liabilities)	**610.0**	**155.1**	**(84.1)**	**19.4**	**700.4**
Foreign exchange derivatives (estimated)	**109.3**	**(113.0)**	**32.3**	**(5.4)**	**23.2**
Credit related commitments (estimated)	**1,558.2**	**549.5**	**214.5**	**60.6**	**2,382.8**

As of December 31, 2011, the Group had the following positions in various currencies:

	As of December 31, 2011				
	RUB	**U.S.$**	**Euro**	**Other currencies**	**Total**
	billions of RUB				
Assets					

	As of December 31, 2011				
	RUB	U.S.$	Euro	Other currencies	Total
			billions of RUB		
Cash and cash equivalents	488.8	58.9	20.9	57.0	625.6
Mandatory cash balances with central banks	99.5	0.6	0.1	1.0	101.2
Debt trading securities	48.0	17.1	2.3	2.6	70.0
Debt securities designated at fair value through profit or loss	30.6	—	—	0.2	30.8
Due from other banks	23.7	8.1	0.1	3.2	35.1
Loans and advances to customers	6,074.4	1,385.5	157.4	102.4	7,719.7
Debt securities pledged under repurchase agreements	178.4	65.8	0.1	0.5	244.8
Debt investment securities available for sale	696.7	73.4	39.4	14.9	824.4
Debt investment securities held to maturity	273.4	12.9	0.1	0.1	286.5
Other financial assets (less fair value of derivatives)	93.1	17.1	1.3	0.5	112.0
Total monetary assets	**8,006.6**	**1,639.4**	**221.7**	**182.4**	**10,050.1**
Liabilities					
Due to other banks	404.6	98.9	21.0	7.9	532.4
Due to individuals	4,959.6	366.6	265.2	134.9	5,726.3
Due to corporate customers	1,517.5	524.6	88.2	75.5	2,205.8
Debt securities in issue	64.4	181.8	1.8	20.7	268.7
Other borrowed funds	0.3	222.3	19.8	1.6	244.0
Other financial liabilities (less fair value of derivatives)	145.5	48.3	0.8	1.5	196.1
Subordinated debt	303.3	0.2	—	—	303.5
Total monetary liabilities	**7,395.2**	**1,442.7**	**396.8**	**242.1**	**9,476.8**
Net monetary assets/ (liabilities)	**611.4**	**196.7**	**(175.1)**	**(59.7)**	**573.3**
Foreign exchange derivatives	**6.0**	**(167.4)**	**167.6**	**16.2**	**22.4**
Credit related commitments	**1,406.2**	**594.1**	**113.4**	**41.8**	**2,155.5**

As of December 31, 2010, the Group had the following positions in various currencies:

	As of December 31, 2010				
	RUB	U.S.$	Euro	Other currencies	Total
			billions of RUB		
Assets					
Cash and cash equivalents	519.4	111.1	41.8	47.3	719.6
Mandatory cash balances with central banks	50.5	0.8	0.1	0.3	51.7
Debt trading securities	52.5	9.4	1.5	—	63.4
Debt securities designated at fair value through profit or loss	78.8	—	4.2	—	83.0
Due from other banks	2.1	8.4	2.5	—	13.0
Loans and advances to customers	4,322.8	954.2	123.6	88.8	5,489.4
Debt securities pledged under repurchase agreements	—	72.6	—	0.6	73.2
Debt investment securities available for sale	1,020.1	55.1	38.2	17.2	1,130.6
Debt investment securities held to maturity	353.0	4.5	0.3	0.4	358.2
Other financial assets (less fair value of derivatives)	98.2	6.6	1.2	0.1	106.1
Total monetary assets	**6,497.4**	**1,222.7**	**213.4**	**154.7**	**8,088.2**
Liabilities					
Due to other banks	63.9	64.8	2.1	3.9	134.7
Due to individuals	4,214.8	262.9	267.8	89.0	4,834.5
Due to corporate customers	1,265.9	407.4	88.2	55.2	1,816.7
Debt securities in issue	110.4	141.6	2.2	18.5	272.7
Other borrowed funds	—	163.9	7.3	—	171.2
Other financial liabilities (less fair value of derivative)	44.0	1.8	0.7	1.1	47.6
Subordinated debt	303.3	0.2	—	—	303.5
Total monetary liabilities	**6,002.3**	**1,042.6**	**368.3**	**167.7**	**7,580.9**
Net monetary assets/ (liabilities)	**495.1**	**180.1**	**(154.9)**	**(13.0)**	**507.3**
Foreign exchange derivatives	**63.9**	**(215.1)**	**128.1**	**13.6**	**(9.5)**
Credit related commitments	**621.7**	**561.6**	**107.7**	**35.1**	**1,326.1**

As of December 31, 2009, the Group had the following positions in various currencies:

	As of December 31, 2009				
	RUB	U.S.$	Euro	Other currencies	Total
			billions of RUB		
Assets					
Cash and cash equivalents	585.3	63.8	50.2	26.2	725.5
Mandatory cash balances with central banks	40.6	0.9	—	—	41.5
Debt trading securities	61.7	26.4	1.1	—	89.2
Debt securities designated at fair value through profit or loss	100.6	—	4.6	—	105.2
Due from other banks	7.0	0.1	—	3.1	10.2
Loans and advances to customers	4,021.2	695.0	111.8	36.0	4,864.0
Securities pledged under repurchase agreements	—	0.6	—	—	0.6
Debt investment securities available for sale	662.3	113.6	42.1	10.2	828.2
Other financial assets (less fair value of derivatives)	55.5	3.5	1.3	0.4	60.7
Total monetary assets	**5,534.2**	**903.9**	**211.1**	**75.9**	**6,725.1**
Liabilities					
Due to other banks	40.6	6.2	2.0	5.1	53.9
Due to individuals	3,152.7	253.3	318.3	63.0	3,787.3
Due to corporate customers	1,137.7	335.4	139.6	38.9	1,651.6
Debt securities in issue	117.4	49.3	2.7	1.3	170.7
Other borrowed funds	—	62.5	6.5	0.1	69.1
Other financial liabilities (less fair value of derivatives)	22.0	0.3	0.2	0.1	22.6
Subordinated debt	504.4	14.7	—	—	519.1
Total monetary liabilities	**4,974.8**	**721.7**	**469.3**	**108.5**	**6,274.3**
Net monetary assets/ (liabilities)	**559.4**	**182.2**	**(258.2)**	**(32.6)**	**450.8**
Foreign exchange derivatives	**34.3**	**(302.9)**	**242.9**	**16.2**	**(9.5)**
Credit related commitments	**430.2**	**383.7**	**117.3**	**25.4**	**956.6**

Sberbank's analysis of currency risk is based on the VaR methodology (see "*—Interest Rate Risk on Trading Book*"). For evaluating the adequacy of the VaR calculation model as applied to currency risk, Sberbank regularly tests the model by comparing the modelled losses with actual losses. Sberbank also applies scenario analysis and stress-testing to gain a better understanding of the Group's exposure to currency risk.

Liquidity Risk

Liquidity risk is the risk of a mismatch between the maturities of assets and liabilities, which may result in Sberbank being unable to meet its obligations in a timely manner, should funds be available only at higher than market rates or not available at all. See "*Risk Factors—Risks Relating to Sberbank's Business and Industry—Sberbank is subject to liquidity risk*". Liquidity risk is managed by the ALCO. Sberbank is subject to liquidity requirements set by the CBR. See "*Banking Regulation in Russia—Russian Banking Regulation—Regulation of Mandatory Economic Ratios*" and "*Banking Regulation in Russia—Russian Banking Regulation—Regulation of Mandatory Reserves*".

Sberbank is exposed to daily calls on its available cash resources from overnight deposits, customer current accounts, maturing deposits, loan drawdowns, guarantees and margin and other calls on cash-settled derivative instruments. Sberbank does not maintain cash resources to meet all of these needs as historical data shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Sberbank's liquidity risk management is aimed at ensuring timely and complete fulfilment of its payment obligations at minimum cost. For this purpose, Sberbank aims to:

- maintain a stable and diversified structure of its liabilities to customers including both term resources and funds on demand;
- reserve capacity for immediate borrowing at international wholesale funding markets; and
- invest in highly liquid securities diversified by currencies and maturities for quick and effective coverage of temporary liquidity gaps.

Sberbank believes (based on its past experience) that, despite retail customer deposits being *de facto* on-demand (see "*Business—Russian Banking Services and Activities—Retail Banking Products and Services—Deposits*"), as well as a substantial portion of corporate customers' deposits being on-demand or short-term, the diversity of such deposits by number, geography and type of depositor provides, overall, a long-term and stable source of funding.

Policy and Procedures

Sberbank's treasury together with its finance department performs analysis and forecasts, and advises on the regulation of its current and short-term liquidity. Analysis, forecasts and proposals on regulation of medium-term and long-term liquidity are produced by Sberbank's finance department. The liquidity position and the management of liquidity risk are controlled by the ALCO. Liquidity risk is assessed, managed and controlled on the basis of requirements of the CBR and guidelines of the Basel Committee, as well as internal "Policies of Sberbank for Management and Control of Liquidity". This policy sets out the guidelines for organising the liquidity management in the regional head offices of Sberbank. In the case of insufficient liquidity, Sberbank's head office Treasury provides funds to the regional head office (according to an established procedure) in the required amount.

Management of mid- and long-term liquidity within the Group is centralised. Sberbank maintains the liquidity of all Group entities, acting as a single source of cross-border financing and raising funds on the global financial markets for further allocation to subsidiaries in accordance with their funding needs. Immediate liquidity management within the Group is decentralised. Decentralised immediate liquidity management, coupled with coordinated actions to manage mid- and long-term liquidity, significantly improves the Group's position on the global financial markets and allows temporarily available funds to be managed more efficiently.

Sberbank prepares weekly forecasts of liquidity ratios, which are monitored for compliance with both the CBR requirements and more conservative internal limits set by Sberbank. The short-term physical liquidity risk management involves cash flow forecasting and monitoring of available liquidity sources. To maintain its short-term liquidity Sberbank may take short-term deposits, conduct interbank market operations, including repo transactions with the CBR, and buy and sell foreign currency, securities and precious metals.

Liquidity risk management includes the following procedures:

- forecasting payment flows by major currencies to ensure the necessary volume of liquid assets to cover liquidity deficits;
- forecasting asset and liability structure based on scenario analysis to control the required volume of liquid assets for the medium-term and long-term perspective;
- forecasting and monitoring compliance with the liquidity ratios set by regulatory and internal policy requirements;
- controlling liquidity reserves to maintain opportunities for Sberbank to attract funds from various sources in different currencies;
- devising terms of banking products to minimise Sberbank's exposure to liquidity risk (*e.g.* fixed-rate mortgage loans);
- ensuring diversified funding sources in various currencies taking into account maximum amounts, cost of funding and maturity; and
- stress-testing and planning actions for restoring the required liquidity level in unfavourable conditions or crisis periods.

Sberbank's liquidity is assessed for a range of periods under different economic scenarios. For each period to maturity, liquidity ratios are calculated as the ratio of assets redeemable in the relevant term to liabilities callable in the same term under a particular scenario.

Currently, Sberbank uses four different scenarios that contemplate changes in the macroeconomic environment. They are a basic (most probable) scenario, two scenarios assessing a macroeconomic deterioration and a scenario assuming a financial crisis similar to the crisis of 2008. The main trigger for switching between scenarios is the average Urals oil price for the preceding six months, which Sberbank views as the primary factor reflecting the external economic environment. Individual liquidity ratios are independently approved for each scenario.

According to the basic scenario, the minimum liquidity ratio value is 1, *i.e.* the possible outflow of customers' funds should be completely covered by the disposal of assets. Other scenarios imply liquidity ratios below 1, which indicates a possible shortage of liquidity. However, switching from the basic scenario to another scenario, or if there is a likelihood of breaching the minimum liquidity ratios approved by the ALCO, special liquidity supporting measures are implemented such as changing interest rate policies, selling securities, accessing international and domestic capital markets and restructuring the portfolio of banking products.

Assets' and Liabilities' Liquidity

The following tables set forth Sberbank's assets and liabilities by their remaining expected maturity as of June 30, 2012, and December 31, 2011, 2010 and 2009, including information regarding the Group's liquidity exposure and the maturity profile.

	As of June 30, 2012 (Unaudited)						
	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
	billions of RUB						
Assets							
Cash and cash equivalents	933.3	—	—	—	—	—	933.3
Mandatory cash balances with central banks	33.2	17.0	13.0	54.0	8.0	—	125.2
Trading securities	80.8	—	—	—	—	—	80.8
Securities designated at fair value through profit or loss	28.5	—	—	—	—	—	28.5
Due from other banks	30.5	13.6	2.6	5.4	4.7	—	56.8
Loans and advances to customers	378.3	1,114.3	1,349.4	2,841.0	3,178.5	—	8,861.5
Securities pledged under repurchase agreements	296.8	35.5	62.0	103.5	66.5	—	564.3
Investment securities available for sale	782.1	5.2	4.9	9.1	17.3	0.4	819.0
Investment securities held to maturity	0.1	11.8	2.9	49.8	83.2	—	147.8
Deferred income tax asset	—	—	—	—	—	1.2	1.2
Premises and equipment	—	—	—	—	—	393.9	393.9
Other assets	107.4	53.1	29.0	81.2	10.6	140.2	421.5
Total assets	**2,671.0**	**1,250.5**	**1,463.8**	**3,144.0**	**3,368.8**	**535.7**	**12,433.8**
Liabilities							
Due to other banks	554.3	240.7	27.1	23.5	27.4	—	873.0
Due to individuals	1,425.6	926.2	828.0	2,632.7	362.9	—	6,175.4
Due to corporate customers	962.6	257.6	65.2	1,302.4	5.7	—	2,593.5
Debt securities in issue	45.9	60.2	88.8	49.5	239.3	—	483.7
Other borrowed funds	0.7	49.6	44.2	162.7	21.5	—	278.7
Deferred income tax liability	—	—	—	—	—	20.1	20.1
Other liabilities	135.3	39.6	14.2	21.6	21.5	47.3	279.5
Subordinated debt	—	—	—	0.7	313.8	—	314.5
Total liabilities	**3,124.4**	**1,573.9**	**1,067.5**	**4,193.1**	**992.1**	**67.4**	**11,018.4**
Net liquidity surplus/(gap)	**(453.4)**	**(323.4)**	**396.3**	**(1,049.1)**	**2,376.7**	**468.3**	**1,415.4**
Cumulative liquidity surplus/(gap) at June 30, 2012	**(453.4)**	**(776.8)**	**(380.5)**	**(1,429.6)**	**947.1**	**1,415.4**	**—**

	As of December 31, 2011						
	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
	billions of RUB						
Assets							
Cash and cash equivalents	625.6	—	—	—	—	—	625.6
Mandatory cash balances with central banks	27.7	10.7	8.9	47.7	6.2	—	101.2

	As of December 31, 2011						
	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 3 years**	**More than 3 years**	**No stated maturity**	**Total**
	billions of RUB						
Trading securities	102.0	—	—	—	—	—	102.0
Securities designated at fair value through profit or loss	52.0	—	—	—	—	—	52.0
Due from other banks	19.0	13.8	1.8	0.2	0.3	—	35.1
Loans and advances to customers	253.2	1,043.4	1,243.3	2,477.6	2,702.2	—	7,719.7
Securities pledged under repurchase agreements	163.7	—	39.0	82.1	16.0	—	300.8
Investment securities available for sale	869.3	—	2.8	3.1	8.4	0.9	884.5
Investment securities held to maturity	0.7	11.7	9.0	116.9	148.2	—	286.5
Deferred income tax asset	—	—	—	—	—	7.8	7.8
Premises and equipment	—	—	—	—	—	359.9	359.9
Other assets	138.3	35.7	29.9	39.7	19.1	97.3	360.0
Total assets	**2,251.5**	**1,115.3**	**1,334.7**	**2,767.3**	**2,900.4**	**465.9**	**10,835.1**
Liabilities							
Due to other banks	373.1	118.9	36.7	3.2	0.5	—	532.4
Due to individuals	1,243.7	739.2	654.1	2,726.0	363.3	—	5,726.3
Due to corporate customers	973.9	88.0	50.8	1,081.8	11.3	—	2,205.8
Debt securities in issue	35.3	36.7	17.9	53.5	125.3	—	268.7
Other borrowed funds	0.2	19.7	52.3	152.0	19.8	—	244.0
Deferred income tax liability	—	—	—	—	—	21.2	21.2
Other liabilities	186.0	47.5	9.6	11.9	6.5	3.7	265.2
Subordinated debt	—	—	—	0.2	303.3	—	303.5
Total liabilities	**2,812.2**	**1,050.0**	**821.4**	**4,028.6**	**830.0**	**24.9**	**9,567.1**
Net liquidity surplus/(gap)	**(560.7)**	**65.3**	**513.3**	**(1,261.3)**	**2,070.4**	**441.0**	**1,268.0**
Cumulative liquidity surplus/(gap) at December 31, 2011	**(560.7)**	**(495.5)**	**17.9**	**(1,243.5)**	**827.0**	**1,268.0**	**—**

	As of December 31, 2010						
	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 3 years**	**More than 3 years**	**No stated maturity**	**Total**
	billions of RUB						
Assets							
Cash and cash equivalents	719.6	—	—	—	—	—	719.6
Mandatory cash balances with central banks	10.9	9.0	6.1	22.1	3.6	—	51.7
Trading securities	66.2	—	—	—	—	—	66.2
Securities designated at fair value through profit or loss	106.9	—	—	—	—	—	106.9
Due from other banks	0.2	10.0	2.1	0.3	0.4	—	13.0
Loans and advances to customers	186.2	745.3	998.4	1,960.9	1,598.6	—	5,489.4
Securities pledged under repurchase agreements	81.5	—	—	—	—	—	81.5
Investment securities available for sale	1,183.2	1.5	2.4	13.7	7.6	2.5	1,210.9
Investment securities held to maturity	—	13.1	5.5	177.7	161.9	—	358.2
Deferred income tax asset	—	—	—	—	—	7.5	7.5
Premises and equipment	—	—	—	—	—	283.7	283.7
Other assets	122.5	14.7	20.1	7.6	21.4	53.6	239.9
Total assets	**2,477.2**	**793.6**	**1,034.6**	**2,182.3**	**1,793.5**	**347.3**	**8,628.5**
Liabilities							
Due to other banks	68.2	44.8	18.3	1.6	1.8	—	134.7
Due to individuals	1,040.9	859.8	582.6	2,004.2	347.0	—	4,834.5
Due to corporate customers	861.8	34.8	18.8	897.2	4.1	—	1,816.7
Debt securities in issue	34.7	44.8	56.2	36.0	101.0	—	272.7
Other borrowed funds	0.1	15.0	81.2	67.9	7.0	—	171.2

	As of December 31, 2010						
	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
	billions of RUB						
Deferred income tax liability	—	—	—	—	—	15.9	15.9
Other liabilities	45.2	23.9	10.5	4.0	0.5	8.0	92.1
Subordinated debt	—	—	—	0.2	303.3	—	303.5
Total liabilities	**2,050.9**	**1,023.1**	**767.6**	**3,011.1**	**764.7**	**23.9**	**7,641.3**
Net liquidity surplus/(gap)	**426.3**	**(229.5)**	**267.0**	**(828.8)**	**1,028.8**	**323.4**	**987.2**
Cumulative liquidity surplus/(gap) at December 31, 2010	**426.3**	**196.8**	**463.8**	**(365.0)**	**663.8**	**987.2**	**—**

	As of December 31, 2009						
	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
	billions of RUB						
Assets							
Cash and cash equivalents	725.5	—	—	—	—	—	725.5
Mandatory cash balances with central banks	10.7	4.2	5.3	18.9	2.4	—	41.5
Trading securities	91.0	—	—	—	—	—	91.0
Securities designated at fair value through profit or loss	124.4	—	—	—	—	—	124.4
Due from other banks	4.1	3.7	0.1	1.7	0.6	—	10.2
Loans and advances to customers	205.9	731.0	968.6	1,540.0	1,418.5	—	4,864.0
Securities pledged under repurchase agreements	2.7	—	—	—	—	—	2.7
Investment securities available for sale	835.9	—	—	0.1	—	10.0	846.0
Premises and equipment	—	—	—	—	—	249.9	249.9
Other assets	72.6	8.9	3.0	0.3	21.3	43.8	149.9
Total assets	**2,072.8**	**747.8**	**977.0**	**1,561.0**	**1,442.8**	**303.7**	**7,105.1**
Liabilities							
Due to other banks	49.5	0.6	2.2	0.3	1.3	—	53.9
Due to individuals	356.1	513.3	697.0	1,901.5	319.4	—	3,787.3
Due to corporate customers	1,088.6	52.9	19.6	490.3	0.2	—	1,651.6
Debt securities in issue	35.6	43.8	38.9	26.9	25.5	—	170.7
Other borrowed funds	0.1	0.4	1.3	63.1	4.2	—	69.1
Deferred income tax liability	—	—	—	—	—	4.6	4.6
Other liabilities	32.0	9.4	7.1	1.4	2.2	17.7	69.8
Subordinated debt	—	14.5	—	—	504.6	—	519.1
Total liabilities	**1,561.9**	**634.9**	**766.1**	**2,483.5**	**857.4**	**22.3**	**6,326.1**
Net liquidity surplus/(gap)	**510.9**	**112.9**	**210.9**	**(922.5)**	**585.4**	**281.4**	**779.0**
Cumulative liquidity surplus at December 31, 2009	**510.9**	**623.8**	**834.7**	**(87.8)**	**497.6**	**779.0**	**—**

Operational Risk

Operational risk is the risk of loss resulting from personnel errors, inadequate or failed internal procedures, personnel or information system related factors, or from external events. The operational risks Sberbank faces include, among others, damage to property, disruptions of operations or IT systems, or irregular execution of banking transactions or other set banking processes.

In line with the Strategy – 2014, Sberbank has been streamlining and standardising its business processes and centralising its back-office management, which enhances its ability to identify, prevent and control operational risks. Operational risk management is carried out in accordance with the CBR requirements and recommendations (including maintenance of capital adequate to cover operational risk), which in most instances govern core banking transactions and processes in a detailed way, and Sberbank's internal policies for operational risk management and assessment, also consistent with the CBR requirements and recommendations. Recently, Sberbank has enhanced its policies regarding collection of data on incidents of operational risk, risk management procedures and control self-assessment. Sberbank has begun revising its operational risk management policies and practices in line with Basel II, and aims to achieve an advanced measurement approach (AMA) level, as well as its certification by the CBR for Basel II purposes in 2014. See "*Banking Regulation in Russia—Russian Banking Regulation—Basel Implementation in Russia*".

The operational risk management division within the Risks Department coordinates the operational risk management function within Sberbank. The rapid development of Sberbank's business, new service offerings and the growing level of technological sophistication requires timely detection of potential problem areas and adequate response. To meet these operational necessities, in 2010, Sberbank established the position of a "risk coordinator" located at branches and other lower level outlets. Risk coordinators are responsible for communicating with the operational risk management division of the Risks Department for issues of risk identification, evaluation, monitoring and control. To enhance operational risk culture and personal responsibility for operational risks through all divisions, Sberbank has developed a methodology of calculation of key performance indicators including the level of operational risks.

Operational risk management controls at Sberbank include, among others, separation of duties of the business units and back office, monitoring staff, as well as defining responsibilities and collective decision-making (or multi-level review) for "risk-sensitive" transactions or critical internal processes; limits on functions and responsibilities of employees; standardisation and upgrading of banking operations; overall regulation of business processes; maintaining preventive controls to reduce operational risks; implementation of measures ensuring information protection and restricted access to information systems; physical security of Sberbank's premises and restricted access to employee work areas; reduction of employee-related risks, including establishing criteria for hiring and background checks, staff training and automation of processes and controls; internal control of compliance with the rules and procedures applicable to operations, risk limits, information security and business continuity in emergency; improvements in the audit procedures and quality control over the automated operations and hardware; various insurance programmes and improvement of staff professionalism throughout all organisational levels. Follow-up control procedures for all accounting and treasury operations are carried out on the day following the controlled operation.

Sberbank obtains third-party insurance to cover operational risks that it believes are significant to its business and cannot be fully managed by internal controls, subject to commercially acceptable rates. Sberbank's insurance coverage includes the insurance of risks of damage and/or irreparable loss and/or theft with respect to Sberbank's premises, movable property (including ATMs, self-service terminals and currency exchangers), cash (held within cash desks, ATMs, self-service terminals and currency exchangers), vehicles and third-party liability for damages caused thereby, as well as "directors and officers" insurance for members of the Executive Board. The responsibility for proper and adequate insurance of operational risks lies with the divisions managing the business processes where the risk might arise, subject to high-level oversight by the Risks Department. Where internal controls or insurance coverage prove inadequate, Sberbank relies on the sufficiency and sustainability of its regulatory and economic capital for the ultimate coverage of potential operational (and other) risks.

To assist in monitoring operational risks and to locate potential risks, Sberbank conducts a quarterly survey of its divisions through its regional head offices, gathering the data from the lower level divisions. The survey includes some self-assessment elements and is ultimately designed and overseen by the Risks Department. The assessments are created to support the "risk owner" principle of operational risk management at Sberbank – ensuring that those managing a business process remain responsible for the risks they encounter. The information derived from the surveys helps Sberbank's management to identify both existing and potential risks, as well as critical areas in business processes. When an issue is discovered, the risk owner's officers, together with specialists from the Risks Department, conduct root cause analysis, assess the overall potential effect of the issue on Sberbank's network and set up an action plan aimed at eliminating or minimising adverse effects.

In 2008, Sberbank formed an internal database of operational risks and losses incurred on the basis of its own analysis of current and earlier information about actual risk events since 2000. Sberbank is updating the database with current data. Furthermore, Sberbank is implementing the SAS OpRisk Management system, which is a leading platform in the field used by major banking and financial institutions worldwide.

See "*Risk Factors—Risks Relating to Sberbank's Business and Industry—Sberbank's business entails operational risks*".

Anti-Money Laundering and Sanctions Programmes Compliance

Sberbank's anti-money laundering measures are based on the relevant Russian legislation and the CBR regulations, and are designed to detect and prevent money laundering and terrorist financing. See "*Banking Regulation in Russia—Russian Banking Regulation—Regulation of Anti-Money Laundering and Terrorist Financing*". The internal security department is primarily responsible for anti-money laundering compliance. Sberbank has procedures and operative documents aimed at preventing money laundering and terrorist financing, including a general anti-money laundering policy and internal control procedures and rules on counteracting money laundering activities. Sberbank regularly conducts employee education and training programmes to strengthen their awareness and skills to counteract money laundering activities.

Sberbank has internal procedures in place for the due diligence of its customers in accordance with the applicable regulatory requirements, as well as information systems for monitoring compliance with the anti-money laundering regulations. Anti-money laundering procedures include "know-your-customer" procedures, requiring clear identification of customers, verification of their identity, assessment of whether they are involved in money laundering and maintenance of their records. If a risk of particular customers being involved in money laundering is determined to be significant, such customers' activities are monitored regularly and more closely.

Sberbank reports certain transactions to the Federal Service for Financial Monitoring (Rosfinmonitoring), where required by the anti-money laundering regulations effective in Russia.

The Group has business relating to countries that are (or whose nationals are) subject to foreign sanctions programmes, such as those administered by the EU and the United States (the "**Sanctions Programmes**"), primarily Belarus. Sberbank does not believe that the Group's dealings with counterparties subject to the Sanctions Programmes are material to the Group's business, financial condition or results of operations, and such dealings represented a negligible part of the Group's assets and revenues as at, and for the year ended December 31, 2011 and the six months ended June 30, 2012. The Group has implemented systems designed to ensure that any business does not violate Sanctions Programmes or domestic regulations, but Sberbank can provide no assurance that such systems will be effective or that materially adverse consequences will not result from any violation of applicable law.

The Group seeks to cease to conduct business with customers if it believes there is a risk of such customers being involved in money laundering and/or terrorist financing, or if dealings with such customers present unacceptable risks under applicable Sanctions Programmes.

MANAGEMENT

In 2008, to advance its strategic plans including increased efficiency at the branch level and quality of management, Sberbank sought to optimise its organisational structure. In particular, corporate and retail blocks were further segregated and a step-by-step consolidation of operational, informational, administrative and risk management functions was launched. These changes aim to achieve clear formalisation of responsibility for specific business areas and support functions within business departments and establishment of appropriate vertical reporting structures throughout the organisation. The new organisational model retains strong regional head offices (as centres for client operations) and sets joint responsibility for financial results and business processes in these regions.

The current structure of corporate governance at Sberbank is as follows:

Governance Bodies

In accordance with Russian legislation on joint stock companies and Sberbank's charter, its principal governance bodies are the General Shareholders' Meeting, the Supervisory Board, the Executive Board and the President (Chairman of the Executive Board).

General Shareholders' Meeting

The General Shareholders' Meeting is Sberbank's highest governance body. An annual General Shareholders' Meeting must be held every year and extraordinary General Shareholders' Meetings can be called by the Supervisory Board, the Statutory Audit Commission, Sberbank's auditor or shareholder(s) holding not less than 10 per cent. of the voting shares of Sberbank.

The following matters are, among others, within the exclusive competence of the General Shareholders' Meeting:

- alteration of Sberbank's charter, the size and composition of its authorised capital;
- election and early termination of powers of the members of the Supervisory Board and the President (Chairman of the Executive Board);
- Sberbank's reorganisation or liquidation;
- approval of certain major transactions;
- approval of Sberbank's auditor;
- approval of issuances of certain securities where such approval is required by law or Sberbank's charter; and
- approval of dividends.

Supervisory Board

The Supervisory Board carries out Sberbank's general management, except for matters designated by law and Sberbank's charter within the exclusive responsibility of the General Shareholders' Meeting. Members of the Supervisory Board are elected at the General Shareholders' Meeting until the following annual General Shareholders' Meeting. The Supervisory Board is headed by the Chairman elected by the members of the Supervisory Board. Members of the Supervisory Board may be re-elected without limitation. Sberbank currently has 17 members on its Supervisory Board, eight of whom are independent (for standard of independence, see "—*Corporate Governance*"). The Supervisory Board must meet at least quarterly, but in practice meets on a more regular basis. The Supervisory Board takes decisions by simple majority (excluding certain cases specified by law and Sberbank's charter), **provided that** there is a quorum, i.e. at least half of the members either attend in person or submit their views in writing one day prior to a meeting of the Supervisory Board.

The name, qualifications and certain other information about each member of the current Supervisory Board are set out below. The last elections of the Supervisory Board took place on June 1, 2012.

Sergei M. Ignatiev (1948) has been the Chairman of the Supervisory Board since June 2002 and a member of the Supervisory Board since June 2000. Since March 2002, Mr. Ignatiev has been the Chairman of the CBR. Since January 2004, he has served as a member of the Board of Directors of the Deposit Insurance Agency. From October 2000 through March 2002, he was the First Deputy Minister of Finance of the Russian Federation. Mr. Ignatiev graduated from the Economics department of the Lomonosov Moscow State University in 1975 and has a Ph.D. in Economics.

Georgy I. Luntovsky (1950) has served as a member of the Supervisory Board since June 2000. Since March 2005, he has been a First Deputy Chairman of the CBR. From June 1999 to March 2005, Mr. Luntovsky was the Deputy Chairman of the CBR. Mr. Luntovsky graduated from the All-Union Distance Learning Institute of Finance and Economics with a degree in Finance and Credit in 1978 and from the Academy of National Economy of the Government of the Russian Federation in 1997. He has a Ph.D. in Economics.

Alexei V. Ulyukaev (1956) has served as a member of the Supervisory Board since June 2002. Since April 2004, Mr. Ulyukaev has been a First Deputy Chairman of the CBR and in May 2004, he became a member of its Board of Directors. Since November 2002, he has served as a member of the Supervisory Council of VTB. From June 2000 to April 2004, Mr. Ulyukaev was the First Deputy Minister of Finance of the Russian Federation. Mr. Ulyukaev graduated from the Lomonosov Moscow State University with a degree in Political Economy in 1979. He has a Doctorate in Economics.

Herman O. Gref (1964) has been a member of the Supervisory Board since June 2005 and the Chairman of Sberbank's Executive Board and Sberbank's President since November 2007. From June 2009 to June 2012, Mr. Gref served as a member of the Board of Directors of OJSC Lukoil. From May 2000 to September 2007, he was the Minister of Economic Development and Trade of the Russian Federation. From August 1998 to May 2000, Mr. Gref was the First Deputy Minister of State Property of the Russian Federation. Mr. Gref graduated from the Omsk State University with a degree in Law in 1990. Mr. Gref has a Ph. D. in Economics.

Sergei A. Shvetsov (1970) has been a member of the Supervisory Board since June 2010. Mr. Shvetsov has been a Deputy Chairman of the CBR since February 2011. Since May 2011, he has served as the Chairman of the Board of Directors of the Moscow Exchange. Since May 2009, he has acted as a member of the Board of Directors of CJSC Saint-Petersburg Currency Exchange. Since April 2000, Mr. Shvetsov has been a member of the Board of National Fund Association. From 1996 to 2001 he served as a Head of Representative Office of Ost-West Handelsbank AG in Moscow. He was a director of the Department of Operations in the Financial Markets of the CBR from 2001 to 2011. Mr. Shvetsov graduated from the Lomonosov Moscow State University in 1993 with a degree in Economic Cybernetics.

Sergei M. Guriev (1971) has served as a member of the Supervisory Board since June 2008. Since 2009, Mr. Guriev has been a Morgan Stanley Professor of Economics at the Russian Economic School in Moscow. Since November 2004, he has served as the Dean thereof. Mr. Guriev also serves as the President of the Centre for Economic and Financial Research at the Russian Economics School. Since June 2008, Mr. Guriev has been a member of the Supervisory Board of the Agency for Housing and Mortgage Lending. Since November 2009, he has acted as a member of the Board of Directors of Alfa-Insurance. Mr. Guriev graduated from the Moscow Institute of Physics and Technology with a degree in Applied Mathematics in 1993. He received a Doctorate in Economics and a Ph.D. in Physico-Mathematics from the Russian Academy of Science in 2002 and 1994, respectively.

Nadezhda Y. Ivanova (1953) has served as a member of the Supervisory Board since June 2002. Since April 1995, she has been the Director of the Consolidated Economic Department and a member of the Board of Directors of the CBR. Since June 2012, Ms. Ivanova has served as a member of the Board of Directors of the Moscow Exchange. Ms. Ivanova graduated from the Moscow Institute of Finance with a degree in Finance and Credit in 1975.

Vladimir A. Mau (1959) has served as a member of the Supervisory Board since June 2008. Since July 2011, he has been a member of the Board of Directors of OJSC Gazprom. Since May 2002, Mr. Mau has been serving as the Rector of the Academy of National Economy of the Government of the Russian Federation. From March 2007 to June 2011, he also served as a member of the Board of Directors of OJSC Financial Corporation Otkritie. From 1997 to 2002, Mr. Mau was the Director of the Working Centre for Economic Reforms under the Government of the Russian Federation. Mr. Mau graduated from the Plekhanov Moscow Institute of National Economy in 1981 with a degree in Economics. He has a Ph.D. in Economics.

Valery V. Tkachenko (1955) has served as a member of the Supervisory Board since June 2003. Since February 2003, Mr. Tkachenko has been the Chief Auditor of the CBR. From January 2002 to February 2003, he was the first Vice-President of National Reserve Bank. From July 1998 to January 2002, he served as the Director of Inspection of the Credit Organisation Department of the CBR. Mr. Tkachenko graduated from the Moscow Bauman State Technical University in 1981 with a degree in Mechanical Engineering and All-Russian Distance Learning Institute of Finance and Economics in 1996 with a degree in Finance and Credit. He has a Ph.D. in Economics.

Bella I. Zlatkis (1948) has served as a member of the Supervisory Board since January 1996. Since May 2004, Ms. Zlatkis has served as the Deputy Chairman of the Executive Board, and since July 2005, she has served as a member of Sberbank's Executive Board. Since June 2012, she has acted as a member of the Boards of Directors of the Moscow Exchange and of the Russian National Association of Securities Market Participants. Since April 2011, she has been a Chairman of the Supervisory Board of the National Settlement Depositary. From August 2000 to May 2004, she was the Deputy Minister of Finance of the Russian Federation and from August 1998 to August 2000, she served as the Head of the Internal State Debt Department at the Ministry of Finance of the Russian Federation. From May 2009 to June 2012, Ms. Zlatkis served as a Chairman of the Board of Directors of MICEX. Ms. Zlatkis graduated from the Moscow Institute of Finance in 1970 with a degree in Finance and Credit. She has a Ph.D. in Economics.

Mikhail E. Dmitriev (1961) has served as a member of the Supervisory Board since June 2011. Since September 2005, he has also served as the President of the Centre of Strategic Studies Foundation. From June 2004 to September 2005, Mr. Dmitriev served as a Scientific Adviser of the Centre of Strategic Studies Foundation. From July 2000 to May 2004 Mr. Dmitriev held the position of First Deputy Minister of Economic Development and Trade of the Russian Federation. In 1983, Mr. Dmitriev graduated from the Leningrad Finance and Economics Institute with a degree in Economic Cybernetics. He holds a Ph.D in Economics.

Mikhail Y. Matovnikov (1975) has served as a member of the Supervisory Board since June 2011. Since 2000, Mr. Matovnikov has held various positions at Interfax and he currently serves as a member of the Executive Board and the Director of Corporate Development of Interfax Business Service and the General Director of Interfax-CEA. In 1997, Mr. Matovnikov graduated from the St. Petersburg State University of Economics and Finance with a degree in Economics and in 2000 he received a Ph.D. in Economics. Mr. Matovnikov also graduated from the Harvard Business School with a degree in General Management in 2009.

Alessandro Profumo (1957) has served as a member of the Supervisory Board since June 2011. Since May 2011, Mr. Profumo has acted as a member of the Board of Directors of ENI S.p.A. and, since April 2012, he has served as a Chairman of Monte dei Paschi di Siena S.p.A. From 1997 to 2010, Mr. Profumo served as the Chief Executive Officer of UniCredit Group. Prior to that, he held various positions, including as a consultant at McKinsey & Co and the Chief Executive Officer in Credito Italiano (an Italian bank). In 1987, Mr. Profumo graduated from the Bocconi University with a degree in Business Administration.

Rair R. Simonyan (1947) has served as a member of the Supervisory Board since June 2011. Since April 2009, Mr. Simonyan has served as the Chairman of the Board of Directors and from May 2009 to August 2012 served as the Regional Coordinator at LLC Morgan Stanley Bank (Russia). He also serves as a member of the Board of Directors of OJSC Transneft. From June 2009 to June 2011, Mr Simonyan served as a member of the Board of Directors of OJSC Zarubezhneft. From July 2005 to May 2009, Mr. Simonyan served as a member of the Management Board of LLC Morgan Stanley Bank (Russia), being its Chairman from July 2005 to April 2009. In 1970, Mr. Simonyan graduated with a degree in Economic Geography from the Lomonosov Moscow State University.

Sergei G. Sinelnikov-Murylev (1960) has served as a member of the Supervisory Board since June 2011. Since December 2007, he has served as the Dean of the Russian Foreign Trade Academy of the Ministry of Economic Development of the Russian Federation. Since 2008, he has also served as a Scientific Adviser at the Gaidar Institute for Economic Policy (former Institute of Economics in Transitional Period). In 1982, Mr. Sinelnikov-Murylev graduated from the Lomonosov Moscow State University with a degree in Economics. He holds a Ph.D in Economics.

Dmitry V. Tulin (1956) was elected as a member of the Supervisory Board of Sberbank in 2012. In 2012 he was elected to the Boards of Directors of Kazkommertsbank and MDM-Bank. During the period from 2006 to 2012 he was a partner in Deloitte CIS. From 1999 to 2004 Mr. Tulin served as the senior counsel of the European Bank for Reconstruction and Development and from 2004 to 2006 was as a Deputy Chairman of the Management Board and a member of the Board of Directors of the Central Bank of Russia. Since 2000 he was also a member of the board of directors of certain companies, including GM-Avtovaz. Mr. Tulin graduated from Moscow Finance Institute in 1978 and holds a Ph.D. degree in economics (1986).

Ronald M. Freeman (1939) was elected as a member of the Supervisory Board of Sberbank in 2012. Mr. Freeman serves as a member of the board of directors of certain other companies, including Severstal and Volga Gas. Mr. Freeman also acts as an advisor to Climate Change Capital, a Commissioner of the U.S.-U.K. Fulbright Committee and a member of the Executive Committee of the Atlantic Council. He is a member of the International Advisory Committee of Columbia Law School and Chairman of the Executive Committee of the Pilgrims Society (U.K.). Mr. Freeman holds a BA degree from Lehigh University, and a J.D. degree from the Law School of Columbia University. He is admitted to the New York Bar.

The business address of Messrs. Gref, Tulin, Freeman and Ms. Zlatkis is 19 Vavilova Street, 117997 Moscow, Russia. The business address of Mr. Dmitriev is 1 Bolshaya Yakimanka Street, 119180 Moscow, Russia. The business address of Mr. Guriev is 47 Nakhimovsky prospect, 117418 Moscow, Russia. The business address of Mr. Matovnikov is 2 1st Tverskaya-Yamskaya Street, 127006 Moscow, Russia. The business address of Mr. Mau is 82 Vernadskogo prospect, 119571 Moscow, Russia. The business address of Mr. Simonyan is 21 1st Tverskaya-Yamskaya Street, 125047 Moscow, Russia. The business address of Mr. Sinelnikov-Murylev is 4a Pudovkina street, 119285 Moscow, Russia. The business address of Mr. Tkachenko, Mr. Luntovsky, Mr. Ignatiev, Mr. Ulyukaev, Mr. Shvetsov and Ms. Ivanova is 12 Neglinnaya Street, 107016 Moscow, Russia. The business address of Mr. Profumo is Monte dei Paschi di Siena, Piazza Salimbeni, 3, Siena, Italy.

The Executive Board

The Executive Board is Sberbank's collegiate executive body and is elected by the Supervisory Board. Members of the Executive Board serve for a period set by the Supervisory Board and may be re-elected without limitation. The Executive Board meets at least monthly and makes its decisions by a simple majority, **provided that** there is a quorum (i.e. at least two-thirds of all members of the Executive Board). The Executive Board carries out Sberbank's day-to-day management and administration. The Chairman of the Executive Board represents Sberbank and acts as its chief executive officer.

The qualifications and certain other information about each member of the Executive Board are set out below:

Herman O. Gref. See "*—Supervisory Board*".

Bella I. Zlatkis. See "*—Supervisory Board*".

Sergey N. Gorkov (1968) has been a Deputy Chairman of the Executive Board of Sberbank since October 2010. Previously, from November 2008, he held the position of Director of Human Resources Policy of Sberbank. From 1997 to 2005, he served in various managing HR positions in the Yukos group. From 2005 to 2008, he was a member of the Board of Directors of Fesco (transport group). Mr. Gorkov graduated from the Academy of Federal Security Service with a degree in Law in 1994 and from the Plekhanov Russian Academy of Economics with a degree in Finance and Credit in 2002.

Alexander Y. Torbakhov (1971) has been a Deputy Chairman of the Executive Board of Sberbank since October 2010. From September 2010 to October 2010, he was an adviser to Sberbank's Chief Executive Officer. From April 2009 to June 2010, he served as the General Director of OJSC Vimpelcom. Mr. Torbakhov was the General Director of LLC Holding Company Rosgosstrakh from April 2005 to March 2009. In 1994, Mr. Torbakhov graduated from the Moscow Aviation Institute with a degree in Electromechanical Engineering and in 1997 he graduated from the Moscow State Institute of International Relations with a degree in International Economic Relations.

Anton A. Karamzin (1969) has been a Deputy Chairman of Sberbank's Executive Board since January 2008. From July 2005 to January 2008, he held various positions, from Chief Accountant to Executive Director, with Morgan Stanley Bank LLC. From March 2005 to July 2005, he held the position of Finance Director of the representative office of Morgan Stanley (Europe) Limited. From January 2001 to February 2005, he held various positions, from Chief Finance Accountant to Project Manager at the Department of New Business in Europe at Credit Suisse First Boston (London). Mr. Karamzin graduated from the Finance Academy of the Government of the Russian Federation with a degree in International Economic Relations in 1993.

Denis A. Bugrov (1974) has served as Senior Vice-President and as a member of the Executive Board of Sberbank since February 2008. From October 1995 to February 2008, he held various positions, from business analyst to Partner at the Moscow office of McKinsey & Company. Mr. Bugrov graduated from the London

School of Economics and Political Science in 1995 and from the Moscow State Institute of International Relations with a degree in International Economic Relations in 1997. In 2000, he received an MBA degree from the European Institute of Business Administration.

Olga N. Kanovich (1971) has served as a Senior Vice-President of Sberbank since February 2008. From August 2005 to February 2008, she was a member of the Management Board and Director of the Operating Department of VTB 24 (JSC). From September 2004 to August 2005, she was Senior Vice-President of CJSC Vneshtorgbank Retail Services (formerly known as Guta-Bank). She was the Director of the Processes and Technologies Department at Alfa-Eco-M LLC from December 2003 to September 2004. From October 2000 to December 2003, she was the Head of Banking Processes Management at Alfa-Bank. Ms. Kanovich graduated from the Plekhanov Russian Academy of Economics with a degree in Finance and Credit in 1993.

Stanislav K. Kuznetsov (1962) has served as a Deputy Chairman of Sberbank's Executive Board since October 2010. From January 2008 to October 2010, he served as a Senior Vice-President of Sberbank. From April 2007 to January 2008, he was the Deputy Minister of Economic Development and Trade of the Russian Federation. From April 2002 to April 2007, he was the Director of the Administrative Department of the Ministry of Economic Development and Trade of the Russian Federation. Mr. Kuznetsov graduated from the Military Institute with a political-military specialisation in 1984 and from the Law Institute of the Ministry of Internal Affairs of the Russian Federation with a degree in Law in 2002. He has a Ph.D. in Law.

Victor M. Orlovskiy (1974) has served as a Senior Vice-President, as a member of Sberbank's Executive Board and the Head of the IT Department of Sberbank since January 2008. Since April 2010, Mr. Orlovsky has acted as the Chairman of the Board of Directors of OJSC Universal Electronic Card. From January 2006 to January 2008, he was a Deputy Director at IBM East Europe/Asia LLC. From November 2001 to January 2006, he held various positions, from the Director of Development and Maintenance of Retail Block Products to the Senior Vice-President, at Alfa-Bank. Mr. Orlovskiy graduated from the Tashkent Electrotechnical Institute of Communications in 1996 with a degree in Automatic Electrical Communications and from the Moscow State University of Economy, Statistics and Informatics in 2001 with a degree in Finance and Credit.

Alexander V. Bazarov (1962) has served as a member of Sberbank's Executive Board since May 2009. Mr. Bazarov joined Sberbank in July 2008 as the Director of the Largest Clients Management Department and since May 2009, he has been a Vice-President and the Director of the Corporate Clients Department. From May 2004 to June 2008, Mr. Bazarov served as the managing director and Head of the CIS Clients Relationship Department of Deutsche Bank AG. Mr. Bazarov graduated from the State Taras Shevchenko University of Kiev in 1984 with a degree in Political Economy and has a Ph.D. in Economics.

Alexander V. Morozov (1969) has served as a member of Sberbank's Executive Board since May 2008. Since May 2009, he has been a Vice-President and the Director of the Financial Department of Sberbank. Previously, from May 2008, he served as the Director of Sberbank's Finance Department. From July 2007 to May 2008, he was the Executive Vice-President and Chief Financial Director of Commercial Bank Renaissance Capital (LLC). From May 1994 to May 2007, he held various positions from a dealer to the Head of Treasury and General Manager at CJSC International Moscow Bank. Mr. Morozov graduated from the Lomonosov Moscow State University in 1995 with a degree in Economics and the Harvard Business School in 2004.

Andrey M. Donskih (1967) has served as Deputy Chairman of Sberbank's Executive Board since March 2010. From September 2004 to December 2009, he held various positions from Executive Director for Retail Business to Chairman of the Management Board of the Russian bank "Uralsib". From December 2009 to February 2010, Mr. Donskikh acted as CEO of OJSC Financial Corporation "Uralsib". From 1994 to 2004, Mr. Donskih worked at the Credit Bank of Moscow in a range of positions including as Head of Division of Correspondence Relations, Chairman of the Management Board and President. Mr. Donskih graduated from the Plekhanov Moscow Institute of National Economy with a degree in Economics in 1988. He has a Ph.D. in Economics.

Igor G. Artamonov (1967) has served as a Deputy Chairman of Sberbank's Executive Board since June 2011. He has worked at Sberbank since 1992, serving in various positions. From April 2007 to June 2011, Mr. Artamonov was the Chairman of the West-Siberian Bank of Sberbank. From March 2004 to April 2007, he served as the Deputy Chairman of the Executive Board of North-Caucasian Bank of Sberbank. Mr. Artamonov graduated from the Plekhanov Moscow Institute of National Economy in 1990 with a degree in Economics. He also graduated from the Academy of National Economy of the government of the Russian Federation with a degree in Business Bank Administration in 1999 and from the State University Higher School of Economics with a degree in Business Administration in 2007.

The business address of each member of Sberbank's Executive Board is 19 Vavilova Street, 117997 Moscow, Russian Federation.

Compensation

In 2011, 2010 and 2009, the Group paid remuneration to the members of Sberbank's Supervisory Board, Executive Board and management bodies of Sberbank's subsidiaries totalling RUB2,200 million, RUB1,043 million and RUB506 million, respectively, in salary, bonuses and other benefits.

As of the date of this Prospectus, Sberbank had no service contracts with the members of its Supervisory Board and its Executive Board.

Share Ownership

As of August 30, 2012, Sberbank's senior management who are deemed "affiliates" under Russian law (*i.e.,* members of the Supervisory Board and the Executive Board) held, in aggregate, 0.01 per cent. of Sberbank's share capital.

As of August 30, 2012, the share ownership in Sberbank of the members of Sberbank's Supervisory Board and Executive Board was as follows: Herman O. Gref held 639,206 Ordinary Shares and 60,000 preference shares; Alexander V. Bazarov held 500,000 Ordinary Shares; Igor G. Artamonov held 61,990 Ordinary Shares; Bella I. Zlatkis held 100,000 Ordinary Shares; Andrey M. Donskih held 280,372 Ordinary Shares; Anton A. Karamzin held 712,845 Ordinary Shares; Alexander V. Morozov held 192,840 Ordinary Shares and 125,652 preference shares; and Victor M. Orlovskiy held 162,230 Ordinary Shares. As of the same date, no other members of Sberbank's Supervisory Board and Executive Board held any shares in Sberbank.

Corporate Governance

Sberbank's Ordinary Shares have been listed on RTS since December 1996 and on the MICEX since July 2007, and, as a result, Sberbank is required to comply with a number of corporate governance requirements applicable to Russian public companies listed on Russian stock exchanges. Such requirements include, *inter alia*: (i) the obligation to have at least three independent directors on the Supervisory Board, (ii) the formation of an audit committee of the Supervisory Board, (iii) the adoption of a bylaw on insider trading and (iv) the implementation of internal control procedures. Sberbank is in full compliance with these requirements.

In Russia, a director is deemed "independent", if such director: (i) as of the time of his appointment is not, and during the last one year has not been, an executive officer or an employee of the issuer or its executive director, (ii) is not an executive officer of another company where any of the issuer's current executive officers serves on that company's HR and remuneration committee, (iii) is not a close relative (*i.e.* a spouse, parent, child or siblings) of an executive officer (or an executive director) of the issuer or of an executive officer of the issuer's management company, (iv) is not an affiliate of the issuer (except by virtue of membership in the issuer's supervisory board), (v) is not a party under a commitment with the issuer, pursuant to which such director can acquire property (receive funds) in the amount equal to or exceeding 10% of his/her total annual revenue (except for a director's fee) and (vi) is not a state representative. The criteria of the "director's independence" as set forth in Russian law and the FSFM guidance differ in some respects from the criteria for independence that are set out in the U.K. Corporate Governance Code and under applicable listing requirements in the United States. In particular, the following criteria of "director's independence" are *not* explicitly set forth in Russian law or the FSFM guidance: a director may not (i) have a material business relationship with the issuer as a partner, shareholder, director or senior employee of a body that has such a relationship with the issuer, (ii) have close family ties with any of the issuer's advisers, (iii) represent a significant shareholder, or (iv) be a current partner or employee of a firm that is the issuer's auditor.

In June 2002 and in June 2004 respectively, Sberbank's General Shareholders' Meeting approved a corporate governance code and a code of corporate ethics for Sberbank. The main priorities of the corporate governance code are respect for shareholders' and customers' rights and interests, transparency of information, further improvement of the efficiency of Sberbank's governance and maintenance of Sberbank's financial stability and profitability. The code of corporate ethics serves to establish corporate values, as well as to promote the principles and rules of ethical conduct of Sberbank's employees. The code of corporate ethics applies to Sberbank's employees as well as to its senior management. Sberbank views the adoption of these codes as an important step in the continued improvement in the corporate governance of Sberbank.

Audit Committee

The Audit Committee of the Supervisory Board of Sberbank was established in November 2004 and is responsible for supervising the audit of Sberbank. The Audit Committee currently consists of five members elected by the Supervisory Board: Nadezhda Yu. Ivanova, Valery V. Tkachenko, Rair R. Simonyan, Sergei G. Sinelnikov-Murylev and Vladimir A. Mau, who is the Chairman of the committee. The main purpose of the Audit Committee is to assist the Supervisory Board in controlling Sberbank's operations. It is also responsible for the preliminary review of Sberbank's annual financial statements, and for the effectiveness of Sberbank's internal control system and risk management system.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee of the Supervisory Board of Sberbank was established in November 2004. This committee currently consists of four members: Vladimir A. Mau, Sergei M. Guriev, Sergei G. Sinelnikov-Murylev and Georgy I. Luntovsky, who is the Chairman of the committee. The Human Resources and Remuneration Committee assists the Supervisory Board with developing Sberbank's personnel, remuneration and benefits polices.

Strategic Planning Committee

The Strategic Planning Committee of the Supervisory Board of Sberbank was established in December 2005. This committee currently consists of seven members: Herman O. Gref, Mikhail E. Dmitriev, Alessandro Profumo, Mikhail Y. Matovnikov, Ronald Freeman, Sergei G. Sinelnikov-Murylev and Alexei V. Ulyukaev, who is the Chairman of the committee. The Strategic Planning Committee assists the Supervisory Board in comprehensive consideration of Sberbank's strategic management issues and in making reasoned and efficient decisions with respect to such issues with the aim to increase the effectiveness of Sberbank's operations in the long-term perspective.

Litigation Statement about Management

At the date of this Prospectus, for at least the previous five years, none of the members of the Supervisory Board or the Executive Board:

- has had any convictions in relation to fraudulent offences;
- has held an executive function in the form of a senior executive officer or a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Other interests

As set out in the biographies above, certain of Sberbank's directors and executive officers also serve as directors or officers of some of Sberbank's competitors. As a result, potential conflicts of interest exist between these directors' and officers' duties to Sberbank and their duties arising from their positions with such other entities. Specifically, Mr. Ulyukaev serves as Deputy Chairman of the Supervisory Board of Sberbank and a member of the Supervisory Council of VTB. Mr. Tulin serves as a member of the Board of Directors and Audit Committee of MDM-Bank. VTB and MDM-Bank directly or indirectly provide services that compete or may in the future compete with the services offered by Sberbank. Under Russian legislation, certain transactions defined as "interested party transactions" require approval by Sberbank's disinterested directors or shareholders. See "*Risk Factors—Risks Relating to the Russian Legal System and Russian Legislation—Some interested party transactions of Sberbank require the approval of disinterested directors or disinterested shareholders*".

Similarly, certain of Sberbank's directors and officers also serve as directors or officers of governmental agencies that regulate Sberbank's business. As a result, potential conflicts of interest exist between these directors' and officers' duties to Sberbank and their duties arising from their positions as regulators. Specifically, Mr. Ignatiev serves as Chairman of the CBR, Messrs. Luntovsky and Ulyukaev serve as First Deputy Chairmen of the CBR, Mr. Shvetsov serves as a Deputy Chairman of the CBR, Ms. Ivanova serves as Director of the

Consolidated Economic Department of the CBR, and Mr. Tkachenko serves as Chief Auditor of the CBR. The CBR is directly responsible for regulating the activities of banks in Russia.

Except as stated above, Sberbank is not aware of any potential conflicts of interest between any duties to Sberbank of any of Sberbank's directors and executive officers and their private interests or other duties.

PRINCIPAL SHAREHOLDERS

As of December 31, 2011, the par value of Sberbank's share capital was RUB67,760,844,000, comprised of:

21,586,948,000 ordinary shares with a par value of RUB3.00 each, and

1 billion preference shares with a par value of RUB3.00 each.

As of December 31, 2011, 21,586,948,000 of Sberbank's ordinary shares and 1 billion of its preference shares were issued and outstanding. In addition, as of December 31, 2011, Sberbank had 15,000,000,000 authorised, but unissued ordinary shares.

Sberbank has held annual shareholders' meetings since 1991.

The following tables set forth certain information regarding the ownership of the ordinary shares and the total share capital (consisting of ordinary and preference shares) as of the date of this Base Prospectus.

Sberbank believes that currently its ordinary shares, other than those held by the CBR, belong to minority investors.

	Ordinary Shares	
	Number	**Percent**
Owner		
CBR	11,293,474,001	52.32%
Free float	10,293,473,999	47.68%
Total as at October 1, 2012	**21,586,948,000**	**100.00%**

	Total share capital (ordinary and preference shares)	
	Number	**Per cent.**
Owner		
CBR	11,293,474,001	50.00% +1 ordinary share
Free float	11,293,473,999	50.00% -1 ordinary share
Total as at October 1, 2012	**22,586,948,000**	**100.00%**

The CBR's interest in Sberbank is subject to disclosure pursuant to certain requirements of Russian legislation. Other than the CBR, Sberbank is aware of four persons registered in its shareholder register with holdings in excess of 5 per cent. of the Ordinary Shares as of April 1, 2012, all of whom act as nominee shareholders ("*номинальные держатели*"). When exercising rights over shares, nominee shareholders act pursuant to their client's instructions. Their disclosable holdings as of July 1, 2012, were as follows:

- Sberbank, 16.12 per cent. of the Ordinary Shares (15.42 per cent. of the total share capital);
- CJSC ING Bank (Eurasia), 6.74 per cent. of the Ordinary Shares (6.99 per cent. of the total share capital);
- CJSC Depositary Clearing Company, 5.01 per cent. of the Ordinary Shares (6.13 per cent. of the total share capital); and
- Non-banking credit organization CJSC National Settlement Depositary, 6.02 per cent. of the Ordinary Shares (7.34 per cent. of the total share capital).

No holder of Ordinary Shares has voting rights that differ from any other holder of Ordinary Shares. Sberbank is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of Sberbank. Under Russian law, a decrease or disposal of the CBR's stake in the share capital of Sberbank to below 50 per cent. plus one voting share can only occur pursuant to a federal law to that effect. In March 2012, the former Russian President Dmitry Medvedev is reported to have instructed the government, together with the

CBR, to propose draft amendments regarding a decrease in state participation in state-controlled banks to below 50 per cent. plus one voting share, but no draft proposals have yet been made public.

In September, 2012 CBR sold a 1,712,994,999 of Sberbank's ordinary shares in the form of ordinary shares and Global Depositary Shares which is 7.58 per cent. minus one ordinary share. CBR still remains shareholder of Sberbank and owns 50.00 per cent. plus 1 ordinary share as at October 1, 2012. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*" for a more detailed discussion of the transaction.

As a recipient of a subordinated loan from the CBR under the framework set by the Financial System Support Law (RUB313.0 billion of which is outstanding as of June 30, 2012, due in 2019 and cannot be prepaid without the CBR's consent), Sberbank is subject to additional supervision rights of the CBR set forth by the Financial System Support Law.

RELATED PARTY TRANSACTIONS

The following is an overview of the Group's transactions with related parties as of the dates provided below. The Group's financial information set forth herein has, unless otherwise indicated, been extracted without material adjustment from the IFRS Financial Statements. In 2011, due to the adoption of the Amendments to IAS 24, the Group changed the presentation of the related party transactions with state-related entities and government bodies. The disclosure within this section as of and for the years ended December 31, 2009 and 2010 was amended accordingly in order to comply with the new disclosure format adopted in 2011. For further details, see Notes 34, 35 and 35 to the 2009, 2010 and 2011 Annual IFRS Financial Statements, respectively, and Note 24 to the Condensed Interim Consolidated Financial Statements.

According to IFRS, parties are considered to be related if one party has the ability to control the other party, is under common control with, or exercises significant influence over, the other party's financial or operational decisions, as defined by IAS 24 "Related Party Disclosures". In determining each possible related party relationship, one must consider the substance of the relationship and not merely the legal form.

Sberbank's principal shareholder is the CBR, with which Sberbank maintains a number of balances and conducts transactions. These transactions include settlements, deposit placement and taking, and transfer of funds to the mandatory cash balances, in accordance with the Russian banking regulations. These transactions are priced predominantly at market rates.

The following table sets forth assets and liabilities resulting from transactions and balances with the CBR as of June 30, 2012 and December 31, 2011, 2010 and 2009 in each case within the meaning of IFRS. Since June 30, 2012, Sberbank has continued to enter into related party transactions within the normal course of business.

	As of:			
	June 30, (Unaudited)	**December 31,**		
	2012	**2011**	**2010**	**2009**
	billions of RUB			
Assets				
Cash and cash equivalents	112.4	51.3	212.5	345.0
Mandatory cash balances with central banks	110.6	99.5	50.5	40.6
Bonds of the CBR (yield to maturity: 4.0%)	—	—	433.6	221.1
Other assets	0.2	—	—	0.0
Liabilities				
Subordinated debt	313.0	303.3	303.3	504.3
Due to other banks	568.6	265.6	—	—

The following table shows income and expense items resulting from transactions with the CBR for the six months ended June 30, 2012 and for the financial years ended December 31, 2011, 2010 and 2009.

	For the period ended:			
	June 30, (Unaudited)	**December 31,**		
	2012	**2011**	**2010**	**2009**
	billions of RUB			
Interest income	—	9.0	32.2	2.6
Interest expense on subordinated debt	(9.7)	(19.5)	(27.9)	(40.0)
Interest expense other than on subordinated debt	(13.3)	(3.3)	(0.3)	(8.3)
Net gains arising from trading securities	—	—	0.0	—
Net gains arising from investment securities available for sale	—	0.0	0.6	—
Operating expenses	(0.6)	(1.3)	(1.0)	(0.8)

Transactions with Government-Related Entities

Effective on and after January 1, 2005, entities controlled or significantly influenced by the government ("**government-related entities**") are no longer exempt from disclosing transactions with other government-related entities. Since Sberbank is controlled by the state, all government-related entities are considered its related parties. As the Russian government does not provide to the public or to entities under its ownership/control a complete list of the entities which are controlled or significantly influenced by the government, Sberbank discloses information that its current internal management accounting system allows to present in relation to operations with government-related entities and where it believes such entities could be considered as government-related based on its best knowledge. Sberbank discloses the outstanding material balances and transactions with government bodies and entities where the state directly owns more than 50 per cent. of the share capital. Sberbank believes that, unless the state has direct control over a customer, it is not practicable to determine whether the state has a related party relationship with that customer. With respect to state-controlled entities, Sberbank analysed its transactions with its largest customers and extracted balances and results of operations for 100 per cent. state-owned entities and government bodies and legal entities where the state controls over 50 per cent. of the share capital. The disclosure within this section as of and for the years ended December 31, 2009 and 2008 was amended accordingly in order to comply with the new disclosure format adopted in 2011 due to Amendments to IAS 24.

The Group enters into transactions with government-related entities in the normal course of business and at market rates. As of June 30, 2012 and December 31, 2011, 2010 and 2009, the outstanding balances with government-related entities significant in terms of the carrying amount were as follows:

		As of June 30, 2012 (Unaudited)		
Client	**Sector**	**Loans and advances to customers**	**Due to corporate customers**	**Guarantees issued**
			billions of RUB	
Client 1	Oil and gas	—	30.7	—
Client 2	Oil and gas	—	19.6	—
Client 3	Energy	78.3	28.7	—
Client 4	Energy	87.3	17.8	—
Client 5	Energy	59.0	13.4	—
Client 6	Telecommunications	95.7	—	—
Client 7	Telecommunications	—	—	3.6
Client 8	Machine building	66.6	20.6	6.2
Client 9	Machine building	65.0	—	8.9
Client 10	Machine building	—	—	10.5
Client 11	Machine building	—	—	18.0
Client 12	Transport, aviation, space industry	—	15.8	16.4
Client 13	Transport, aviation, space industry	—	—	13.6
Client 14	Food agriculture	—	—	9.9
Client 15	Government and municipal bodies	—	109.6	—
Client 16	Government and municipal bodies	—	25.5	—
Client 17	Government and municipal bodies	—	—	10.8
Client 18	Services	—	—	100.0
Client 19	Mining	—	—	35.7
Client 20	Other	55.9	25.7	—

		As of December 31, 2011		
Client	**Sector**	**Loans and advances to customers**	**Due to corporate customers**	**Guarantees issued**
			billions of RUB	
Client 1	Oil and gas	—	44.2	—
Client 3	Energy	79.3	37.9	—
Client 4	Energy	87.4	12.5	—
Client 5	Energy	52.6	11.6	—
Client 6	Telecommunications	93.4	—	—
Client 7	Telecommunications	—	—	7.6
Client 8	Machine building	65.4	13.5	8.1
Client 9	Machine building	51.1	—	—
Client 10	Machine building	—	—	8.1
Client 11	Machine building	—	—	19.5
Client 12	Transport, aviation, space industry	—	—	16.1
Client 14	Food and agriculture	—	—	9.9
Client 15	Government and municipal bodies	—	11.7	—
Client 16	Government and municipal bodies	—	12.0	—
Client 17	Government and municipal bodies	—	—	20.8

Client	Sector	As of December 31, 2011 Loans and advances to customers	Due to corporate customers	Guarantees issued
			billions of RUB	
Client 18	Services	—	—	100.0
Client 19	Mining	—	—	35.7
Client 20	Other	—	21.3	—

Client	Sector	As of December 31, 2010: Loans and advances to customers	Due to corporate customers	Guarantees issued
			billions of RUB	
Client 1	Oil and gas	—	46.3	—
Client 2	Oil and gas	—	24.0	—
Client 3	Energy	—	27.2	—
Client 5	Energy	47.0	11.9	—
Client 7	Telecommunications	48.2	—	—
Client 9	Machine building	54.7	10.8	8.4
Client 10	Machine building	—	—	11.9
Client 11	Transport, aviation, space industry	—	—	15.5
Client 12	Food and agriculture	—	—	9.9
Client 13	Government and municipal bodies	—	10.0	—
Client 14	Government and municipal bodies	—	24.2	—
Client 16	Government and municipal bodies	—	—	14.8
Client 18	Services	—	10.3	—
Client 21	Oil and gas	40.0	—	—

Client	Sector	As of December 31, 2009: Loans and advances to customers	Due to corporate customers	Guarantees issued
			billions of RUB	
Client 1	Oil and gas	125.5	12.9	—
Client 2	Oil and gas	—	22.9	—
Client 3	Energy	39.9	13.3	—
Client 6	Machine building	83.0	20.7	—
Client 8	Transport, aviation, space industry	—	—	15.1
Client 11	Government and municipal bodies	—	9.8	—
Client 12	Government and municipal bodies	—	12.0	—
Client 13	Government and municipal bodies	—	—	1.5
Client 14	Government and municipal bodies	29.8	—	—
Client 18	Energy	—	14.6	—
Client 19	Energy	—	14.0	—
Client 20	Government and municipal bodies	—	9.5	—
Client 21	Services	—	—	60.0
Client 22	Machine building	—	—	9.2

The Group's investments in securities issued by government-related corporate entities were as follows as of June 30, 2012 and December 31, 2011, 2010 and 2009:

	As of:							
	June 30, 2012 (unaudited)		December 31, 2011		December 31, 2010		December 31, 2009	
	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares
	billions of RUB							
Trading securities	3.4	4.5	8.2	8.1	5.3	1.1	5.8	1.1
Securities designated at fair value through profit or loss	—	0.9	—	2.7	2.1	2.7	2.4	3.2
Securities pledged under repurchase agreements	51.8	11.0	11.6	40.5	0.3	0.1	0.0	0.0
Investment securities available for sale	111.8	8.4	139.2	20.7	127.8	23.0	120.8	5.8
Investment securities held to maturity	31.7	—	45.9	—	18.1	—	—	—

THE BANKING SECTOR IN RUSSIA

Overview of the Russian Economy and Key Macroeconomic Indicators

According to the IMF, in 2011, Russia was the 9th largest economy in the world and the largest economy in Central and Eastern Europe as well as the CIS with a GDP of U.S.$1,850 billion. It also has some of the highest growth rates among top 12 global economies, with an average annual real GDP growth rate of 5.3 per cent. in 2000 – 2011, exceeded only by China (10.4 per cent.) and India (7.4 per cent.). At the same time, while, according to the IMF, Russia's GDP per capita for 2011 of U.S.$12,993 was roughly on par with that of Brazil (U.S.$12,789) and more than double that of China, it still lags significantly behind those of Western European countries.

The following table contains certain key Russian macroeconomic data for the periods indicated:

	For the year ended December 31,(1)				
	2007	2008	2009	2010	2011
Nominal GDP (billions of roubles)	33,248	41,277	38,809	45,173	54,586
Real GDP index (%) (2008 prices, GDP index in 2007 = 100%)	100.0	105.2	97.0	101.2	105.6
Real GDP growth/(decline) (%, year-on-year)	8.5	5.2	(7.8)	4.3	4.3
Nominal GDP per capita (roubles)	234,123	290,879	273,455	316,191	381,567
Real GDP per capita index (%) (2008 prices, GDP per capita index in 2007=100%)	100.0	105.3	97.1	100.6	104.8
Real GDP per capita growth/(decline) (%, period-on-period)	8.7	5.3	(7.8)	3.6	4.2
GDP deflator (%, period-on-period)	13.8	18.0	2.0	11.6	15.8
Inflation (%, year-on-year)	11.9	13.3	8.8	8.8	6.1
Total population, millions (end of period)	142.0	141.9	141.9	142.9	143.1

(1) Certain data presented in this table differ from previously published data due to regular revisions by Rosstat. Figures in this table are current as of August 24, 2012. *Source*: Rosstat.

Russia's economic performance improved between 2000 and 2011, despite the economic crisis in 2008 and 2009. According to Rosstat and the Ministry of Finance, GDP increased over seven-fold from RUB7,306 billion in 2000 to RUB54,586 billion in 2011; the CPI dropped from 20.2 per cent. to 6.1 per cent.; and government debt as a share of GDP decreased from 62 per cent. to 9 per cent. during the same period. Growth in GDP was driven to a large extent by rising exports of goods (which increased from RUB3,219 billion in 2000 to RUB16,950 billion in 2011), an increase in labour productivity due to a rise in capital investments from RUB1,232 billion in 2000 to RUB11,620 billion in 2011, as well as domestic personal consumption, which increased more than eight-fold during the same period and, in turn, laid a strong foundation for growth in the banking sector (all data according to Rosstat). In the six months ended July 1, 2012, inflation decreased to 3.8 per cent. year-on-year. In the first quarter of 2012, real GDP increased by 4.9 per cent. and in the second quarter by 4.0 per cent. (according to Rosstat preliminary estimates) compared to the same periods in 2011. These growth and stability trends that started in 2000 led to an improvement of Russia's sovereign credit ratings, which attained investment grade levels in 2003. Fitch/Moody's/S&P rating agencies have since further increased Russia's ratings from a low of CCC/B3/CCC- in 1999 to BBB/Baa1/BBB in 2010, and the ratings have remained the same since 2010 with a stable outlook. The European debt crisis so far has had limited impact on the Russian economy, primarily because it has not led to significant declines in the prices of Russia's key exports, mainly natural resource commodities, including oil and gas, as well as due to Russia's relatively healthy fiscal finances including low debt-to-GDP ratio, small budget deficit, and high level of international reserves. At the same time, should the ongoing crisis lead to a meaningful worsening of the global macroeconomic situation and/or impact commodity prices and global trade flows, Russia's overall economic and financial position could also be negatively affected.

Compared with the other BRIC nations, Russia is uniquely positioned in terms of its endowment with rich natural resources. According to the BP Statistical Review of World Energy, per capita quantities of oil and gas reserves in 2011 were substantially higher than those of India, China and Brazil. Strong natural resource exports and the government revenue that they help to generate have strengthened Russia's position relative to other large global economies in terms of international trade, international currency reserves and fiscal position. In 2011, Russia had the second highest current account balance among G8 countries, equal to 5.5 per cent. of GDP according to the IMF. Strong exports helped Russia to accumulate substantial international monetary reserves, which amounted to U.S.$499 billion as of December 31, 2011 and were the second largest among G8 countries (behind only Japan with U.S.$1,210 billion, according to the World Bank).

Income from taxation of oil and gas exports and production also enabled Russia's government to build up substantial sovereign wealth funds. In 2004, to smooth out the impact of volatility in global natural resource prices on exports and government revenue, as well as to control inflation by absorbing excess liquidity, the Russian government set up the Stabilisation Fund that accumulated oil and gas taxation revenues generated above specific oil price cut-off levels. In 2008, Russia split the Stabilisation Fund into two sovereign wealth funds: the Reserve Fund, with approximately U.S.$60.5 billion in assets under management as of July 1, 2012, and the National Welfare Fund, with approximately U.S.$85.6 billion in assets under management as of July 1, 2012 (according to the Ministry of Finance). Russia's fiscal finances in 2011 were healthier than those of many other major world economies, if measured by a budget surplus of 1.6 per cent. and the lowest ratio of external government debt to GDP among all BRIC and G8 countries of 9.6 per cent. (according to the IMF).

In addition to its vast natural resources, Russia has a well-educated population, with a 2011 HDI Education index of 0.784, as reported by the United Nations Development Programme (the highest among BRIC countries), which has positive implications both in terms of availability of a high quality workforce and domestic demand for more complex products, such as financial services. Another positive for Russia's economy and domestic demand has been the recent decrease of the unemployment rate (in accordance with the International Labour Organisation (**ILO**) definition of unemployment, as a percentage share of the economically active population) from 9.1 per cent. in the first quarter of 2009 to 5.4 per cent. in June 2012, according to Rosstat.

Like other countries, Russia has been adversely affected by the downturn in the global economy since 2008. In the aftermath of the global financial crisis of 2008-2009, Russia's GDP fell by 7.8 per cent. in 2009 compared to 2008, according to Rosstat. The Russian economy was affected by decreases in the prices of crude oil, gas and other commodity exports in the second half of 2008 and the first half of 2009, which, in turn, had an impact on internal consumption. Since then, Russia's GDP, along with commodity prices, has recovered, growing by 4.3 per cent. in 2010 and a further 4.3 per cent. in 2011 in real terms. According to preliminary estimates by Rosstat, in the second quarter of 2012, real GDP increased by 4.0 per cent. compared to the same period in 2011.

Despite the financial crisis in 2008 and 2009 and the substantial decline in GDP, banking sector lending in Russia demonstrated only a minor drop of just over 2 per cent. in 2009, according to the CBR. As Russia's economy recovered and interest rates started declining, banking sector loans grew by 13.1 per cent. in 2010 and 28.7 per cent. in 2011. Deposits in Russia grew by 16.9 per cent. and 23.1 per cent. in 2009 and 2010, respectively, and 23.5 per cent. in 2011, according to the CBR. In the six months ended July 1, 2012, loans increased by 9.3 per cent. compared to 2011, while deposits increased by 3.3 per cent., leading to an increase in loans to deposit ratio from 94 per cent. at 2011 year end to 98 per cent. at the end of the second quarter of 2012. As of July 1, 2012, banking assets accounted for 81.1 per cent. of Russia's GDP in 2011, according to the CBR and Rosstat data.

History and Development of the Russian Banking Sector

Before the reforms carried out in 1987 and 1988, the Soviet banking system consisted of (i) the State Bank of the USSR, or Gosbank, which functioned as the central bank and as a commercial bank simultaneously, (ii) Stroibank of the USSR, which primarily serviced payments for capital expenditures on construction and infrastructure projects, and (iii) Vneshtorgbank of the USSR, which serviced foreign trade by Soviet entities. Gosbank operated a network of savings cash offices located throughout the country, which were the predecessors to many Sberbank branches within the Russian Federation, and at that time had a monopoly on retail banking services, mainly deposit taking and processing of utility payments.

In 1988, as part of the liberalisation reforms of the Russian economy, five specialised state-owned banks were established in addition to Gosbank to service specific industries, including farming (Agroprombank), housing and social development (Zhilsotsbank), foreign economic activity (Vnesheconombank of the USSR) and manufacturing and construction (Promstroybank). As part of this reform, state-run savings cash offices throughout the USSR were reorganised into Sberbank of the USSR, which continued to service the retail banking needs of the Soviet population. See "*Business—History*".

In 1988 and 1989, further reform of the banking sector saw the emergence of newly formed private commercial banks. In 1991, three of the specialised state-owned banks became joint-stock companies, including Sberbank. Some regional branches of these specialised state banks became independent from their head offices through management buy-outs. Furthermore, after the collapse of the Soviet Union in December 1991, the CBR assumed all of Gosbank's central bank functions in Russia, and Gosbank was liquidated one month later.

During the rapid growth of the banking system from 1990 to 1998, the number of commercial banks in Russia increased from approximately 350 in 1990 to more than 1,600 in 1998, some of the largest of which grew together with the large financial-industrial groups formed during the same period.

In 1998, the Russian financial markets went through a crisis caused in part by the financial crisis in Asia that began in 1997, plus the subsequent decline in demand and prices of crude oil and nonferrous metals. As a result of the crisis, the Russian government had to default on its sovereign debt and the CBR announced a devaluation of the rouble, the imposition of a repayment moratorium on certain loans to foreigners, as well as the compulsory restructuring of approximately U.S.$40 billion in short-term treasury instruments. During this period, many banks were reorganised, went bankrupt or were eventually placed under the administration of the Agency for the Restructuring of Credit Organisations ("**ARCO**"), a state corporation established in 1999 to restructure defaulting banks and protect their creditors.

In October 2003, the last credit organisation exited ARCO's administration, and subsequently ARCO was liquidated, with its assets being transferred to the newly established State Corporation Agency for Deposits Insurance (the "**Deposits Insurance Agency**"). Federal Law No. 177-FZ "On the Insurance of Retail Deposits in the Banks of the Russian Federation" of December 23, 2003 (the "**Retail Deposit Insurance Law**") introduced a government guarantee for retail deposits at participating banks of up to RUB100,000. This threshold was later increased to RUB190,000 (from August, 2006), RUB400,000 (from March, 2007) and RUB700,000 (from October, 2008).

In 2003 and 2004, as a result of various market rumours and, in some cases, regulatory and liquidity problems, several privately-owned Russian banks experienced liquidity problems and were unable to attract funds on the interbank market or from their own client base. At the same time, such banks faced large withdrawals of deposits by both retail and corporate customers. Several of these privately-owned Russian banks collapsed, ceased trading or were forced to reduce their operations significantly. Several steps were taken to help the sector to overcome the turmoil, including reduction of the rate of mandatory reserves that banks keep with the CBR and the introduction of legislation to compensate retail customers of insolvent banks not participating in the Deposit Insurance System.

Between 2005 and 2008, the Russian banking sector experienced rapid growth, with total lending increasing by approximately 131 per cent. during this period, according to the CBR. The same period was characterised by a high level of activity both in the capital markets and in M&A. Sberbank and VTB, the two largest Russian banks, conducted large equity offerings in 2007. Additionally, a number of significant acquisitions by foreign banks took place, including:

- OTP Bank's acquisition of more than 90 per cent. of the shares in Investsberbank in 2006;
- Raiffeisen's acquisition of Impexbank in 2006;
- KBC Bank N.V.'s acquisition of Absolut Bank in 2007;
- Société Générale's acquisition of a majority stake in Rosbank in 2006-2008; and
- Bank of Cyprus' acquisition of a majority stake in Uniastrum bank in 2008.

After this period of recovery and expansion, the Russian banking sector was affected by the global financial crisis resulting in a reduced number of credit organisations due to the revocation of licences by the CBR and in some cases bankruptcy of those that did not have sufficient liquidity. According to the CBR, as of July 1, 2012, there were 965 credit organisations licensed in Russia, compared to 1,136 as of January 1, 2008. In December 2011, the Russian President signed legislation raising minimum capital requirements for Russian banks to RUB300 million by 2015, which could further increase the consolidation process in the medium and long term.

In the second half of 2008, the Russian government and the CBR took measures to support the Russian financial sector, as well as agriculture and production in the midst of the financial crisis. Under the Financial System Support Law, the government was to provide up to RUB910 billion in subordinated loans to private and state-owned banks (including Sberbank, see "*Principal Shareholders*"), while the CBR established a new facility to provide uncollateralised lending to any Russian bank with a positive rating (as determined by the Board of the CBR). See "*Banking Regulation in Russia*". The government continued to implement intensive anti-crisis measures in 2009 and 2010. The government increased the guaranteed retail deposit amount up to RUB700,000 per customer for all deposits at a certain bank, and the CBR exercised its authority to guarantee interbank lending transactions for state-owned banks until December 31, 2010.

On April 5, 2011, the Russian government and the CBR adopted the "Strategy for the Development of the Russian Banking Sector until 2015" (the "**Banking Sector Development Strategy**"). Its key goal is to improve the banking sector in Russia through expanded product ranges, better quality service, use of modern technologies and greater long-term efficiency and stability. According to this strategy, the Russian government and the CBR will take steps to improve the legal environment, enhance banking regulation, develop banking infrastructure, increase the quality of corporate governance and risk management in credit organisations, and secure financial stability.

Although the CBR took some initial steps for the implementation of Basel II in Russia, it has not yet provided any detailed roadmap or timeline for the process. The CBR recommended that elements of Basel II be incorporated in the CBR statutory reporting forms, but the CBR does not yet require full-scope Basel II–based reporting. In the long term, Basel III rules are also expected to be gradually introduced in Russia. New regulatory capital requirements are expected to come into effect between 2013 (with a capital adequacy ratio potentially as early as October 2013) and 2015, and be followed by a new Basel III-based leverage ratio requirement from January 1, 2018. Additionally, new liquidity and funding requirements will be gradually implemented between 2012 and 2018. See "*Banking Regulation in Russia—Russian Banking Regulation—Basel Implementation in Russia*".

Following the adoption of the Banking Sector Development Strategy, the CBR pursued its intention to increase the banks' capital cushion for certain types of risky operations. As such, it increased risk weighting for a number of asset categories which became effective from July 1, 2012, and will impact the regulatory capital adequacy N1 ratio requirements for Russian banks. See "*Banking Regulation in Russia—Russian Banking Regulation—Regulation of Mandatory Economic Ratios*".

On October 28, 2011, the CBR approved the "Guidelines for the Uniform State Monetary Policy in 2012 and for 2013 and 2014" (the "**Monetary Policy for 2012-2014**"). This policy sets forth a relatively conservative approach to state budgeting, with the focus of the CBR's supervision powers on risk management in the banking sector, particularly taking into account various risk profiles and prevention of risk concentration. The Monetary Policy for 2012-2014 also provides for development of the system of supervision by the CBR over systemically important credit organisations, as well as streamlining of legislation on banking mergers and acquisitions.

Role of the Financial Services Sector in the Russian Economy

As the share of the Russian financial services sector in GDP grew over the last decade, from 2 per cent. in 2001 to 4.5 per cent. in 2010 before declining to 4.1 per cent. in 2011, according to Rosstat, its role in the Russian economy became increasingly important. As of July 1, 2012, banking assets accounted for 81.1 per cent. of Russia's 2011 GDP as compared to 60.6 per cent. as of January 1, 2007, according to the CBR. However, there is significant scope for further development of the banking industry.

Russia's ratio of total banking assets to GDP in 2011 was significantly lower than that of not only developed markets (average of 328 per cent. for the US, the UK, Italy, France, Germany, Austria), but also other BRIC countries (average of 134 per cent. excluding Russia), according to Business Monitor International for 2011. In 2011, total outstanding corporate loans in Russia amounted to 33.7 per cent. of GDP, which is lower than in many Western European economies (weighted average corporate loans amount to 45.8 per cent. of GDP in the EU-27), and certain other CEE countries (*e.g.* the Baltic states and Bulgaria) according to the European Banking Federation. To date, retail banking in Russia remains in the relatively early stages of development. According to the CBR, retail lending represents only 23.2 per cent. of total lending in Russia as of January 1, 2012.

At the same time, Russia's average annual banking sector profit between 2007 and 2011 (where profitability is calculated by multiplying average RoAA, as sourced from the IMF, by average banking sector assets from 2010-2011, as sourced from Business Monitor International) was comparable to Italy and Germany. According to the CBR, Sberbank accounted for approximately 47 per cent. of the sector's net profit before tax in 2011.

The Russian banking sector experienced a sustained period of high growth between 2005 and 2008, as demonstrated by a total deposit and loan CAGR of 38.9 per cent. and 46.5 per cent., respectively. Deposit growth in 2009, however, slowed to 16.9 per cent., while loans (excluding loans to credit organisations) declined by 2.4 per cent., primarily due to the impact of the global financial crisis. As recovery took shape in 2010, deposit and loan growth equalled 23.1 per cent. and 13.1 per cent., respectively. In 2011, total deposits and loans grew by approximately 23.5 per cent. and 28.7 per cent., respectively. In the six months ended July 1, 2012, deposits increased by 3.3 per cent. and loans increased by 9.3 per cent.

Banking sector growth was particularly substantial in the retail segment, between 2005 and 2008. Retail loans grew at a 50.5 per cent. CAGR and retail lending as a percentage of GDP increased from 5.5 per cent. in 2005 to 9.6 per cent. in 2008 (data according to the CBR). Between 2008 and 2011, the CAGR of retail loans remained high at 11.4 per cent. In 2009, retail loans declined by 11.0 per cent., but increased again by 14.3 per cent. in 2010. At the same time, as a percentage of GDP, retail lending declined from 9.6 per cent. in 2008 to 9.1 per cent. in 2010, and increased again to 10.2 per cent. in 2011 and 12.0 per cent. as of July 1, 2012 (based on 2011 GDP), according to the CBR.

Corporate lending demonstrated similar trends, growing at a CAGR of 45.3 per cent. between 2005 and 2008 and increasing as a share of GDP from 19.4 per cent. in 2005 to 30.8 per cent. in 2008. Between 2008 and 2010, growth trends slowed significantly to CAGR of approximately 6.4 per cent., further increasing as a share of GDP to 32.3 per cent. in 2010. Growth resumed in 2011 with retail loans increasing by 35.4 per cent. and corporate loans increasing by 26.4 per cent. for the year. In the six months ended July 1, 2012, retail lending increased by 18.4 per cent. and corporate lending increased by 6.5 per cent..

Between 2006 and 2011, total loans in Russia grew at a CAGR of 24.9 per cent., compared to 24 per cent. in China, 18 per cent. in India and 28 per cent. in Brazil, according to the Economist Intelligence Unit (EIU). Given Russia's low banking sector penetration, despite the potential slowdown in global economic growth driven by the European and global debt crisis, the Russian banking sector could be expected to continue demonstrating positive trends, as the potential decline in macro-related growth could be to a certain extent offset by increasing penetration of domestic banking services.

The following table sets forth certain information regarding the Russian banking sector for the periods indicated.

	As of July 1,	**As of January 1,**		
	2012	**2012**	**2011**	**2008**
Total assets/liabilities (not including capital) (in trillions of RUB)	44.3	41.6	33.8	29.4
Total assets/liabilities (percentage of GDP)	81.1	76.6	75.2	75.9
Own funds (capital) (in trillions of RUB)	5.3	5.2	4.7	4.6
Loans to customers over total assets (%)	70.3	68.9	65.6	67.5
including loans to credit organisations (%)	9.2	13.8	8.6	9.3
Deposits from individuals over total liabilities (%)	32.9	28.5	29.0	25.4
Number of operating credit organisations	965	978	1,012	1,058
Assets of the five largest credit organisations over total assets (%)	50.3	50.0	47.7	47.9
Credit organisations located in Moscow and the Moscow region (%)	52.2	52.4	51.9	50.6
Number of profitable credit organisations (including zero profit)	877.0	928	931	938

Source: The CBR.

The following table sets out certain information on corporate and retail lending and deposits for the periods indicated.

	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**CAGR 2005-2011**
	(*Trillions of RUB, except for percentages*)							
Corporate lending	4.2	5.8	9.5	12.8	12.9	14.5	18.4	28.0%
% of GDP	19%	22%	29%	31%	33%	32%	34%	
Retail lending	1.2	2.1	3.0	4.0	3.6	4.1	5.6	29.5%
% of GDP	5%	8%	9%	10%	9%	9%	10%	
Total lending	5.4	7.9	12.5	16.9	16.5	18.6	24.0	28.3%
% of GDP	25%	29%	38%	40%	42%	41%	44%	
Corporate deposits	2.6	3.9	6.8	8.5	9.3	10.9	13.7	31.8%
% of GDP	12%	15%	20%	20%	24%	24%	25%	
Retail deposits	2.8	3.8	5.2	5.9	7.5	9.8	11.9	27.6%
% of GDP	13%	14%	16%	14%	19%	22%	22%	
Total deposits	5.4	7.7	11.9	14.4	16.8	20.7	25.6	29.7%
% of GDP	25%	29%	36%	34%	43%	46%	47%	

Source: The CBR.

Overall, the performance of Russian banks remains positive and has shown improvement as the sector has been recovering from the global financial crisis. According to the latest CBR statistics, total RAS pre-tax profits for the sector were RUB1,018 billion in 2011, implying an annualised pre-tax RoAE of 20.5 per cent. This demonstrates 48 per cent. growth over RAS pre-tax profits in 2010 of RUB688 billion, implying a pre-tax RoAE for the full year of 14.8 per cent. In the six months ended July 1, 2012, the banking system recorded net income of RUB507 billion (according to the preliminary data released by the CBR), leading to the annualised pre-tax RoAE of 19.8 per cent. Higher profitability has been partly driven by improving asset quality and generally decreasing levels of provisioning, as the share of overdue loans declined from 4.7 per cent. as of January 1, 2011 to 3.9 per cent. as of January 1, 2012 and increased slightly to 4.0 per cent. as of July 1, 2012. The overall capital adequacy ratio for the sector was 13.8 per cent. as of March 31, 2012, only a moderate decrease from 14.7 per cent. as of January 1, 2012, but a more significant decrease compared to a ratio of 18.1 per cent. as of January 1, 2011.

Geographically, Russia's banking sector and financial services infrastructure remain concentrated around a few large economic centres primarily in the Western part of the country, especially Moscow. Approximately 52.2 per cent. of Russia's banks are headquartered in Moscow and the surrounding region and have limited national presence, according to the CBR. Only a small number of banks in Russia have a broad presence across the country, including Sberbank, VTB, Russian Agricultural Bank and Rosbank (which is part of the Société Générale Group). However, Sberbank's branch network forms approximately 45 per cent. of all bank branches in the country, according to the CBR's data as of July 1, 2012.

Competitive Landscape

The Russian banking sector is highly fragmented as measured by the number of participants. According to the CBR, as of July 1, 2012, there were 965 operating credit organisations in Russia. At the same time, according to the CBR as of July 1, 2012, the top ten credit organisations operating in Russia accounted for RUB29.1 trillion in total assets, comprising 65.7 per cent. of the total assets in the Russian banking sector. The total assets of Sberbank alone accounted for approximately 28.2 per cent. of all Russian banking sector assets, as of July 1, 2012, according to Sberbank's calculations based on CBR data.

Market share by total assets of those state-controlled or affiliated banks among the top ten banks by total assets increased from 44.8 per cent. in 2007 to 53.3 per cent. as of July 1, 2012. The top four banks in Russia in terms of ranking by size of assets are state-controlled or affiliated.

	Total Assets[(1)]				
	As of July 1, 2012		**As of January 1, 2008**		**January 1, 2008-July 1, 2012 Market Share Change**
	In billions of RUB	**Market Share, %**	**In billions of RUB**	**Market Share, %**	
Sberbank	12,498	28.2	5,107	25.4	2.8%
VTB Group	7,383	16.7	2,083	12.9	3.8%
Gazprombank	2,662	6.0	833	4.1	1.9%
Russian Agricultural Bank	1,571	3.5	490	2.4	1.1%
Alfa Bank	1,082	2.4	514	2.6	0.2%
Unicredit Bank	872	2.0	591	2.9	0.9%
Rosbank	864	2.0	366	1.8	0.2%
NOMOS Bank	792	1.8	199	1.0	0.8%
Raiffeisen	722	1.6	433	2.2	0.6%
Promsvyazbank	648	1.5	297	1.5	0.0%
Total top ten	29,094	65.7	10,913	56.8	8.9%
Total Market	**44,266**		**20,125**		

Source: The CBR

(1) Banks ranked by total assets as of July 1, 2012. VTB Group includes VTB 24, VTB North-West, TransCreditbank and Bank of Moscow; Rosbank includes Delta Credit, BSGV and Rusfinansbank; NOMOS Bank includes Khanti-Mansiysk Bank.

Russian banks can be categorised into four major groups: (i) state-controlled or state-affiliated, (ii) large private banks, (iii) foreign-owned banks and (iv) other smaller banks.

State-Controlled or Affiliated Banks

As of July 1, 2012, those state-controlled or affiliated banks that are among the top ten banks in Russia by assets held 54.5 per cent. of the sector's assets and continue to play a leading role in the sector. Among them, Sberbank with approximately 28.2 per cent. market share by total assets and VTB (including Bank of Moscow and TransCreditbank) with approximately 16.7 per cent. market share by total assets, are the largest.

Large Private Russian Banks

The large privately-owned banks among the top 30 Russian banks by total assets include Alfa Bank, NOMOS Bank, Promsvyazbank, Uralsib and MDM. They typically function as universal commercial banks servicing corporate and retail customers. Several privately-owned banks such as Bank Saint-Petersburg, Bank Vozrozhdenie and NOMOS Bank have publicly traded shares.

Foreign Banks

Foreign banks cannot directly conduct banking operations in Russia, but can do so via a Russian-incorporated subsidiary and are subject to applicable requirements of Russian law. Although certain foreign-owned banks focus primarily on servicing multinational corporations operating in Russia or cash settlement operations for non-residents, many foreign-owned banks, such as UniCredit Bank, Raiffeisenbank and Rosbank (majority owned by Société Générale) have increased their presence in Russia in the last ten years and offer a full range of services to both retail and corporate clients.

However, the presence of foreign-controlled banks in Russia is rather limited, with the foreign-controlled banks among the top ten banks by assets accounting for 5.6 per cent. of the total assets in the banking sector as of July 1, 2012 based on CBR data. According to the CBR, as of July 1, 2012, 117 credit organisations controlled by foreign groups holding more than 50 per cent. of their shares were operating in Russia, while the number of fully owned subsidiaries of foreign banks amounted to 76.

Other Smaller Banks

Other Russian banks are primarily locally owned and normally focus on certain regions or product segments. Compared to the top 20 Russian banks by total assets, these smaller banks are in some cases characterised by lower levels of corporate governance and risk management, as well as lower transparency of operations. Due to the steady decrease in the number of credit organisations in Russia over the past several years, as well as tightening regulatory requirements, it is increasingly likely that these smaller private banks could be the subject of future merger and acquisition activity in the banking sector.

Overview of Key Trends in the Russian Banking Sector

Market Consolidation

Over the past several years, the banking sector in Russia has undergone consolidation. According to the CBR, the total number of credit institutions with an active banking license decreased from 1,311 in 2000 to 965 by the end of the six months ended July 1, 2012, driven primarily by domestic consolidation through acquisitions or some banks ceasing operations and losing their banking licences due to the global financial crisis. The top ten banks have been active in domestic consolidation through strategic acquisitions. As a result of such consolidation, the top ten banks represented 56.8 per cent. of total assets in 2007 as compared to 65.7 per cent. of total assets as of July 1, 2012, according to the CBR.

Recent notable transactions in the Russian banking sector include:

(a) Société Générale's consolidation of its holdings in Rosbank, Delta Credit, Rusfinance and Bank Societe Generale Vostok ("**BSGV**"). In June 2011, the Société Générale Group announced the completion of the merger of BSGV and Rosbank. This was the final step in Société Générale's process of consolidating its Russian assets, which consisted of three stages: (i) a capital increase of Rosbank in the second half of 2010; (ii) the consolidation of 100 per cent. owned subsidiaries Delta Credit and Rusfinanbank; and (iii) a merger of BSGV and Rosbank. According to BSGV, upon the merger, the combined entity was among the top five banks in terms of loans with a network of approximately 700 branches in 340 Russian cities.

(b) NOMOS Bank's acquisition of Khanty-Mansiysk Bank ("**KhMB**"). In December 2010, NOMOS Bank completed the acquisition of a 51.3 per cent. stake in KhMB, a regional Siberian financial institution, for RUB12.1 billion. The combined entity had approximately 280 outlets and assets of approximately RUB448.9 billion. KhMB also added approximately 820,000 retail clients to the consolidated banks' client base.

(c) The merger of URSA Bank into MDM Bank in 2009, establishing a strong private bank by combining the two banks' complementary strengths in retail and corporate banking, as well as Eastern and Western Russia geographical coverage.

(d) VTB's acquisition of TransCreditBank and Bank of Moscow. On July 15, 2011, VTB announced that it signed a purchase agreement to acquire TransCreditBank from Russian Railways. The acquisition is expected to take place in two stages (29.4 per cent., followed by further 25 per cent. plus one share until December 31, 2013). In 2011, VTB also acquired a 46.5 per cent. stake in Bank of Moscow from the Moscow city government and further increased its stake to 94.8 per cent. as of December 2011. Both acquisitions increased VTB's market share by total assets to nearly 17.9 per cent. as of January 1, 2012, according to the CBR. In February 2012, VTB purchased an additional stake of 12.80 per cent. in TransCreditBank, increasing its ownership to 77.8 per cent.

(e) Sberbank's acquisition of Troika Dialog, the oldest private investment bank in Russia, completed in January 2012, which has significantly contributed to strengthening Sberbank's presence in the investment banking sector. See "*Business—Investment Banking Services—Acquisition of Troika Dialog*". Sberbank is also actively expanding internationally, with the purchase in 2011 of Volksbank International and the acquisition of DenizBank in September 2012.

(f) The acquisition of 26.53 per cent. of NOMOS Bank by Financial Corporation Otkritie, Aleksander Mamut and Oleg Malis in an equity swap with PPF in August 2012.

Russian Banking Sector Increases its Presence on Capital Markets

During the past several years Russian banks have been expanding to international capital markets, attracting financing through IPOs and follow-on offerings.

Key equity capital markets transactions conducted since 2007 include:

(a) In March 2007, Sberbank sold RUB230.2 billion of shares in a secondary offering on MICEX and RTS.

(b) In May 2007 Russia's second largest bank by assets, VTB, raised approximately U.S.$8 billion through a placement of a 22.5 per cent. stake in an IPO. In February 2011, the Russian government received a further U.S.$3.3 billion from the sale of a 10 per cent. stake in VTB.

(c) In April 2011, NOMOS Bank completed its IPO, raising approximately U.S.$718 million at U.S.$35 a share.

Russian banks have also been successful in tapping international debt markets. The total volume of issued debt (taking into account public Eurobond issuances only) increased from U.S.$148.9 million in 2000 to U.S.$14.1 billion in 2010, further rising to U.S.$8.0 billion in the first half of 2012. In 2010 alone, VTB, Bank of Moscow, Russian Agricultural Bank and Alfa Bank issued approximately U.S.$3.6 billion in the international bond markets according to the Financial Times. In 2011, the main transactions included a U.S.$1 billion issue by Sberbank in June, a U.S.$1 billion issue by Alfa Bank in April and a U.S.$0.8 million issue by Russian Agricultural Bank in May.

Improving market conditions in 2012 resulted in a greater market demand for Russian debt. In March 2012, there was a U.S.$750 million issue by VEB, followed in April by a U.S.$1.5 billion issue by VTB and a U.S.$500 million issue by NOMOS Bank, while Gazprombank issued U.S.$1.0 billion in Eurobonds over April and May 2012. Between June and August 2012, the relatively low dollar interest rate environment enabled Russian banks to raise debt financing in the international capital markets. In June 2012, Russian Agricultural Bank issued U.S.$500 million before tapping the issue for a further U.S.$350 million shortly thereafter. This was quickly followed by issuances of U.S.$1 billion by each of VEB and Sberbank.

In July, there was a total issue volume of U.S.$4.9 billion, which comprised a variety of securities issued in a range of currencies. The issuers ranged from private, non-investment grade banks such as Standard Bank, with a three-year U.S.$350 million issue and CHF issues by Russian Agricultural Bank and Gazprombank to a U.S.$750 million dollar tap issue by Sberbank of its series 9 bonds. In addition, VTB issued a U.S.$1 billion perpetual bond, representing the first ever tier 1 Eurobond from Russia and the first benchmark unrated tier 1 hybrid capital deal for any bank. In August, Sberbank returned to the market by tapping its existing series 8 bonds for an additional U.S.$300 million, reflecting the positive macro-environment for Russian banks to raise financing through Eurobonds.

Access to capital markets provides Russian banks with opportunities to find optimal funding strategies, supporting further banking sector growth. Due to the ongoing European crisis, which in turn impacted both credit and equity markets, Russian banks and corporations, similar to their global peers, were constrained in their ability to attract financing at required levels. As a result, Russian banks generally began increasing the rates on retail deposits to maintain their liquidity positions. At the same time, the CBR stated that it would not provide long-term funding to Russian banks, similar to the Long Term Refinancing Programme put in place by the European Central Bank, but instead would keep repo funding available. In May 2012, the CBR published results of the stress-tests. According to the results, under a pessimistic economic scenario, the Russian banking sector could record losses of approximately RUB1.4 trillion (equivalent to 27 per cent. of total banking sector capital) and under an extreme economic scenario RUB2.0 trillion (37 per cent. of total capital) at the end of 2012.

BANKING REGULATION IN RUSSIA

Russian Banking Regulation

Banking in Russia is governed by the CBR Law, the Banking Law, CBR regulations, as well as certain other laws and regulations, some of which are described in this section. While the CBR is the primary regulator of the banking sector, other governmental authorities also have regulatory and supervisory functions over banks in Russia. For example, the FSFM issues licences to banks to act as broker-dealers or to provide custodian and other securities market services. Tax authorities supervise tax assessments of banks.

Regulation of Licensing

The Central Bank of Russia

According to the Banking Law, a licence must be obtained from the CBR in order for any organisation to engage in "banking operations", as such term is defined in the Banking Law. Applicants must be incorporated in Russia. A bank can be organised in the form of a joint-stock company, a limited liability company or a company with additional liability, although, in practice, the latter form is not used. The CBR approves the registration and issues licences to banks and non-banking credit organisations (the "**NCOs**") in accordance with the procedures set forth in the Banking Law and CBR Regulation No. 135-I of April 2, 2010, as amended. An application for the state registration of a new credit organisation needs to be accompanied by a charter, a feasibility report regarding future business activity of the credit organisation, information on the qualifications of the applicant's management team and certain other information and documents. A credit organisation's application for a CBR licence may be rejected if, among other reasons, the proposed candidates for the executive and chief accountant positions do not meet certain eligibility requirements, the financial condition of the founders of a credit organisation is unsatisfactory, the submitted documents do not comply with the requirements set forth in the Banking Law and the CBR regulations or a candidate for a position of a member of the credit organisation's supervisory board has a business reputation inconsistent with the eligibility requirements. The CBR continues to supervise the nomination of candidates to the key executive positions at a credit organisation throughout its existence, as such candidacies are subject to its prior approval before they are elected or appointed to the respective position.

A newly-formed bank may seek a licence authorising it to perform banking operations (other than acceptance of retail deposits and cash collection and cash servicing of customers) either in both Roubles and foreign currencies or in Roubles only, as well as a licence authorising it to take deposits in the form of, and conduct related operations with, precious metals. Subject to compliance with applicable requirements, the CBR may extend an existing bank's capacity to carry out banking operations by issuance of: (1) a licence authorising it to carry out banking operations in both Roubles and foreign currencies, except for acceptance of retail deposits, and/or (2) a licence authorising it to take deposits in the form of, and place, precious metals, and/or (3) a licence authorising it to accept retail deposits in Roubles only, and/or (4) a licence authorising it to accept retail deposits in both Roubles and foreign currencies, and/or (5) a general licence authorising it to perform all banking operations except for taking deposits in the form of, and placement of, precious metals, and/or (6) a licence authorising it to carry out banking operations in both Roubles and foreign currencies except for acceptance of retail deposits and cash collection and cash servicing of customers, and/or (7) a licence authorising it to provide cash collection and cash services for its customers.

Additional requirements have been introduced for obtaining a licence for taking deposits from individuals. The licence could be granted to (a) a bank existing for more than two years from the date of its registration, or (b) a newly established bank (or to a bank existing for less than two years from the date of its registration), **provided that**: (i) the charter capital of the newly established bank or the regulatory capital of the existing bank is not less than RUB3,600 million, and (ii) the bank complies/has complied with the CBR requirement to disclose information regarding persons having significant influence over decisions of its management bodies.

Currently, there are three types of NCOs: (i) settlement NCOs, (ii) deposit and credit NCOs, and (iii) payment transfer NCOs and, accordingly, three types of licences issued to such credit organisations. A settlement NCO may seek a licence authorising it to: (a) open and maintain bank accounts of legal entities, (b) handle funds transfers for legal entities, (c) provide cash collection and cash services for legal entities and (in certain cases) individuals, (d) sell and purchase foreign currency, and (e) transfer funds without opening of bank accounts, including electronic funds (except for mail orders). A deposit and credit NCO may obtain a licence authorising it to: (a) attract term deposits from legal entities, (b) place such deposits in its own name and in its own account, (c) sell and purchase foreign currency in non-cash form, and (d) provide bank guarantees. A payment transfer

NCO may seek a licence authorising it to conduct the following banking operations in connection with funds transfers without opening of bank accounts, including electronic funds transfers: (a) open and maintain bank accounts of legal entities, (b) handle funds transfers for legal entities, (c) provide cash collection and cash services for legal entities and individuals, and (d) transfer funds without opening of bank accounts, including electronic funds (except for mail orders).

The Federal Service for Financial Markets

The FSFM issues licences to Russian credit organisations to perform the following professional functions on the Russian securities markets (subject to certain limitations regarding combining the below functions): (1) broker, (2) dealer, (3) securities manager, (4) custodian, (5) clearing organisation, (6) registrar and (7) arranger of trade in the securities market. The licensing procedures are established in FSFM Regulation No. 10-49/PZ-N of July 20, 2010, as amended. A credit organisation can also act as a central counterparty clearing house once duly accredited by the FSFM under a procedure to be agreed with the CBR. However, such credit organisation cannot take retail deposits. In addition, the FSFM has the right to conduct audits of credit organisations from time to time to check their compliance with the requirements of applicable securities market laws and regulations. The FSFM is responsible for setting up certain additional reporting requirements for licensed credit organisations and has a right to monitor their operations.

Regulation of Acquisitions

The Central Bank of Russia

According to the Banking Law, the CBR must be notified of an acquisition of more than 1 per cent. of the shares in a credit organisation by any individual or legal entity, or a group of individuals and/or legal entities (irrespective of whether they are residents or non-residents of Russia), and it must give prior consent to an acquisition (including acquisitions on the secondary market and indirect acquisitions) of more than 20 per cent. of the shares in a credit organisation. In accordance with CBR Regulation No. 130-I of February 21, 2007, as amended, prior consent of the CBR is required for an acquisition/transfer into trust management of more than 20 per cent. of the shares of a credit organisation established as a joint-stock company and any subsequent increases of ownership/trust holding above thresholds of 25 per cent., 50 per cent. and 75 per cent. of shares or 100 per cent. of the shares. An applicant for the CBR consent must demonstrate a satisfactory financial condition and sufficient own funds (if an individual) or net assets (if a legal entity). The CBR approval is valid for one year from the date of issuance, and the applicant may acquire any amount of shares in a credit organisation within the threshold and total acquisition price stipulated in such CBR approval.

The Federal Antimonopoly Service

The FAS controls mergers of credit organisations and acquisitions of shares and assets of credit organisations, as well as acquisitions of rights allowing the acquirer to determine the terms of commercial activity or exercise the powers of the executive body of such credit organisations. In accordance with Federal Law No. 135-FZ "On Protection of Competition" of July 26, 2006, as amended (the "**Antimonopoly Law**") and Government Regulation No. 335 of May 30, 2007, as amended, prior consent of the FAS is required for, among others, the following actions in respect of certain credit organisations of significant size:

- acquisition of more than 25 per cent. of the voting shares of a credit organisation established as a joint-stock company and any subsequent increases of ownership above thresholds of 50 per cent. and 75 per cent. of the voting shares;

- acquisition of more than 10 per cent. of assets of a credit organisation determined as per the most recent RAS balance sheet;

- acquisition of rights to determine the terms of commercial activity of a credit organisation or to exercise the powers of its executive body; and

- merger of credit organisations, if the aggregate value of such credit organisations' assets as per the most recent RAS balance sheets exceeds RUB22 billion.

Regulation of Expansion Abroad

The Banking Law authorises Russian credit organisations to incorporate subsidiaries and to open branches outside of Russia with the prior approval of the CBR, if, among other requirements, the credit organisation holds a general banking licence. The opening of a representative office of a Russian credit organisation abroad requires a notification to the CBR.

Regulation of Capital

Overview

Russian regulation of capital is generally based on Basel I (the 1988 Basel Capital Accord). It is, however, less sophisticated in certain respects. CBR Regulation No. 215-P of February 10, 2003, as amended ("**Regulation No. 215-P**") distinguishes between core capital and supplementary capital (together, "**own funds**" or "**regulatory capital**"). Regulation No. 215-P generally requires that the supplementary capital ("Tier 2" capital) constitute no more than 100 per cent. of the core capital ("Tier 1" capital).

The minimum own funds requirement for banks is generally RUB300 million on an ongoing basis. However, if, as of January 1, 2007, the own funds of an existing bank were lower than RUB180 million, the bank may continue its operations, **provided that** they do not decrease further below that level. However, the own funds of such bank must be increased to not less than RUB180 million by January 1, 2012 and not less than RUB300 million by January 1, 2015.

The regulatory capital requirement of RUB900 million has recently been introduced for obtaining a general banking licence.

If a bank's own funds fall below its charter capital, it is required to adjust its own funds (or, if impossible, its charter capital, within applicable limits) in accordance with the procedures set by CBR Regulation No. 1260-U of March 24, 2003, as amended.

Subordinated Debt

Subordinated debt (in the form of loans, deposits or notes) is included in the supplemental capital if the following criteria are satisfied:

- its term should be not less than five years;
- it should include a provision prohibiting, without the consent of the CBR: (i) early redemption of the debt or any of its part, or early repayment of any interest, and (ii) early termination and/or amendment of the loan agreement (Regulation No. 215-P allows certain variations to redemption terms; however, in such case an actual redemption is subject to the CBR's consent);
- terms of the debt, as of the date of the loan agreement (or its amendment) or placement of notes, should not materially differ from those prevailing in the market for similar debt;
- the agreement should specifically provide for the lowest priority ranking of claims of the creditor in the event of the borrower's bankruptcy;
- the debt should be unsecured; and
- individuals cannot be party to the agreement.

The qualification of a subordinated debt as part of the supplemental capital is subject the CBR's consent. The borrower may initiate the approval procedure before the funds are disbursed or a subordinated loan is signed by submitting the loan agreement or its draft for consideration by the CBR. As a result of its review, the CBR may respond with comments or may issue its consent to the inclusion of a subordinated debt into the supplemental capital once the funds have been actually disbursed. Subordinated debt is included into the supplemental capital from the date following the date of the CBR's consent, but in any event not before the bank actually receives the funds.

Regulation No. 215-P provides that, generally, subordinated debt may not exceed 50 per cent. of a credit organisation's core capital. However, if a credit organisation has subordinated debt outstanding for ten or more years, such subordinated debt, together with any other subordinated debt outstanding, less the subordinated debt counted as core ("Tier 1") capital, may comprise up to 100 per cent. of the credit organisation's core capital, **provided that** its underlying agreement allows the CBR to suspend the repayment of the principal and/or interest if such payment may necessitate bankruptcy prevention measures in relation to such credit organisation.

According to Regulation No. 215-P, during the last five years of the life of a subordinated loan, it is counted towards the capital on an amortised basis, while prior to that the full principal amount of the subordinated loan counts. The amortised value is counted quarterly in accordance with the following formula:

$$O = \frac{C}{20} \times D, where$$

O is the amortised value of the subordinated loan;

D is, generally, the full amount of the subordinated loan extended to the bank;

C is the number of complete quarters (January 1 – March 31, April 1 – June 30, etc., calculated backwards from the date of repayment) remaining until the repayment of the subordinated loan (C ‹ 20).

Special amortisation rules apply to subordinated debt providing for the borrower's call option (such option in any case may not be exercised earlier than five years from the date when the subordinated debt was included in the supplemental capital). If, in accordance with interest step up provisions, interest increase does not exceed 150bps (1/100 per cent.), subordinated debt shall be amortised from the date of its scheduled maturity. In other cases, subordinated debt shall be amortised from the date of when a call option may potentially be exercised.

Subordinated debt may also be included in the core ("Tier 1") capital of a credit organisation, if it satisfies the following terms (the "**Subordinated Debt with Additional Terms**") in addition to the above-listed criteria of subordinated debt:

- its term is not less than 30 years;
- the loan restricts capitalisation and reimbursement of unpaid interest, if the credit organisation's obligations to pay accrued interest are fully or partially terminated upon the introduction of certain bankruptcy prevention measures against the borrower;
- upon the introduction of bankruptcy prevention measures against a credit organisation as a result of certain losses, the credit organisation must first cover those losses from sources of its core capital other than the Subordinated Debt with Additional Terms, whereas the remainder of such losses shall be covered through the termination of the obligation to repay the principal amount of such long-term subordinated debt in whole or in part;
- the credit organisation may not chose to repay the subordinated debt in the first 10 years, if it is included into the credit organisation's core capital; and
- the CBR has a right to suspend principal and/or interest repayments under the loan agreement, if such payments may result in bankruptcy prevention measures.

The Subordinated Debt with Additional Terms must not comprise more than 15 per cent. of the credit organisation's core ("Tier 1") capital.

Basel Implementation in Russia

Over recent years, the CBR in cooperation with Russian banks has started preparing the implementation of international approaches to capital adequacy of credit organisations under the "International Convergence of Capital Measurement and Capital Standards: a Revised Framework" ("**Basel II**"), as issued by the Basel Committee on Banking Supervision. Generally, the standardised approach for measuring credit risks of Basel II as set forth in Pillar 1 "Minimum Capital Requirements", is being applied in Russia.

As part of introducing Pillar 2 "Supervisory Review Process", on June 29, 2011, the CBR issued Letter No. 96-T "On Methodical Recommendations for Credit Organisations on Arranging Internal Procedures for Capital Adequacy Assessment" (the "**Methodical Recommendations**"). Under the Methodical Recommendations, internal procedures for capital adequacy assessment should comprise the process of assessment by a credit organisation of adequacy of its own capital, *i.e.* its internal capital to cover accepted and potential risks, as well as form part of such credit organisation's corporate culture.

The Methodical Recommendations present the Basel II Pillar 2 requirements to credit organisation and propose recommendations for credit organisations (especially for major credit organisations like Sberbank) to elaborate and use the respective internal procedures set therein. According to the Methodical Recommendations, the CBR believes that Basel II Pillar 2 will be gradually implemented within a minimum of five years.

According to the Banking Sector Development Strategy, the main goals of the new stage of development of the Russian banking sector include: improvement of the quality of the banking business by expanding the range of banking products and services, improving methods of their provision, using modern technologies and ensuring long-term effectiveness and stability of the banking business. The Banking Sector Development Strategy contemplates that the Russian government and the CBR will take measures in order to: improve the legal environment, build banking infrastructure, increase quality of corporate governance and risk management in credit organisations, develop banking regulation and banking supervision, and ensure financial stability.

Under the Banking Sector Development Strategy, the implementation of Basel II in Russia may begin not earlier than in 2014. The Banking Sector Development Strategy also contemplates introduction in Russia of the "International Regulatory Framework for Banks" (Basel III) that is expected to be applied as follows: (i) requirements for capital between 2013 and 2015, (ii) capital conservation buffer within 2016-2018, (iii) leverage ratio as a mandatory requirement starting from January 1, 2018, (iv) liquidity coverage ratio as a mandatory requirement commencing from January 1, 2015, and (v) net stable funding ratio as a mandatory requirement starting from January 1, 2018.

In September 2012, the CBR published draft regulations to introduce new capital adequacy requirements for Russian banks as part of implementing Basel III. Reporting of those Basel III ratios will be required from April 1, 2013 and enforced by the CBR from October 1, 2013.

Regulation of Mandatory Economic Ratios

The CBR mandatory economic ratios applicable to banks are established under CBR Regulation No. 110-I "On the Mandatory Economic Ratios of Banks" dated January 16, 2004, as amended. The system of mandatory economic ratios, which must be observed by banks on a daily basis and regularly reported to the CBR, is set forth below. All ratios described below are calculated on the basis of RAS.

Mandatory Economic Ratios	**Description**	**CBR Mandatory Economic Ratio Requirements**
Capital adequacy ratio (N1)	This ratio is intended to manage (limit) the risk of a bank's insolvency and sets requirements for the minimum size of the bank's own funds (regulatory capital) necessary to cover credit, operational and market risks. It is formulated as a ratio of a bank's own funds (regulatory capital) to its risk-weighted assets. The risk-weighted assets are calculated under a formula that aggregates different categories of the bank's assets multiplied by certain coefficients of risk, reserves created for possible losses of those assets, credit risk on credit-related commitments, credit risk on forward transactions and derivatives, operational risk, as well as market risks, in each case separating systemic and idiosyncratic factors.	Minimum 10 per cent.
Instant liquidity ratio (N2)	This ratio is intended to manage (limit) the bank's liquidity risk within one operational day. It is formulated as the minimum ratio of a bank's highly liquid assets to its liabilities payable on demand adjusted for a minimum aggregated fund balance of on-demand	Minimum 15 per cent.

Mandatory Economic Ratios	Description	CBR Mandatory Economic Ratio Requirements
	accounts of legal entities and individuals (except for credit organisations).	
Current liquidity ratio (N3)	This ratio is intended to manage (limit) the bank's liquidity risk within 30 calendar days. It is formulated as the minimum ratio of a bank's liquid assets to its liabilities payable on demand and liabilities with maturity of up to 30 calendar days adjusted for a minimum aggregated fund balance of on-demand accounts of legal entities and individuals (except for credit organisations) and liabilities maturing up to 30 calendar days.	Minimum 50 per cent.
Long-term liquidity ratio (N4)	This ratio is intended to manage (limit) the bank's liquidity risk arising from investing of funds into long-term assets. It is formulated as the maximum ratio of the bank's credit claims maturing in more than one calendar year to the sum of its own funds (regulatory capital) and liabilities maturing in more than one calendar year adjusted for a minimum aggregated fund balance on accounts maturing in up to one calendar year and on-demand accounts of legal entities and individuals (except for credit organisations).	Maximum 120 per cent.
Maximum exposure to a single borrower or a group of related borrowers (N6)	This ratio is intended to manage (limit) the credit exposure of a bank to one borrower or a group of related borrowers (defined as persons who, in particular, are in parent-subsidiary relations with respect to each other; are affiliates due to one person holding more than 20 per cent. of the voting share capital of the other; belong to the same banking group or banking holding; are close relatives; or can directly or indirectly significantly influence the decisions of the corporate borrower). It is set as the maximum ratio of the aggregate amount of the bank's credit claims to a single borrower or a group of related borrowers to the bank's own funds (regulatory capital). With the aim to implement the recommendations of the Basel Committee on Banking Supervision and IFRS, on September 10, 2004, the CBR issued Letter No. 106-T, which recommends that Russian banks set	Maximum 25 per cent.

Mandatory Economic Ratios	Description	CBR Mandatory Economic Ratio Requirements
	additional criteria of "related borrowers" in their lending policies and implement an exposure limit for "economically related" borrowers.	
Maximum amount of major credit risks (N7)	This ratio is intended to manage (limit) the aggregate amount of a bank's major credit risks (defined as the sum of loans to, and guarantees or sureties in respect of, one client that exceeds 5 per cent. of a bank's own funds (regulatory capital). It is set as the maximum ratio of the aggregate amount of major credit risks to the bank's own funds (regulatory capital).	Maximum 800 per cent.
Maximum amount of loans, bank guarantees and sureties extended by the bank to its participants (shareholders) (N9.1)	This ratio is intended to manage (limit) a bank's credit exposure to its participants (shareholders). It is set as the maximum ratio of the amount of loans, bank guarantees and sureties extended by the bank to its participants (shareholders) to the bank's own funds (regulatory capital).	Maximum 50 per cent.
Aggregate amount of exposure to the bank's insiders (N10.1)	This ratio is intended to manage (limit) the aggregate credit exposure of a bank to its insiders (defined as individuals capable of influencing credit decisions). It is set as the maximum ratio of the aggregate amount of the bank's credit claims to its insiders to the bank's own funds (regulatory capital).	Maximum 3 per cent.
Ratio for the use of the bank's own funds (regulatory capital) to acquire shares (participation interests) in other legal entities (N12)	This ratio is intended to manage (limit) the aggregate risk of a bank's investments in shares (participation interests) of other legal entities. It is set as the maximum ratio of the bank's investments in shares (participation interests) of other legal entities to its own funds (regulatory capital).	Maximum 25 per cent.

CBR Regulation No. 112-I of March 31, 2004, as amended, outlines additional mandatory economic ratios for credit organisations that issue mortgage-backed bonds. As of the date of this Prospectus, Sberbank has not issued any mortgage-backed bonds.

Sberbank is, and has always been, in compliance with the above mandatory ratios.

Regulation of Liquidity Support

According to the CBR Law, the CBR is authorised to provide loans to and take deposits from credit organisations that meet certain requirements with respect to, among other things, financial stability and absence of overdue liabilities to the CBR. Loans provided by the CBR are required either to be secured by gold, a pledge of certain securities or receivables (loan portfolios) approved by the CBR or backed with suretyships of companies approved by the CBR. However, from October, 2008, following the liquidity crisis in the Russian financial system, the CBR started to provide unsecured loans based on the respective amendment to the CBR Law. According to the implementing regulations, unsecured loans with a term of up to one year can be provided only to banks having a credit rating not lower than "B-" from Fitch or Standard & Poor's, "B3" from Moody's or other ratings from Russian rating agencies, as approved by the Board of Directors of the CBR from time to time, and comply with certain requirements. As of the date of this Prospectus, interest rates on secured loans offered by the CBR range from 0 per cent. for intra-day loans to 8 per cent. for overnight loans and from 7.75 per cent. to 8 per cent. for loans having a maturity of between 181 and 365 days. Unsecured loans from the CBR usually bear higher interest rates than secured ones; such interest rates depend on banks' liquidity demands and are set on the basis of auctions organised by the CBR. According to the CBR, it suspended providing unsecured loans to credit organisations starting from January, 1, 2011, but retains the ability to resume unsecured lending, should such need arise. Pursuant to the Financial System Support Law the CBR is also authorised to provide unsecured subordinated loans (See "*—Rights of the CBR under the Financial System Support Law and the CBR Law*"). CBR conducts other types of auctions with the purpose of taking deposits from financial organisations and utilising excess liquidity in the banking system. Such deposits can be attracted either at a fixed rate determined prior to the auction or at a fixed rate set during the auction. Depending on the type of deposit offered, the CBR establishes specific requirements as to the request form and the deposit amount as well as its term and interest rate, pursuant to CBR Regulation No. 203-P of November 5, 2002, as amended.

Regulation of Mandatory Reserves

In order to regulate the overall liquidity in the Russian banking sector, loan losses and market risks, the CBR requires banks to form mandatory reserve deposits and keep them at designated non-interest bearing accounts with the CBR. Particular reserve requirements are set by the Board of Directors of the CBR from time to time. According to CBR Directive No. 2601-U of March 25, 2011, banks are generally required to post mandatory reserves equal to 5.5 per cent. of funds due to non-resident legal entities in Roubles and foreign currency and 4.0 per cent. of funds due otherwise. Banks with good reserves and credit history are offered a mechanism that allows calculation of mandatory reserves in accordance with certain averages.

Banks are obliged to calculate mandatory reserves in accordance with CBR Regulation No. 342-P of August 7, 2009, as amended, report those to the CBR or its regional units on a monthly basis and promptly place additional reserves with the CBR, if required. The CBR and its regional units have a right to conduct unscheduled audits of credit organisations to check their compliance with the reserves requirements, to collect the non-reserved amounts from the banks' correspondent accounts with the CBR, as well as to impose fines for failure to comply with the reserve requirements.

Regulation of Loss Provisioning

Russian credit organisations are required to calculate and establish their provisions for impairment losses for loan (and certain other loan-type indebtedness) in accordance with CBR Regulation No. 254-P of March 26, 2004, as amended (the "**CBR Regulation No. 254-P**"). This Regulation requires credit organisations to rank their loans (except for groups of loans that possess similar credit risk characteristics which are assessed on a collective basis) under one of the following five categories, which mean the following: quality I category (standard loans) — the absence of credit risk; quality II category (non-standard loans) — moderate credit risk; quality III category (doubtful loans) — considerable credit risk; quality IV category (problem loans) — high credit risk; quality V category (bad loans) — no probability that the loan will be repaid. The allocation of the loan into a particular category is based on the "professional judgement", which is a special procedure set out in CBR Regulation No. 254-P. The following operations of a credit organisation are, among others, subject to the impairment losses provisioning: all loans; deposits made by a credit organisation, including interbank credits (deposits and loans); other deposited funds, including rights to reclaim debt securities, shares, promissory notes and precious metals provided under loan agreements; discounted promissory notes; sums paid by a credit organisation to beneficiaries under bank guarantees which were not collected from the principal; monetary claims of a credit organisation under factoring transactions; claims of a credit organisation under rights assigned to it under various transactions. Only loans classified as category I loans (standard loans) do not need to be provisioned. Category II through V loans entail the following provisions, respectively: (i) 1 per cent. to 20 per cent.; (ii) 21 per cent. to 50 per cent.; (iii) 51 per cent. to 100 per cent.; and (iv) 100 per cent.. Effective from July 1, 2007, provisions in relation to retail loans are subject to special rules, which, *inter alia*, establish lower provision rates for portfolios of retail loans.

Provisions for loan losses are calculated on a periodical basis in Roubles under RAS, and are only used to cover losses relating to the principal amount of the relevant debt and exclude the relevant interest and discount.

In addition to the foregoing, banks are also required to create provisions for potential losses other than loan losses, which may include losses from investments in securities, funds held in correspondent accounts of other banks, credit-related commitments, interest revenues on loans provided, contingent liabilities and other transactions carrying credit risk. CBR Regulation No. 283-P of March 20, 2006, as amended, requires banks to classify such assets and operations into one of the five risk groups under the following criteria: (i) no real or potential threat of loss; (ii) moderate potential threat of loss; (iii) serious potential or moderate real threat of loss; (iv) simultaneous potential and moderate real threat of loss or significant real threat of partial loss; and (v) value of the particular type of asset or operation will be fully lost. Banks are then required to provide provisions for each type of an asset or operation in the amounts corresponding to the amounts of possible losses, but within the following limits established by the CBR for each risk group specified above, respectively: (i) 0 per cent.; (ii) 1 per cent. to 20 per cent.; (iii) 21 per cent. to 50 per cent.; (iv) 51 per cent. to 100 per cent.; and (v) 100 per cent. Banks must report the amounts of created non-loan provisions to the CBR on a monthly basis. The CBR and its regional units are responsible for monitoring compliance with these requirements. Pursuant to CBR Directive No. 1584-U of June 22, 2005, mandatory provisions for potential losses must also be created for various operations with residents of certain off-shore jurisdictions in the amounts between 0 per cent. and 50 per cent., depending on the jurisdiction involved.

Regulation of Currency Exposure

CBR Regulation No. 124-I of July 15, 2005, as amended, establishes rules regarding the exposure of banks to foreign currency and precious metals (collectively, "**currency exposure**"). The currency exposure is calculated with respect to net amounts of RAS balance sheet positions, spot market positions, forward positions, option positions and positions under guarantees, suretyships and letters of credit. An open currency position is calculated as the sum of all such net amounts. The currency exposure is calculated for each currency and each precious metal, and then recalculated into Roubles using the official exchange rates and the CBR's prices for precious metals. At the end of each operational day, the total amount of all open currency positions must not exceed 20 per cent. of the bank's regulatory capital. At the same time, at the end of each operational day, any long or short open currency position, as well as the balance in Roubles (subject to certain adjustments), must not exceed 10 per cent. of the bank's regulatory capital. Furthermore, banks are required to periodically report to the CBR regarding their open currency positions.

Regulation of Reporting

Starting from January 1, 2008, credit organisations are required to perform accounting of all their operations in accordance with CBR Regulation No. 302-P of March 26, 2007, as amended, which aims to approximate RAS accounting to IFRS. Under CBR Directive No. 2332-U of November 12, 2009, as amended, routine reporting is performed by credit organisations on a daily, five-day, ten-day, monthly, quarterly, semi-annually and annually basis; certain reporting is performed on non-periodical basis. Specific monthly reporting requirements apply to credit organisations in liquidation pursuant to CBR Directive No. 1594-U of July 14, 2005. Under the Banking Law, banking groups (*i.e.*, groups of credit organisations, in which one credit organisation, directly or indirectly, exercises substantial influence on other credit organisations within the group) and banking holdings (*i.e.*, groups of legal entities, in which one entity, which is not a credit organisation, exercises substantial influence on a credit organisation within the group) must regularly submit consolidated financial statements and calculations of mandatory ratios on a consolidated basis to the CBR.

Under CBR Directive No. 2172-U of January 20, 2009, all credit organisations must publish their RAS financial statements in the mass media on an annual and quarterly basis, which include a balance sheet, an income statement, calculations of mandatory ratios, a report on the level of regulatory capital as well as other information.

Pursuant to CBR Directive No. 1363-U of December 25, 2003, starting from January 1, 2004, credit organisations are also required to prepare financial statements in accordance with IFRS for the period from January 1 to December 31 of each year and submit them to the CBR prior to July 1 of the following year. Starting from the 2012 financial year, the requirement for credit organisations, such as Sberbank, to prepare annual consolidated financial statements under IFRS, have them audited and reported to the CBR is set forth under Federal Law No. 208-FZ, dated July 27, 2010 "On Consolidated Financial Statements" (the "**Federal Law No. 208-FZ**"). Federal Law No. 208-FZ also provides that interim consolidated financial statements shall also be reported to the CBR.

The CBR issued recommendations as to how to prepare IFRS financial statements in its Letter No. 169-T of November 24, 2011, which contains pro-forma IFRS financial statements and examples of typical adjustments to RAS accounts for the purpose of their transformation into IFRS financial statements. Annual financial statements of credit organisations prepared under RAS and IFRS are subject to an audit by an auditor being a member of a self-regulatory organisation of auditors in Russia.

According to CBR Regulation No. 345-P of October 27, 2009, as amended, all banks participating in the Retail Deposit Insurance System are required to publicly disclose information on individuals and legal entities that can materially influence decisions of the bank's management. Such information must be published on the website of the CBR or on the bank's website. As of July 2012, banks are obliged to publish information on shareholders owning more than 1 per cent. of the bank's voting shares, as well as the total percentage of shareholders owning 1 per cent. or less of the voting shares of the bank and the total percentage of voting shares that are publicly traded.

Regulation of Retail Banking

Sberbank participates in the Deposit Insurance System. According to the Retail Deposit Insurance Law, a credit organisation is eligible to participate in the Deposit Insurance System if it meets the following requirements: (i) the bank's financial statements and reporting are considered true and accurate by the CBR; (ii) the bank is in compliance with the CBR mandatory ratios (*e.g.* capital adequacy, liquidity, etc.); (iii) the financial stability of the bank is deemed sufficient by the CBR on the basis of such criteria as sufficiency and quality of the bank's regulatory capital and assets, profitability and liquidity, as well as compliance with the CBR requirements for transparency of its ownership structure, risk management system and internal controls; and (iv) the CBR is not conducting any enforcement actions against the bank and no grounds for such enforcement actions are revealed following the CBR's inspection of the bank.

The Deposits Insurance Agency is in charge of, among other matters, collecting insurance premiums, managing the funds in the mandatory insurance pool, setting insurance premiums and monitoring insurance payments, as well as recording claims of depositors against failed banks and payment of deposit compensation. All banks admitted to the Deposit Insurance System are recorded in the register maintained by the Deposits Insurance Agency.

Under the Retail Deposit Insurance Law, the protection for each client is limited and banks are required to make quarterly contributions into a deposit insurance fund. The basis of the deposit insurance premium is the quarterly average of daily balances of retail deposits insured under the Retail Deposit Insurance Law. Standard insurance premiums cannot exceed 0.15 per cent. of the premium base (the currently applicable insurance premium was established on September 25, 2008 as equal to 0.1 per cent. of the premium base). In certain circumstances, the insurance premium can be increased up to 0.3 per cent. of the premium base, but for not more than two quarters per every 18 months. When the size of the insurance fund reaches 5 per cent. of the total retail deposits of all Russian banks, all new insurance premium contributions should not exceed 0.05 per cent. of the premium base, and when the size of the insurance fund exceeds 10 per cent. of all Russian banks' retail deposits, no contributions will need to be made. They must be resumed, however, once the insurance fund falls below the 10 per cent. threshold.

According to the Retail Deposit Insurance Law, compensation is generally paid in full in relation to all deposits made by a retail customer, but, in any case, the amount of the compensation may not exceed RUB700,000 to a particular depositor on the account of all deposits opened at the respective bank. Compensation from the deposit insurance fund is payable to a depositor, if a bank's licence has been revoked or if the CBR has imposed a moratorium on payments.

In response to the turmoil that the Russian banking sector experienced from April through July 2004, Federal Law No. 96-FZ of July 29, 2004 "On Reimbursements by the Bank of Russia of Individual Deposits Held in Bankrupt Banks Not Participating in the Mandatory Individual Deposit Insurance System for Russian Banks", as amended (the "**Uninsured Deposits Law**") was adopted. The Uninsured Deposits Law established a protection system for retail clients of banks not participating in the Deposit Insurance System. The Uninsured Deposits Law contemplates, among other matters, that the CBR will make payments to the individual depositors of bankrupt Russian banks even if such banks have not been admitted to the Deposit Insurance System prior to their bankruptcy. Under the Uninsured Deposits Law, the reimbursement is paid in full in relation to all eligible deposits but, in any case, is capped by RUB700,000 per depositor. Having made the payment to retail depositors, the CBR assumes his/her rights against the bank and receives the same priority in bankruptcy as a retail depositor.

In August 2012, the CBR proposed amendments to the CBR Law. If those draft amendments are adopted into law, the CBR will have the power to limit interest rates on deposits offered by, and to appoint authorised representatives to: (i) a credit organisation ranked within the top 100 credit organisations, as determined on the basis of assets and/or total funds deposited by retail and/or corporate clients and (ii) a credit organisation, if its corporate and/or retail deposits equal or exceed 5 per cent. of the aggregate amount of retail and/or corporate deposits within a sub-federal unit of Russia.

Financial Consumer Protection

Financial consumer protection is generally based on Law of the Russian Federation No. 2300-1 of February 7, 1992, "On Protection of Consumers Rights", as amended (the "**Consumer Protection Law**"). According to the Resolution of the Supreme Court of Russia No. 7 of September 29,1994, the Consumer Protection Law is applicable to relations arising from financial services agreements, if made by retail customers for non-commercial purposes (including lending, settlement operations, opening and maintenance of bank accounts of retail consumers, and custody of securities).

In September 2011, the Supreme Arbitrazh Court issued further guidelines relating to the protection of financial consumers' rights. See "*Risk Factors – Risks Relating to Sberbank's Business and Industry –Sberbank faces risks associated with some of its lending fees and commissions being declared invalid under Russian law*". The Supreme Arbitrazh Court upheld the existing banks' practices of selling bad loans to specialised debt collection companies that typically function without a banking license, by stating that an assignment by a bank of non-performing retail loans to a non-banking organisation complies with the legislation and does not require a borrower's consent. However, on June 28, 2012, the Supreme Court supported the opposing position in its Resolution No. 17 "On Consideration by Judges of Civil Cases on Consumer Protection Disputes". Contrary to the position of the Supreme Arbitrazh Court, the Supreme Court declared the assignment by banks of receivables under retail loan agreements to non-banking organisations inconsistent with the Consumer Protection Law, except where a borrower has consented to the assignment in advance.

In addition, a financial ombudsman, created as a non-governmental independent body at the Association of Regional Banks of Russia to consider and help resolve banks' disputes with consumers, has been active in Russia since October 2010. If the value of a dispute does not exceed a set threshold, a retail bank customer may turn to the financial ombudsman at the pre-trial stage in order to settle with the bank without resort to court. However, decisions of the financial ombudsman are not binding. There have been some legislative initiatives recently to introduce binding dispute settlement procedures involving the financial ombudsman.

Regulation of Insolvency

Pursuant to Federal Law No. 40-FZ of February 25, 1999 "On Insolvency (Bankruptcy) of Credit Organisations", as amended (the "**Bank Insolvency Law**"), bankruptcy proceedings may not be initiated against a credit organisation before its licence is revoked.

Petition to the CBR for Licence Revocation

Under the Bank Insolvency Law, if a credit organisation cannot satisfy its creditors' claims and/or make mandatory payments to the budget, within 14 days of those becoming due, and/or the value of its assets is insufficient to satisfy the creditors' claims and/or make mandatory payments to the budget, the following persons may petition the CBR to revoke the credit organisation's banking licence, subject to certain procedural and evidentiary rules (the respective filing being a "**Licence Revocation Petition**"):

- the credit organisation itself;
- its creditors; and
- authorised governmental authorities.

If the CBR fails to respond to the Licence Revocation Petition within two months after its filing or denies the revocation of the credit organisation's banking license, the respective petitioners can petition a court to declare the credit organisation insolvent (the respective filing being an "**Insolvency Petition**"). If an Insolvency Petition is filed with a court, while the banking licence of the allegedly insolvent credit organisation has not yet been revoked, the court must adjourn its consideration of the Insolvency Petition and request the CBR to opine on whether there are grounds for revocation of the credit organisation's banking licence or, as the case may be, to provide the CBR order by which the credit organisation's licence has been revoked. If the CBR issues a negative opinion or fails to respond within one month, the Insolvency Petition must be dismissed. In the latter case, the CBR becomes liable for any losses a creditor incurs as a result of the non-revocation of the banking licence or, as the case may be, as a result of a failure by the CBR to take insolvency preventive measures in respect of such credit organisation.

Under the Banking Law, the CBR *must* revoke the banking licence of a credit organisation, if:

- the credit organisation's regulatory capital adequacy ratio falls below 2 per cent. (see "*—Regulation of Mandatory Economic Ratios*");
- the credit organisation fails to adjust its regulatory capital and its charter capital according to the CBR requirements within 45 days of the respective CBR order;
- the credit organisation fails to satisfy monetary claims of its creditors and/or make mandatory payments to the budget (*e.g.* taxes), in the aggregate amount of at least RUB100,000, within 14 days of their maturity; or
- certain other circumstances set by the Banking Law occur.

Under the Banking Law, the CBR has *discretion* to revoke the banking licence of a credit organisation, if:

- the information upon which the banking licence was issued was false;
- the credit organisation reports materially false information;
- the credit organisation delays a submission of its monthly reporting to the CBR by more than 15 days;
- the credit organisation conducts at least one operation deemed "banking operation" under the Banking Law without an appropriate license;
- the credit organisation's activities do not comply with the Banking Law or other laws and regulations governing the banking sector (including certain requirements of the Money Laundering Law, as defined below), such that during one year the CBR has imposed corrective measures upon the credit organisation more than once;
- the credit organisation wilfully and more than once, during one year, has failed to execute court decisions prescribing it to debit funds from its clients' accounts;
- the credit organisation fails to timely submit to the CBR updated information for inclusion in the state register of legal entities more than once; or
- certain other circumstances set by the Banking Law occur.

Consequences of the CBR Decision to Revoke a Banking License

If, in response to a Licence Revocation Petition, the CBR revokes the credit organisation's banking licence, any of the following entities can file an Insolvency Petition, subject to certain procedural and evidentiary rules:

- the credit organisation itself;
- its creditors;
- authorised governmental authorities; and
- the CBR.

Upon revocation of the credit organisation's banking licence, the CBR must appoint an interim administration for the credit organisation (if the CBR has not appointed such interim administration earlier, *e.g.*, under certain circumstances set forth in the Bank Insolvency Law indicating the deteriorating financial condition of the credit organisation). The powers of the interim administration last until the appointment of a receiver. See "*—Appointment and Powers of a Receiver*". Within two months after an Insolvency Petition is filed, the court should take a decision on the insolvency of the credit organisation and, if applicable, the opening of a receivership. A nationwide newspaper "Kommersant" and a local periodical must publish information on the court's decision that declared the credit organisation insolvent. Such publications must set forth, among other things, the time frame for filing and satisfaction of creditors' claims.

Appointment and Powers of a Receiver

Once a court declares a credit organisation insolvent:

- if the credit organisation did not hold a retail banking licence, the court appoints a CBR-accredited receiver; or
- if the credit organisation held a retail banking licence, the Deposits Insurance Agency acts as a receiver.

Upon her appointment, the receiver assumes all the management and liquidation of the credit organisation's operations. The receiver's appointment is initially for one year, but may be extended for a further six-month period. The receiver's authority includes:

- analysis of the credit organisation's financial standing;
- valuation of its assets;
- identification of its creditors and providing them with a notice of the credit organisation's insolvency;
- identification of debtors and demanding performance of their obligations to the estate of the insolvent credit organisation; and
- other powers, as set forth under the Bank Insolvency Law.

The receiver reports to a committee of creditors and to the CBR, subject to the court supervision.

Invalidation of Transactions and Refusal to Perform Obligations

Under the Bank Insolvency Law, upon the receiver's petition, the court may invalidate, among others, the following transactions of an insolvent credit organisation (subject to certain exceptions set by the Bank Insolvency Law for specific types of transactions, such as transactions made in the ordinary course of business or at a stock exchange):

- made within one year prior to the appointment of the interim administration, if the consideration received under such transaction is deemed "unequal", *i.e.*, if the price and/or other terms of such transaction were significantly less favourable to the credit organisation than those of a similar transaction made under comparable circumstances; or
- made within three years before the appointment of the interim administration, if the credit organisation made the transaction with the intent of prejudicing property interests of creditors, **provided that** the transaction caused damage and the counterparty was aware of such intent of the credit organisation; or
- if the transaction leads or may lead to preferential satisfaction of one creditor's claims over other creditor's claims and was (i) made within one month prior to the appointment of the interim administration, or after the appointment of the interim administration; or (ii) made within six months prior to the appointment of the interim administration where the counterparty was aware (or should have been aware) that the credit organisation could be insolvent when the transaction was made or if such transaction aimed at creating preferences for a particular creditor or impaired or could impair otherwise existing priority of claims.

In addition, under the Bank Insolvency Law, the receiver may generally refuse to perform any transaction that results in losses to the credit organisation, where a similar transaction entered into under comparable circumstances would not ordinarily result in such losses.

Priority of Claims

Under the Bank Insolvency Law and the Bankruptcy Law, the claims of creditors of a credit organisation that participates in the Deposit Insurance System generally rank in the following order of priority:

- current claims which have emerged, as a rule, during the insolvency proceedings, including insolvency administration and salary costs, salaries, utilities bills, legal expenses, ongoing taxes and other payments;

- first priority claims, including:
  - claims in tort for damages to an individual's person, as well as moral harm;
  - claims of retail depositors and individuals holding current accounts (except for individual entrepreneurs, attorneys, notary public and other persons who opened accounts for professional purposes);
  - claims of the Deposits Insurance Agency in respect of deposits and current accounts assigned to it pursuant to the Retail Deposit Insurance Law;
  - claims of the CBR relating to payments made by the CBR to retail depositors of insolvent credit organisations not participating in the Deposit Insurance System;
- second priority claims include claims under employment contracts and other social benefits and authorship copyright claims;
- third priority claims include claims secured by a pledge of the credit organisation's assets (any residual claims of secured creditors that remain unsatisfied after the sale of such collateral rank *pari passu* with claims of unsecured creditors (*e.g.* forth priority claims), as well as certain claims of retail depositors that do not constitute first priority claims;
- fourth priority claims are claims of all other creditors (including tax authorities), except for claims of subordinated creditors; and
- fifth priority claims are claims of subordinated creditors.

Claims of each category of creditors must be satisfied in full before proceeding to claims of the successive category. However, current claims must be satisfied from the estate without regard to the above priorities at any point of the bankruptcy proceedings.

Completion of Insolvency Proceedings

Upon the collection of debts and satisfaction of claims, to the extent possible, the receiver submits a report to the court. The court, in turn, decides on continuing or closing the insolvency proceedings.

Voluntary Liquidation

To voluntarily liquidate a Russian bank, its shareholders after approving the relevant decision must apply to the CBR to have the banking licence cancelled. The CBR will conduct various checks and review the bank's operations after which it can decide to cancel the licence. Upon its cancellation the liquidation should be carried out under the general Russian corporate liquidation rules subject to certain specifics set under CBR regulations.

If the CBR finds grounds to revoke the banking licence while reviewing the shareholders' application to voluntarily cancel a banking licence, the CBR will instead put the bank into involuntary insolvency procedures, which will include appointing a receiver. See "*—Regulation of Insolvency*".

Rights of the CBR under the Financial System Support Law and the CBR Law

Since October 2008, a set of federal laws and regulations was adopted to support the liquidity of the Russian banking sector, restore investor confidence and support mid-term economic growth of the Russian economy by facilitating credit across the Russian banking sector. The Financial System Support Law introduced the framework principles to support the financial system of the Russian Federation and provided for specific measures and actions to be taken by the CBR and Vnesheconombank. Sberbank has received a subordinated loan from the CBR in accordance with the Financial System Support Law..

Under the Financial System Support Law, the Government and the CBR provided up to RUB910 billion in subordinated loans to state-owned and private banks under certain conditions. Such influx into the banking capital in the form of long-term subordinated loans (with a maturity of up to December 31, 2019) was one of the key economic initiatives implemented to restore confidence in the Russian banking sector. Sberbank received RUB500 billion, VTB received RUB200 billion and Russian Agricultural Bank received RUR25 billion as part of the initiative. The remaining RUB185 billion were set to be distributed via Vnesheconombank among privately-owned Russian banks subject to certain conditions.

Federal Law No. 317-FZ "On Amending Articles 46 and 76 of the Federal Law On the Central Bank of Russian Federation (Bank of Russia)", dated December 30, 2008, vested the CBR with the right to appoint its authorised representatives to the credit organisations, which have received any foreign currency loans and/or subordinated loans pursuant to the Financial System Support Law, as well as certain other types of loans from the CBR. Since Sberbank received such loans, the respective authorised representative to Sberbank was appointed by the CBR in accordance with its Directive No. 2182-U of February 9, 2009, providing for, among other matters, the powers of such authorised representatives. An authorised representative can participate without vote in the meetings of the management bodies, where the agenda relates to lending and/or management of assets and liabilities of such credit organisations. An authorised representative can request information on transactions or operations that, among others, (i) relate to any disposal of real estate of such credit organisations, (ii) relate to any disposal of other property of such credit organisation, if its book value exceeds 1 per cent. of such credit organisation's assets, (iii) relate to performance of any obligations, if their book value exceeds 1 per cent. of such credit organisation's liabilities, (iv) relate to any transfer of funds to foreign banks, if their amount exceeds 1 per cent. of such credit organisation's assets, or (v) are made with an interested party, affiliate, or an entity with respect to which such credit organisation is an interested party, if the amount of such transaction or operation exceeds 0.5 per cent. of book value of such credit organisation's assets (liabilities).

According to CBR Directive No. 2181-U of February 9, 2009, as amended, since Sberbank obtains from time to time secured loans from the CBR, an authorised representative of the CBR can also request (i) information on assets securing such loan, (ii) security agreements securing such loan (if any), (iii) extracts provided by the depositary or registrar confirming the registration of pledge on the securities that serve as collateral for the loan, and (iv) copies of pledge instructions (where the loan is secured by a pledge of receivables under loan agreements, which are, in their turn, are secured by a pledge of certain securities).

If a credit organisation fails to provide an authorised representative with the required information or provides misleading information, the CBR is entitled to (i) require such credit organisation to cure the respective violation, (ii) collect a fine from such credit organisation in the amount not exceeding 0.1 per cent. of the minimum charter capital for banks (currently, RUB300,000), or (iii) restrict conducting certain banking operations by such credit organisation for up to six months. In addition, the CBR may demand such credit organisation to fulfil its agreement made within the framework of the Financial System Support Law.

If a credit organisation fails to comply with a CBR order issued in response to the above violation within the term prescribed by the CBR or such violation created a real threat to the interests of such credit organisation's creditors (depositors), the CBR is authorised to impose a fine in the amount not exceeding 1 per cent. of its paid charter capital (but not exceeding 1 per cent. of the minimum charter capital, currently, RUB3 million), restrict certain banking operations for up to one year, and implement certain other measures. In addition, if during one year the CBR has repeatedly applied any of the above measures to a credit organisation due to its non-compliance with federal laws regulating banking activity or CBR regulations, the CBR is entitled to cancel the banking licence of such credit organisation.

Regulation of Credit Histories

In December 2004, Federal Law No. 218-FZ "On Credit Histories" was adopted. This law, as amended, provides for the establishment of "credit bureaus" that will maintain a database of retail borrowers' credit histories. The law requires all credit organisations, starting from September 1, 2005, to provide at least one credit bureau with the credit histories of all borrowers that have consented to the distribution of their credit histories. The borrower's credit history consists of both public and confidential portions and must include, among other matters, information on the borrower's outstanding debt and interest on it, the terms of repayment and any legal proceedings involving the borrower in respect of loans and financings. The borrower's credit history may be distributed to a third party with the borrower's prior consent, which remains valid for one month after it has been granted. The general catalogue of credit histories is maintained by the CBR and includes cover pages of all credit histories and information about the credit bureau that maintains each credit history. The credit bureaus are supervised by the FSFM. As of July 2, 2012, the FSFM has registered 26 credit bureaus.

Regulation of Currency Control

Notwithstanding significant liberalisation of the Russian currency control regime in the last decade, Federal Law No. 173-FZ "On Currency Regulation and Currency Control" dated December 10, 2003 (as amended) (the "**Currency Law**") continues to impose some limitations on currency operations. In particular, foreign currency operations between Russian residents are generally prohibited (except for certain specified operations, including foreign currency transactions between Russian authorised banks listed in CBR Directive No. 1425-U of April 28, 2004). Moreover, certain limitations not applicable to credit organisations apply to the credit organisations' clients, such as the requirement to notify the Russian tax authorities of an opening of a bank account abroad. Finally, credit organisations are required to perform the functions of currency control agents, *i.e.*, supervise compliance by residents and non-residents, as such terms are defined in the Currency Law, with the restrictions imposed by currency laws and regulations, including the requirements imposed on residents to maintain transaction passports for certain cross-border transactions and repatriate, subject to certain exceptions, export-related earnings to Russia.

Regulation of Anti-Money Laundering and Terrorist Financing

In August 2001, Federal Law No. 115-FZ "On Combating the Legalisation (Laundering) of Income Obtained by Criminal Means and Terrorist Financing" (the "**Money Laundering Law**") was adopted to comply with the requirements of the Financial Action Task Force on Money Laundering ("**FATF**"). The Money Laundering Law came into effect on February 1, 2002 and was subsequently amended multiple times. Credit organisations are required to comply with the provisions of the Money Laundering Law relating to, among other things, the development of appropriate internal standards and procedures, client, its representative and ultimate beneficiary identification, control over client operations and reporting of suspicious operations performed by clients.

One of the main obligations of banks under the Money Laundering Law is the control function that involves the identification of banks' clients, their representatives and ultimate beneficiaries, gathering and recording of information with respect to client operations subject to control and reporting of such operations to the Federal Service for Financial Monitoring, the anti-money laundering authority in Russia. The Money Laundering Law requires that banks control any operation with funds or other property if the amount of such operation is equal to or exceeds RUB600,000 (or its equivalent in foreign currencies), where such operation involve any of the following: certain cash transactions, transactions where at least one of the counter-parties is resident, or has a bank account, in a country that does not comply with the recommendations of the FATF (a country list corresponds to the "black list" issued by the FATF), certain operations with bank accounts/deposits, and certain transactions with moveable assets, including transactions involving precious stones, precious metals and other property. Banks also must control any operation with real estate where the ownership to such real estate is transferred, if the amount of such operation is equal to or exceeds RUB3 million (or its equivalent in foreign currencies). In addition, banks are required to control any operation involving individuals or organisations that are known to be involved in extremist or terrorist activities and legal entity controlled by them or their agents. If bank officers suspect that an operation is conducted in order to legalise any funds received as a result of illegal activity or to finance terrorist activities, the bank is required to report such operations to the Federal Service for Financial Monitoring whether or not such operation qualifies as subject to control. Banks are not allowed to inform clients that transactions are being reported to the Federal Service for Financial Monitoring, as well as of any other measures that have been undertaken to prevent money laundering (except for a notice regarding suspension of a banking operation, refusal to perform the client's instruction, and certain other information). Certain transactions conducted by individuals are exempt from the identification requirements under the Money Laundering Law, in particular, foreign exchange operations not exceeding RUB15,000.

On November 21, 2011, amendments to the Money Laundering Law came into force, requiring that credit organisations develop and adopt new internal control regulations based on the requirements set out by CBR Regulation No. 375-P, effective from April 29, 2012, within one year from such latter date. The Regulation extends criteria for identifying suspicious operations, in particular, introducing separate characteristics for operations that may be deemed directed at terrorist financing or tax evasion, and requires that credit organisations establish procedures for their identification. Before these amendments, credit organisations developed internal control regulations based on the CBR recommendations and were required to get the approval of the CBR and, if they are professional securities market participants, of the FSFM. The amendments have removed a sometimes bureaucratic approval procedure. On the other hand, banks will no longer benefit from a "safety net" of the CBR's sign-off on their internal control regulations, which increases the risk of related investigations and claims by the CBR and the likelihood of future controversies with the regulator, as well as subjects the banks' responsible employees to a heightened risk of liability for technical non-compliance of the internal control regulations and the CBR requirements.

The Insider Dealing Law

Federal Law No. 224-FZ "On Combating the Unlawful Use of Insider Information and Market Manipulation and Introducing Amendments to Certain Legislative Acts of the Russian Federation" dated July 27, 2010, as amended, (the "**Insider Dealing Law**") generally came into force on July 31, 2011, save for the regulation of criminal liability for unlawful use of insider information and revocation of a banking license due to multiple instances of non-compliance with the Insider Dealing Law during one year. The Insider Dealing Law enumerates categories of persons that can be considered insiders, including, among others, issuers and management companies, as well as professional market participants (including brokers and dealers) and other persons who transact on behalf of their clients with financial instruments, foreign currency and/or goods, and have received insider information from such clients. Under the Insider Dealing Law, any person who illegally uses insider information and publishes misleading information may be held liable for misuse of information and/or market manipulation. Furthermore, insiders must comply with certain new disclosure requirements, including keeping the insiders list and sending notices of transactions by the insiders to the FSFM and the relevant legal entities. In implementing the Insider Dealing Law and pursuant to CBR Regulation No. 2723-U of October 31, 2011, the CBR began to disclose certain facts relating to Russian banks on its website, including: (1) the status and results of its inspections, (2) licence revocations, (3) cases of imposing an administrative liability upon a credit organisation and/or its CEO, (4) an invalidation of the CBR's approval for taking retail deposits and opening and maintaining bank accounts for individuals, and (5) stages of issuance of securities by banks. Given that the Insider Dealing Law is relatively new and sometimes allows for various interpretations, its application is not yet settled.

The National Payment System Law

Federal Law No. 161-FZ "On the National Payment System" (the "**National Payment System Law**") that was adopted on June 27, 2011, generally came into force on September 29, 2011. This law provides for legal and organisational principles of the national payment system, establishes the procedure for rendering of payment services, including making transfer of monetary funds, use of electronic means of payment, as well as sets forth requirements for organisation and operation of payment systems and the procedure for monitoring and supervision over the national payment system. This law provides that only credit institutions may carry out transfers of electronic monetary funds. Credit institutions may enter into agreements with other organisations, under which the latter may render to the credit institutions operational and clearing services for the transfer of electronic monetary funds. Under this law, the CBR is vested with additional functions of monitoring and supervision over the national payment system.

The Central Depositary Law

Federal Law No. 414-FZ "On the Central Depositary" (the "**Central Depositary Law**"), which generally came into force on January 1, 2012, provides legal framework for establishment, and operational conditions, of the central depositary, in particular, setting out rights and obligations of the central depositor, requirements to its activities and specifics of the state control and supervision over its activities. The Central Depositary Law aims at improving effectiveness and competitiveness of Russian stock market, including, expediting and facilitating securities trade settlements and mitigating the risks associated therewith. Under this law, the central depositary is defined as a depositary that is a NCO, to which the status of the central depositary has been assigned. Only a joint-stock company registered in Russia can be the central depositary. Pursuant to the Central Depositary Law, the central depositary (within one year from the date of assignment of its status) shall take all necessary steps in order to open its nominal holder accounts, in particular, in all securities registers of issuers obliged to disclose information in accordance with the Securities Market Law (applicable to Sberbank). Also, the Central Depositary Law prohibits persons maintaining securities registers from opening, and depositing securities to, other nominal holder accounts from the opening date of a nominal holder account of the central depositary. No Russian depositary has been assigned the status of the central depositary so far.

Accession of Russia to the WTO

On December 16, 2011, Russia signed the Protocol on its accession to the World Trade Organisation ("**WTO**"). The ratification procedures were completed on July 21, 2012, and on August 22, 2012 the accession to the WTO became effective. However, in relation to its banking sector, Russia made a reservation that it would review market access requirements for the establishment of branches of foreign banks and securities firms in the context of future negotiations on the accession of Russia to the OECD or within the framework of the next round of the WTO multilateral trade negotiations. Currently, the CBR allows foreign banks either (i) to incorporate a subsidiary bank in Russia regulated by the CBR or (ii) to maintain a representative office in Russia. A subsidiary of a foreign bank is an entity operational within the scope of its Russian banking license, which must comply with Russian laws and CBR regulations (including on mandatory ratios). Activities of a representative office are limited to facilitating banking operations and representing interests of the foreign parent. At present, a foreign bank may set up a subsidiary or a representative office in Russia, subject to the CBR approval and **provided that**, among other matters, the parent bank has a good reputation and is in good financial standing in its home country. In July 2012, the Russian government proposed a draft law explicitly prohibiting the establishment of foreign bank branches in Russia.

The accession of Russia to the WTO is also expected to necessitate unification of requirements applicable to private banks, banks under state control and foreign-controlled banks, including, among other things, abolishing some Russian law provisions that may be deemed discriminatory against foreign-owned banks in favour of banks controlled by Russian nationals or the state. At the same time, Russia managed to keep a limit on an overall amount of foreign investments into the banking sector of Russia post-WTO accession, which shall not exceed 50 per cent. of the total equity capital of all credit organisations registered in Russia. If the threshold is exceeded, the CBR will have a right (i) not to authorize new foreign investments in the banking sector, and/or (ii) to impose a temporary ban on disposal of banks' equity capital to foreign investors, including, *inter alia*, through an increase of equity capital at the account of a foreign investor.

THE ISSUER

SB Capital S.A. was incorporated as a *société anonyme* on April 21, 2006 for an unlimited duration with limited liability under the laws of Luxembourg. Its Articles of Incorporation were published in the *Mémorial Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations* on June 30, 2006. It is registered with the Register of Commerce and Companies, Luxembourg under number B-1 15914. Its registered office is located at 2, Boulevard Konrad Adenauer, L-1 115 Luxembourg. The Issuer may be reached by telephone at +352-421-22-462.

SB Capital S.A.'s subscribed share capital amounts to U.S.$50,000 divided into 500 shares with a par value of U.S.$100 each. All of the shares are fully paid up. Four hundred and ninety nine shares are owned by Stichting SB Capital Luxembourg and one share by Stichting Participatie DITC Amsterdam. SB Capital S.A. is not a subsidiary of Sberbank.

SB Capital S.A. is a special purpose entity established to facilitate the Group's issues of debt securities. It is not owned by Sberbank or the Group. However, for the purposes of financial reporting under IFRS, SB Capital S.A. has been included in the consolidation of the Group on the basis that it is an enterprise controlled by the Group, through the predetermination of SB Capital S.A.'s activities, which are prescribed by its Articles of Incorporation, as discussed in further detail below.

Corporate Governance

SB Capital S.A. has been established as a special purpose vehicle for the purpose of issuing asset-backed securities. It is governed for the most part by the Board of Directors, currently consisting of three directors. The directors at present are:

- Daniel Bley, private employee, having his professional address at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg;
- Anja Wunsch, private employee, having her professional address at 2, Boulevard Konrad Adenauer, L-1 115 Luxembourg; and
- Heike Kubica, private employee, having her professional address at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg.

The Issuer is unaware of any conflicts of interest between the duties that any director owes to the Issuer and such director's private interests or other duties.

Deutsche Bank Luxembourg S.A. is the domiciliation agent of SB Capital S.A. Its duties include the provision of certain administrative and related services. Its appointment may be terminated and it may retire upon two months' prior notice, subject to it providing the Issuer and the Trustee with a list of at least three suitable domiciliation agency service providers.

SB Capital S.A. is established for the purposes described in Article 3 of its Articles of Incorporation, as follows:

- the issue of loan participation notes and other debt securities under a programme for the issuance of loan participation notes for the purpose of financing loans to Sberbank;
- the granting of loans to Sberbank;
- the granting of security interests over its assets to a trustee in relation to the issuance of the loan participation notes and other debt securities;
- the making of deposits (including fiduciary deposits) at banks or with other depositaries; and
- the entering into all ancillary transactions, documents and agreements.

SB Capital S.A. may carry out any transactions, whether commercial or financial, which are directly or indirectly connected with its corporate object at the exclusion of any banking activity. In general, SB Capital S.A. may carry out any operation that it may deem useful or necessary in the accomplishment and the development of its corporate purpose.

Annual Accounts

Since April 21, 2006 (the date of its incorporation), the Issuer has not conducted operations, other than the issuance of the U.S.$500 million Notes, U.S.$750 million Notes, U.S.$500 million Notes, U.S.$1,500 million Notes, U.S.$1,250 million Notes and CHF400 million Notes,U.S.$1,000 million Notes, U.S.$750 million Notes and CHF410 million Notes issued by the Issuer in May 2006, November 2006, July 2008, July 2010, September 2010 and November 2010, February 2012, February 2012 and March 2012, respectively, under the Programme to finance the loans to Sberbank. The Issuer's Financial Statements, prepared in accordance with Luxembourg GAAP and presented on a non-consolidated basis, were audited by FPS Audit and have been filed with the Luxembourg Register of Commerce and Companies. The Issuer's fiscal year will end on December 31 of each year. There has been no material change in the capitalisation of the Issuer since its incorporation, except for a decrease in shareholders' equity in the amount of U.S.$593,566 from a loss of U.S.$252,243 as of December 31, 2006, a loss of U.S.$151,346 as of December 31, 2007, a loss of U.S.$193,849 as of December 31, 2008, a loss of U.S.$49,961 as of December 31, 2009, a profit of U.S.$53,833 as of December 31, 2010 and a loss of U.S.$526,044 as of December 31, 2011, mainly due to changes in corporate tax and operating expenses. These costs are reimbursable by the Borrower.

Auditors

FPS Audit S.à.r.l are the approved auditors of the Issuer with respect to the Issuer's Annual Accounts as of and for the years ended December 31, 2011, 2010 and 2009. The address of FPS Audit S.à.r.l is 46, Boulevard Grande-Duchesse Charlotte, L-1330 Luxembourg. FPS Audit is a member of the *Institut des Réviseurs d'Entreprises* and supervised by the *Commission de Surveillance du Secteur Financier*.

FACILITY AGREEMENT

This is the Facility Agreement dated May 12, 2006 which has been updated in this Base Prospectus to reflect the change of name of the agents as described further in the statement on page 40 of this Base Prospectus and to reflect the amendments thereto effected by an amendment agreement dated July 24, 2007 and a deed of amendment dated October 16, 2012.

This Facility Agreement is made on 12 May 2006 between:

(1) **SBERBANK OF RUSSIA,** a company established under the laws of the Russian Federation whose registered office is at 19 Vavilova Street, 117997 Moscow, Russian Federation ("**Sberbank**"); and

(2) **SB CAPITAL S.A.**, a *société anonyme* established under the laws of Luxembourg whose registered office is at 2, Boulevard Konrad Adenauer, L-1115, The Grand Duchy of Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B-115914 (the "**Lender**").

WHEREAS, the Lender has at the request of Sberbank agreed, pursuant to this Agreement and any subordinated loan agreements to be entered into from time to time by the Issuer and Sberbank, as supplemented by a corresponding subordinated loan supplement (together each a "**Subordinated Loan Agreement**"), to make available to Sberbank a loan facility in the maximum amount of the Programme Limit (as defined below) on the terms and subject to the conditions of either this Agreement, as amended and supplemented in relation to each Loan (as defined below) by a Loan Supplement dated the Closing Date substantially in the form set out in the Schedule hereto (each, a "**Loan Supplement**") or any Subordinated Loan Agreement;

WHEREAS, it is intended that, concurrently with the extension of any Loan under this loan facility the Lender will issue certain loan participation notes in the same nominal amount and bearing the same rate of interest as such Loan.

Now it is hereby agreed as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement (including the recitals), the following terms shall have the meanings indicated:

"**Account**" means an account in the name of the Lender as specified in the relevant Loan Supplement.

"**Affiliates**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect control by such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agency Agreement**" means the paying agency agreement relating to the Programme dated 12 May 2006, as may be amended or supplemented from time to time between the Lender, the Trustee and the agents named therein.

"**Arrangers**" means Barclays Bank PLC and J.P. Morgan Securities plc or any additional or replacement arranger appointed, and excluding any Arranger whose appointment has terminated pursuant to the Dealer Agreement.

"**Business Day**" means (save in relation to Clause 4) a day (other than a Saturday or Sunday) on which (a) banks and foreign exchange markets are open for business generally in the relevant place of payment, and (b) if on that day a payment is to be made in a Specified Currency other than euro hereunder, where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency and (c) if on that day a payment is to be made in euro hereunder, a day on which the TARGET System is operating and (d) in relation to a Loan corresponding to a Series of Notes to be sold pursuant to Rule 144A under the Securities Act, banks and foreign exchange markets are open for business generally in New York City.

"**Calculation Agent**" means, in relation to a Loan, The Bank of New York Mellon, London Branch or any other person named as such in the relevant Loan Supplement or any successor thereto.

"**Change of Control**" means the Central Bank of Russia and/or any other federal state agencies appropriately authorised to hold the shares of Sberbank (i) ceasing to own or control (directly or indirectly) 50 per cent. plus one share of the issued and outstanding voting share capital of Sberbank; or (ii) no longer has the right to appoint or remove a majority of Sberbank's supervisory council.

"**Change of Law**" means any of the enactment or introduction of any new law, the variation, amendment or repeal of an existing or new law, and any ruling on or interpretation or application by a competent authority of any existing or new law which, in each case, occurs after the date hereof and for this purpose the word "law" means all or any of the following whether in existence at the date hereof or introduced hereafter and with which it is obligatory or customary for banks or other financial institutions or, as the case may be, companies in the relevant jurisdiction to comply:

(i) any statute, treaty, order, decree, instruction, letter, directive, instrument, regulation, ordinance, or similar legislative or executive action by any national or international or local government or authority or by any ministry or department thereof and other agencies of state power and administration (including, but not limited to, taxation departments and authorities); and/or

(ii) any letter, regulation, decree, instruction, request, notice, guideline, directive, statement of policy or practice statement given by, or required of, any central bank or other monetary authority, or by or of any Taxing Authority or fiscal or other authority or agency (whether or not having the force of law); and the decision or ruling on, the interpretation or application of, or a change in the interpretation or application of, any of the foregoing by any court of law, tribunal, central bank, monetary authority or agency or any Taxing Authority or fiscal or other competent authority or agency.

"**Change of Control Payment Date**" means the Business Day falling 90 days after Sberbank gives notice to the Lender of a Change in Control pursuant to sub-Clause 5.4 or, if such day is not a Business Day, the first Business Day immediately following such 90-day period.

"**Closing Date**" means the date specified as such in the relevant Loan Supplement.

"**Day Count Fraction**" has the meaning specified in the relevant Loan Supplement.

"**Dealer Agreement**" means the dealer agreement relating to the Programme dated 12 May 2006 between the Lender, Sberbank, the Arrangers and the other dealers named therein or appointed pursuant to it, as may be further amended or supplemented from time to time.

"**Dollars**", "**$**" and "**U.S.$**" means the lawful currency of the United States of America.

"**Encumbrance**" means any mortgage, charge, pledge, lien (other than a lien arising solely by operation of law which is discharged within 90 days of arising) or other security interest securing any obligation of any Person or any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

"**euro**" or "**€**" means the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended.

"**Event of Default**" has the meaning assigned to such term in sub-Clause 11.1 hereof.

"**Financial Indebtedness**" means any obligation for the payment of money in any currency, whether sole, joint or several, and whether actual or contingent, in respect of:

1.1.1 moneys borrowed or raised (including the capitalised value of obligations under financial leases and hire purchase agreements which would, in accordance with IFRS, be treated as finance or capital leases, but excluding moneys raised by way of the issue of share capital (whether or not for a cash consideration) and any premium on such share capital) and interest and other charges thereon or in respect thereof;

1.1.2 any liability under any debenture, bond, note, loan stock or other security or under any acceptance or documentary credit, bill discounting or note purchase facility or any similar instrument;

1.1.3 any liability in respect of the deferred acquisition cost of property, assets or services to the extent payable after the time of acquisition or possession thereof by the party liable, but not including any such liability in respect of normal trade credit for a period not exceeding six months for goods or services supplied;

1.1.4 any liability under any interest rate or currency hedging agreement (and the amount for such Financial Indebtedness in relation to any such transaction shall be calculated by reference to the mark-to-market valuation of such transaction (if it shows a sum owed to the counterparty of Sberbank or any Subsidiary), at the relevant time);

1.1.5 any liability under or in respect of any bonding facility, guarantee facility or similar facility; and

1.1.6 (without double counting) any guarantee or other assurance against financial loss in respect of such moneys borrowed or raised, interest, charges or other liability (whether the person liable in respect of such moneys borrowed or raised, interest, charges or other liability is or is not a member of the Group).

"**Fixed Rate Loan**" means a Loan specified as such in the relevant Loan Supplement.

"**Floating Rate Loan**" means a Loan specified as such in the relevant Loan Supplement.

"**Group**" means Sberbank and its Subsidiaries taken as a whole.

"**IFRS**" means the International Financial Reporting Standards issued by the International Accounting Standards Board (as amended, supplemented or re-issued from time to time).

"**IFRS Financial Statements**" means the most recent audited financial statements of Sberbank for each financial year ended 31 December prepared in accordance with IFRS.

"**Interest Commencement Date**" means the Closing Date or such other date as may be specified in the relevant Loan Supplement.

"**Interest Payment Date**" means the dates specified as such in the relevant Loan Supplement, or, in the event of a prepayment in whole or in part in accordance with sub-Clauses 5.2, 5.3 and 5.4, the date set for such redemption in respect of the part of the Loan to be redeemed.

"**Interest Period**" means each period beginning on (and including) an Interest Payment Date or, in the case of the first Interest Period, the Interest Commencement Date, and ending on (but excluding) the next Interest Payment Date.

"**Lender Agreements**" means the Dealer Agreement, this Agreement, the Agency Agreement, the Principal Trust Deed and together with, in relation to each Loan, the relevant Subscription Agreement, Loan Supplement and Supplemental Trust Deed.

"**Loan**" means each loan to be made pursuant to, and on the terms specified in this Agreement and the relevant Loan Supplement and includes each Fixed Rate Loan and Floating Rate Loan.

"**Loan Agreement**" means this Agreement and (unless the context requires otherwise), in relation to a Loan, means this Agreement as amended and supplemented by the relevant Loan Supplement.

"**Material Adverse Effect**" means a material adverse effect on (a) the financial condition or operations of Sberbank or of Sberbank and any of its Principal Subsidiaries taken as a whole or (b) Sberbank's ability to perform its obligations under a Loan Agreement or (c) the rights or remedies of the Lender under a Loan Agreement.

"**Noteholder**" means, in relation to a Note, the person in whose name such Note is registered in the register of the noteholders (or in the case of joint holders, the first named holder thereof).

"**Notes**" means the loan participation notes that may be issued from time to time by the Lender under the Programme in Series, each Series corresponding to a Loan and relating to a Loan as defined in the relevant Loan Supplement.

"**Officer's Certificate**" means a certificate signed by an officer of Sberbank who shall be the principal executive officer, principal accounting officer or principal financial officer of Sberbank.

"**Opinion of Counsel**" means a written opinion from international legal counsel as reasonably selected by Sberbank or the Lender, as the case may be, with the written consent of the Lender or Sberbank, as the case may be, such consent not to be unreasonably withheld or delayed.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, company, firm, trust, organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

"**Potential Event of Default**" means any event which, after notice or passage of time or both, would be an Event of Default.

"**Principal Subsidiary**" means at any relevant time a Subsidiary of Sberbank:

(i) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues, as the case may be) represent not less than 10 per cent. of the total consolidated assets or the gross consolidated revenues of Sberbank and its Subsidiaries, all as calculated by reference to the then latest audited accounts (or consolidated accounts as the case may be) (in each case, produced on the basis of IFRS, consistently applied) of such Subsidiary and the then latest audited consolidated accounts of Sberbank (produced on the basis of IFRS, consistently applied) and its consolidated Subsidiaries; or

(ii) to which is transferred all or substantially all the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary.

"**Principal Trust Deed**" means the principal trust deed dated 12 May 2006 between the Lender and the Trustee, as may be amended or supplemented from time to time.

"**Programme**" means the programme for the issuance of Notes by the Lender for the purpose of financing Loans.

"**Programme Limit**" means U.S.$10,000,000,000 or its equivalent in other currencies, being the maximum aggregate principal amount of Notes that may be issued and outstanding at any time under the Programme as may be increased in accordance with the Dealer Agreement.

"**Put Option**" means the put option (if applicable) granted to Noteholders pursuant to the Conditions of a Series of Notes.

"**Qualifying Jurisdiction**" means any jurisdiction in which the Lender or any successor thereto is entitled to receive payment of interest on any Loan under a double taxation agreement in force on such date (subject to the completion of any necessary procedural formalities) providing for full exemption from Russian withholding tax on interest derived from a source within the Russian Federation to a resident of such jurisdiction.

"**Rate of Interest**" has the meaning assigned to such term in the relevant Loan Supplement.

"**Relevant Indebtedness**" means any Financial Indebtedness which (a) is in the form of or represented by any bond, note, debenture stock, loan stock, certificate or other debt instrument which is listed or quoted on any stock exchange; (b) is denominated, payable or optionally payable in a currency other than roubles; and (c) was initially offered and distributed (as to more than 50 per cent. of the original principal amount of such debt) outside the Russian Federation.

"**Repayment Date**" means the date specified as such in the relevant Loan Supplement.

"**Roubles**" means the lawful currency of the Russian Federation.

"**Same-Day Funds**" means funds for payment, in the Specified Currency as the Lender may at any time determine to be customary for the settlement of international transactions in the principal financial centre of the country of the Specified Currency or, as the case may be, euro funds settled through the TARGET System or such other funds for payment in euro as the Lender may at any time determine to be customary for the settlement of international transactions in Brussels of the type contemplated hereby.

"**Sberbank Account**" means an account in the name of Sberbank as specified in the relevant Loan Supplement for receipt of Loan funds.

"**Series**" means a series of Notes that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number.

"**Specified Currency**" means the currency specified as such in the relevant Loan Supplement.

"**Subscription Agreement**" means the agreement specified as such in the relevant Loan Supplement.

"**Subsidiary**" means, with respect to any Person, (i) any corporation, association or other business entity of which at least 50 per cent. of the total voting power entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person (or any combination thereof) and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such person or (b) the only general partners of which are such Person or one or more Subsidiaries of such Person (or any combination thereof).

"**Supplemental Trust Deed**" means a supplemental trust deed in respect of a Series of Notes which constitutes and secures, *inter alia*, such Series dated the relevant Closing Date and made between the Lender and the Trustee (substantially in the form set out in Schedule 9 to the Principal Trust Deed).

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereof.

"**Taxes**" means any taxes (including interest or penalties thereon) which are now or at any time hereafter imposed, assessed, charged, levied, collected, demanded, withheld or claimed by the Russian Federation, Luxembourg (or any Qualifying Jurisdiction in which the Lender or any successor is resident for tax purposes) or any Taxing Authority thereof or therein provided, however, that for the purposes of this definition the references to Luxembourg shall, upon the occurrence of the Relevant Event (as this term is defined in the Trust Deed), be deemed to be references to the jurisdiction in which the Trustee is domiciled for tax purposes; and the term "**Taxation**" shall be construed accordingly.

"**Taxing Authority**" means any government or political subdivision or territory or provision of any government or authority or agency therein or thereof having the power to tax within Russia or Luxembourg (or any Qualifying Jurisdiction in which the Lender or any successor is resident for tax purposes).

"**Trust Deed**" means the Principal Trust Deed as supplemented by the relevant Supplemental Trust Deed and specified as such in the relevant Loan Supplement.

"**Trustee**" means BNY Corporate Trustee Services Limited as trustee under the Trust Deed and other trustee or trustees for the time being of such trust deed.

"**Warranty Date**" means the date hereof, the date of each Loan Supplement, each Closing Date, each date on which the Base Prospectus or any of the Lender Agreements is amended, supplemented or replaced.

1.2 **Other Definitions**

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Principal Trust Deed, the Notes, the Agency Agreement, the Dealer Agreement or the relevant Loan Supplement shall have the meanings assigned to such terms therein.

1.3 **Interpretation**

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

1.3.1 All references to "Clause" or "sub-Clause" are references to a Clause or sub-Clause of this Agreement.

1.3.2 The terms "hereof, "herein" and "hereunder" and other words of similar import shall mean the relevant Loan Agreement as a whole and not any particular part hereof.

1.3.3 Words importing the singular number include the plural and vice versa.

1.3.4 All references to "taxes" include all present or future taxes, levies, imposts and duties of any nature and the terms "tax" and "taxation" shall be construed accordingly.

1.3.5 The table of contents and the headings are for convenience only and shall not affect the construction hereof.

1.3.6 All references to "this Agreement" or "this Facility Agreement" are references to this Facility Agreement dated 12 May 2006.

2. **LOANS**

2.1 **Loans**

On the terms and subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, the Lender hereby agrees to make available to Sberbank Loans in principal amounts which, when aggregated with the principal amounts advanced under any Subordinated Loan Agreement will not exceed the total aggregate amount equal to the Programme Limit.

2.2 **Purpose**

The proceeds of each Loan will be used for general corporate purposes (unless otherwise specified in the relevant Loan Agreement), but the Lender shall not be concerned with the application thereof.

2.3 **Separate Loans**

It is agreed that with respect to each Loan, all the provisions of this Facility Agreement and the Loan Supplement shall apply *mutatis mutandis* separately and independently to each such Loan and the expressions "**Account**", "**Closing Date**", "**Day Count Fraction**", "**Interest Commencement Date**", "**Interest Payment Date**", "**Loan Agreement**", "**Notes**", "**Rate of Interest**", "**Repayment Date**", "**Specified Currency**", "**Subscription Agreement**" and "**Trust Deed**", together with all other terms that relate to such a Loan shall be construed as referring to those of the particular Loan in question and not of all Loans unless expressly so provided, so that each such Loan shall be made pursuant to this Facility Agreement and the relevant Loan Supplement, together comprising the Loan Agreement in respect of such Loan and that, unless expressly provided, events affecting one Loan shall not affect any other.

3. **DRAWDOWN**

3.1 **Drawdown**

On the terms and subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, on the Closing Date thereof the Lender shall make a Loan to Sberbank and Sberbank shall make a single drawing in the full amount of such Loan.

3.2 **One-Time Loan Commission**

In consideration of the Lender's making a Loan available to Sberbank, Sberbank hereby agrees that it shall, two Business Days before each Closing Date, pay to the Lender, in Same-Day Funds an amount equal to a one-time commission of the Lender in respect of such Loan in an amount to be specified in the relevant Loan Supplement, as supported by an invoice substantially in the form set out in Schedule B.

3.3 **Disbursement**

Subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, on each Closing Date the Lender shall transfer the amount of the relevant Loan to the Sberbank Account specified in the relevant Loan Supplement.

4. **INTEREST**

4.1 **Rate of Interest for Fixed Rate Loans**

Each Fixed Rate Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the applicable Rate of Interest.

If a Fixed Amount or a Broken Amount is specified in the relevant Loan Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Loan Supplement.

4.2 **Payment of Interest for Fixed Rate Loans**

Interest at the Rate of Interest shall accrue on each Fixed Rate Loan from day to day, starting from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, in each case to (but excluding) the next Interest Payment Date and shall be paid by Sberbank to the Lender in arrear not later than 10:00 a.m. one Business Day prior to each Interest Payment Date.

4.3 **Interest for Floating Rate Loans**

4.3.1 *Interest Payment Dates:*

Each Floating Rate Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, in each case to (but excluding) the next Interest Payment Date at the rate per annum (expressed as a percentage) equal to the applicable Rate of Interest, such interest shall be paid by Sberbank to the Lender in arrear not later than 10:00 a.m. one Business Day prior to each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Loan Supplement as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown in the relevant Loan Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Loan Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

4.3.2 *Business Day Convention:*

If any date referred to in the relevant Loan Supplement that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

4.3.3 *Rate of Interest for Floating Rate Loans:*

The Rate of Interest in respect of Floating Rate Loans for each Interest Accrual Period shall be determined in the manner specified in the relevant Loan Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Loan Supplement.

(i) ISDA Determination for Floating Rate Loans Where ISDA Determination is specified in the relevant Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (i), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(a) the Floating Rate Option is as specified in the relevant Loan Supplement;

(b) the Designated Maturity is a period specified in the relevant Loan Supplement; and

(c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Loan Supplement.

For the purposes of this sub-paragraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Loans

(x) Where Screen Rate Determination is specified in the relevant Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(a) the offered quotation; or

(b) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Loans is specified in the relevant Loan Supplement as being other than LIBOR, EURIBOR or MOSPRIME, the Rate of Interest in respect of such Loans will be determined as provided in the relevant Loan Supplement.

(y) if the Relevant Screen Page is not available or if sub-paragraph (x)(a) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(b) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request the principal office in the Relevant Financial Centre of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be either (i) the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, offered by such Reference Banks at approximately the Relevant Time on the relevant Interest Determination Date, in respect of deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Financial Centre, or (ii) if fewer than two of the Reference Banks so requested provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Lender suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Financial Centre, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (although substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

4.4 **Accrual of Interest**

Interest shall cease to accrue on each Loan on the due date for repayment unless payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the applicable Rate of Interest to but excluding the date on which payment in full of the principal thereof is made.

4.5 **Margin, Maximum/Minimum Rates of Interest and Rounding**

4.5.1 If any Margin is specified in the relevant Loan Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with sub-Clause 4.3 above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

4.5.2 If any Maximum or Minimum Rate of Interest is specified in the relevant Loan Supplement, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.

4.5.3 For the purposes of any calculations required pursuant to a Loan Agreement (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

4.6 **Calculations**

The amount of interest payable in respect of any Loan for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding principal amount of such Loan by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in the relevant Loan Supplement in respect of such period, in which case the amount of interest payable in respect of such Loan for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

4.7 **Determination and Notification of Rates of Interest and Interest Amounts**

The Calculation Agent shall, as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of such Floating Rate Loan for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to Sberbank, the Lender and any other Calculation Agent appointed in respect of such Floating Rate Loan that is to make a further calculation upon receipt of such information. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to sub-Clause 4.3.2, the Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made with the consent of Sberbank and the Lender by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If such Floating Rate Loan becomes due and payable under Clause 11, the accrued interest and the Rate of Interest payable in respect of such Floating Rate Loan shall nevertheless continue to be calculated as previously in accordance with this Clause. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

4.8 **Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount in relation to a Floating Rate Loan, the Lender and Sberbank agree that such determination or calculation may be made by or at the direction of the Trustee. The Trustee shall incur no liability in respect of such determination or calculation.

4.9 **Definitions**

In this Clause 4, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual-ISDA" is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

— $$\frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and "D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) "if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

— $$\frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and "D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "30E/360 (ISDA)" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

— $$\frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and "D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

(vii) if "**Actual/Actual-ICMA**" is specified in the relevant Loan Supplement:

(a) If the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(i) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Determination Date**" means the date specified in the relevant Loan Supplement or, if none is so specified, the Interest Payment Date.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Loans, means the Fixed Amount or Broken Amount, as the case may be.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Loan Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London and for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified herein.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Loan Supplement.

"**MOSPRIME**" means the reference rate determined by the National Foreign Exchange Association of the Russian Federation on the basis of offer rates for RUB deposits provided by certain active participants of the Russian money market to first tier Russian financial institutions.

"**Reference Banks**" means (a) in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, (b) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, (c) in the case of a determination of MOSPRIME, the principal Moscow offeree of four major banks in the Moscow interbank market, in each case selected by the Calculation Agent or as specified in the relevant Loan Supplement.

"**Reference Rate**" means the rate specified as such in the relevant Loan Supplement.

"**Relevant Financial Centre**" means (a) if the Reference Rate is LIBOR, London, (b) if the Reference Rate is EURIBOR, Euro-zone, (c) if the Reference Rate is MOSPRIME, Moscow, and (d) in the case of any other Reference Rate, the financial centre specified as such in the relevant Loan Supplement or, if none is so specified, the financial centre with which the relevant Reference Rate is most closely connected or, if none is so connected, London.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Loan Supplement.

"**Relevant Time**" means (a) 11:00 a.m. (London time) in the case of LIBOR, (b) 11:00 a.m. (Brussels time) in the case of EURIBOR, (c) 3:00 p.m. (Moscow time) in the case of MOSPRIME, or (d) such time as may be specified in the relevant Loan Supplement.

4.10 **Calculation Agent**

The Lender shall procure that there shall at all times be specified one or more Calculation Agents, which shall have been approved in advance by Sberbank, if provision is made for them hereon and for so long as any amount remains outstanding under a Loan Agreement. Where more than one Calculation Agent is appointed in respect of a Loan, references in the relevant Loan Agreement to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the relevant Loan Agreement. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, or to comply with any other requirement, the Lender shall (with the prior approval of Sberbank) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Both Sberbank and the Lender agree that such successor Calculation Agent will be appointed on the terms of the Agency Agreement in relation to each particular Series.

5. **REPAYMENT AND PREPAYMENT**

5.1 **Repayment**

Except as otherwise provided herein and in the applicable Loan Supplement, Sberbank shall repay each Loan not later than 10:00 a.m. one Business Day prior to the Repayment Date thereof.

5.2 **Prepayment for Tax Reasons or Change in Circumstances**

If, as a result of the application of or any amendment or clarification to, or change (including a change in interpretation or application), in the double tax treaty between the Russian Federation and Luxembourg or the laws or regulations of the Russian Federation or Luxembourg or of any political sub-division thereof or any authority therein or the enforcement of the security provided for in any Trust Deed, Sberbank would thereby be required to make or increase any payment due pursuant to any Loan Agreement as provided in sub-Clauses 6.2 or 6.3 (other than, in each case, where the increase in payment is in respect of any amounts due or paid pursuant to Clauses 3.2 and 13), or if (for whatever reason) Sberbank would have to or has been required to pay additional amounts pursuant to Clause 8, and such additional amounts cannot be avoided by Sberbank taking reasonable measures available to it, then Sberbank may (without premium or penalty), upon not less than 20 nor more than 90 days' notice to the Lender specifying the date of payment and including a certification by the principal officer of Sberbank that Sberbank would be required to increase the amount payable or to pay additional amounts, supported by an opinion of an independent tax adviser of recognised standing in the relevant tax jurisdiction (which notice shall be irrevocable), prepay the relevant Loan in whole (but not in part) at any time.

5.3 **Illegality**

If, at any time after the date of the relevant Loan Supplement, by reason of the introduction of, or any change in, any applicable law or regulation or regulatory requirement or directive of any agency of any state (i) the Lender reasonably determines (such determination being accompanied by an Opinion of Counsel satisfactory to Sberbank, with the cost of such Opinion of Counsel being borne solely by Sberbank) that it is or would be unlawful or contrary to such applicable law, regulation, regulatory requirement or directive for the Lender to allow all or part of the relevant Loan or the corresponding Series of Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with the relevant Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to such Loan or (ii) Sberbank reasonably determines (such determination being accompanied by an Opinion of Counsel satisfactory to the Lender, with the cost of such Opinion of Counsel being borne solely by Sberbank) that it is or would be unlawful or contrary to such applicable law, regulation, regulatory requirement or directive for Sberbank to borrow any Loan or to allow all or part of any Loan to remain outstanding or to give effect to any of its obligations in connection with this Agreement and/or to pay interest at the rate then applicable to such Loan, then upon notice by the Lender to Sberbank or Sberbank to the Lender, as applicable, in writing (setting out in reasonable detail the nature and extent of the relevant circumstances), Sberbank and the Lender shall consult in good faith as to a basis which eliminates the application of such circumstances; provided, however, that the notifying party (the "**Notifying Party**") shall be under no obligation to continue such consultation if a basis has not been determined within 30 days of the date on which it so notified the other party (the "**Notified Party**"). If such a basis has not been determined within the 30 days, then upon notice by the Notifying Party to the Notified Party in writing, Sberbank shall prepay such Loan in whole (but not in part) on such date as the Notifying Party shall certify to be necessary to comply with such requirements.

5.4 **Prepayment in the Event of Change of Control**

5.4.1 If, following a Change of Control, any Noteholder has exercised its Put Option, Sberbank shall on the Change of Control Payment Date, prepay the principal amount of the relevant Loan in an amount which corresponds to the aggregate principal amount of the corresponding Series of Notes in relation to which the Put Option has been duly exercised in accordance with the Conditions of such Series of Notes.

5.4.2 Promptly, and in any event within 10 calendar days after the date of any Change of Control, Sberbank shall deliver to the Lender a written notice in the form of an Officer's Certificate, which notice shall be irrevocable, stating that a Change of Control has occurred and stating the circumstances and relevant facts giving rise to such Change of Control.

5.4.3 The Lender shall notify Sberbank not more than three Business Days after receipt of notice thereof from the Paying Agent, the amount of each relevant Loan to be prepaid as a consequence of the exercise of the Put Option by any Noteholders.

5.4.4 For the avoidance of doubt, this sub-Clause 5.4 may be disapplied under the terms of the relevant Loan Supplement.

5.5 **Reduction of a Loan Upon Redemption and Cancellation of Notes**

Sberbank or any Subsidiary of Sberbank may from time to time, in accordance with the Conditions of the Notes, purchase Notes in the open market or by tender or by a private agreement at any price. In the event that an amount of Notes is surrendered to the Lender (as issuer of such Notes) for cancellation by

Sberbank or any of Sberbank's Subsidiaries and cancelled, the relevant Loan shall be deemed to have been prepaid by Sberbank in an amount corresponding to the aggregate principal amount of the Notes surrendered to the Lender for cancellation, together with accrued interest and other amounts (if any) thereon and no further payment shall be made or required to be made by Sberbank in respect of such amounts.

5.6 **Payment of Other Amounts; Indemnity**

If a Loan is to be prepaid by Sberbank pursuant to any of the provisions of sub-Clauses 5.2, 5.3, 5.4 or pursuant to the terms of the relevant Loan Agreement, Sberbank shall, simultaneously with such prepayment, pay to the Lender accrued interest (calculated up to but excluding the scheduled date of prepayment) and all other sums payable by Sberbank pursuant to the relevant Loan Agreement. Sberbank shall indemnify the Lender on demand against all costs reasonably incurred and properly documented by the Lender in connection with any prepayment pursuant to this Clause 5.

5.7 **Provisions Exclusive**

Sberbank may not voluntarily prepay any Loan except in accordance with the express terms of the relevant Loan Agreement. Any amount prepaid may not be reborrowed under such Loan Agreement.

6. **PAYMENTS**

6.1 **Making of Payments**

All payments of principal and interest to be made by Sberbank under each Loan Agreement shall be made to the Lender not later than 10:00 a.m. one Business Day prior to each Interest Payment Date or the Repayment Date (as the case may be) in Same-Day Funds to the relevant Account. The Lender agrees with Sberbank that it will not deposit any other monies into such Account and will not withdraw any amounts from such Account other than as provided for and in accordance with the Trust Deed and Agency Agreement.

6.2 **No Set-Off, Counterclaim or Withholding; Gross-Up**

All payments to be made by Sberbank under each Loan Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction for or on account of any Taxes. If Sberbank shall be required by applicable law to make any deduction or withholding from any payment under a Loan Agreement for or on account of any Taxes, any payment due under such Loan Agreement shall be increased to such amount as may be necessary to ensure that the Lender receives a net amount in the Specified Currency equal to the full amount which it would have received had payment not been made subject to such Taxes, shall account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence in the form of a payment order and a letter signed by the principal executive officer of Sberbank (or such other evidence as the parties, acting reasonably, may mutually agree) of such deduction or withholding and evidence of the accounting therefor to the relevant Taxing Authority. If the Lender pays any amount in respect of such Taxes, Sberbank shall reimburse the Lender in the Specified Currency for such payment on demand on the basis of an invoice substantially in the form set out in Schedule B to this Agreement. For the avoidance of doubt, this sub-Clause 6.2 is without prejudice to the obligations of the Lender pursuant to sub-Clauses 6.5 and 6.6. The provisions of this sub-Clause 6.2 shall not apply to any tax imposed on and calculated by reference to the overall net income of the Lender.

6.3 **Tax Indemnity**

If the Lender notifies Sberbank (setting out in reasonable detail the nature and extent of the obligation with such evidence as Sberbank may reasonably require) that it has become obliged to make any withholding or deduction for or on account of any Taxes from any payment which it is obliged to make in connection with its funding of any Loan, Sberbank agrees to pay to the Lender, not later than 10:00 a.m. one Business Day prior to the date on which payment by the Lender is due in Same-Day Funds to the relevant Account, such additional amounts as are equal to the said additional amounts which the Lender must pay in connection with the funding of any Loan, however, that immediately upon receipt by the Lender of any sums paid pursuant to this provision, to the extent that any party connected to the funding of the Loan (other than the Lender) is not entitled to such additional amounts, the Lender shall repay such additional amounts to Sberbank (it being understood that the Lender (or any successor thereto) shall have no obligation to determine whether any such party is entitled to such additional amount).

6.4 **Reimbursement**

To the extent that the Lender subsequently obtains or uses any tax credit, relief or allowance or other reimbursements relating to a deduction or withholding with respect to which Sberbank has made a payment pursuant to this Clause 6 or obtains any other reimbursement in connection therewith, it shall pay to Sberbank so much of the benefit received as will leave the Lender, in its reasonable opinion, substantially the same position as it would have been had no additional amount been required to be paid by Sberbank pursuant to this Clause 6 or had no reimbursement been paid to the Lender; provided, however, that the question of whether any such benefit has been received, and accordingly, whether any payment should be made to Sberbank, the amount of any such payment and the timing of any such payment, shall be determined solely by the Lender. The Lender shall have the absolute discretion whether, and in what order and manner, it claims any credits or refunds available to the Lender but shall not be obliged to disclose to Sberbank any information regarding its tax affairs or computations provided that the Lender shall notify Sberbank of any tax credit or allowance or other reimbursement it receives. Any such refund or reimbursement shall, in the absence of manifest error and subject to the Lender specifying in writing in reasonable detail the calculation of such credit, relief, allowance, refund or other reimbursement and of such payment and providing relevant supporting documents evidencing such matters, be conclusive evidence of the amount due to Sberbank hereunder and shall be accepted by Sberbank in full and final settlement of its rights of reimbursement under any Loan Agreement in respect of such deduction or withholding.

If as a result of a failure to obtain relief from deduction or withholding of any tax imposed by Russia or any Qualifying Jurisdiction (i) such tax is deducted or withheld by Sberbank and pursuant to this Clause 6 an increased amount is paid by Sberbank to the Lender in respect of such deduction or withholding and (ii) following the deduction or withholding of tax as referred to above the Lender applies to the relevant Russian or Qualifying Jurisdiction tax authorities for a tax refund and such tax refund is credited by the Russian or Qualifying Jurisdiction tax authorities to a bank account of the Lender, the Lender shall as soon as reasonably possible notify Sberbank of the receipt of such tax refund and promptly transfer the entire amount of the tax refund to a bank account of Sberbank specified for that purpose by Sberbank. Sberbank agrees to use its reasonable endeavours to assist the Lender in making such an application.

6.5 **Residency Certificate**

(a) The Lender (and any successor thereto) shall seek to provide to Sberbank prior to the payment of the commission pursuant to Clause 3.2, and in any event shall provide, no later than 10 Business Days before the first Interest Payment Date with respect to the first Loan made pursuant to this Agreement (and thereafter as soon as possible at the beginning of each calendar year but not later than 10 Business Days prior to the first Interest Payment Date in that year) with the certificate, issued and certified by the competent Qualifying Jurisdiction authorities, as the case may be, confirming that the Lender (or such successor) is resident in a Qualifying Jurisdiction. Such certificate shall be appropriately apostilled.

(b) Sberbank and the Lender shall provide that, should the Russian legislation regulating the procedure for obtaining an exemption from Russian income tax withholding change then the procedure referred to in the above paragraph will be deemed changed accordingly.

6.6 **Delivery of Forms**

The Lender (or any successor thereto) shall within 30 days of the request of Sberbank (to the extent it is able to do so under applicable law including Russian laws) deliver to Sberbank such other information or forms, including a power of attorney in form and substance acceptable to Sberbank authorising it to file the certificate on behalf of the Lender (or its successor) with the relevant tax authority, as may need to be duly completed and delivered by the Lender (or its successor) to enable Sberbank to obtain relief from deduction or withholding of Russian Taxes or, as the case may be, to obtain a tax refund if a relief from deduction or withholding of Russian Taxes has not been obtained. If required, the other forms referred to in this Clause 6.6 shall be duly signed by the Lender (or its successor) and stamped or otherwise approved by the competent tax authority in the Qualifying Jurisdiction and the power of attorney shall be duly signed and apostilled or otherwise legalised. If a relief from deduction or withholding of Russian tax or a tax refund under this Clause 6 has not been obtained and further to an application of Sberbank to the relevant Russian tax authorities the latter requests the Lender's rouble bank account details, the Lender shall at the request of Sberbank (a) use reasonable efforts to procure that such rouble bank account of the Lender is duly opened and maintained, and (b) thereafter furnish Sberbank with the details of such rouble bank account. Sberbank shall provide the Lender with all assistance it may reasonably require to ensure that the Lender can obtain the certificate referred to in Clause 6.5 and deliver the certificate and complete and deliver the other information or forms specified in this Clause 6.6.

6.7 Mitigation

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of Sberbank to make any deduction, withholding or payment as described in sub-Clauses 5.2, 6.2 or 6.3, then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or Sberbank's obligations, under such Clauses, such party shall promptly upon becoming aware of such circumstances notify the other party, and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that both parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be reasonably available to it to avoid such obligation or mitigate the effect of such circumstances, including in the case of the Lender (without limitation) by the transfer of its rights or obligations under any Loan Agreement to another lender, provided that the Lender shall be under no obligation to take any such action if, in its reasonable opinion, to do so would have any adverse effect upon its business, operations or financial condition or would be in breach of any arrangements which it may have made in respect of the Notes or otherwise.

7. CONDITIONS PRECEDENT AND REPORTS

7.1 Conditions

The obligation of the Lender to make each Loan shall be subject to the conditions precedent that as of the relevant Closing Date (a) the Lender shall have received the full amount of the proceeds of the issue of the corresponding Series of Notes pursuant to the relevant Subscription Agreement and (b) the Lender shall have received in full the amount referred to in sub-Clause 3.2, if due and payable, above, as specified in the relevant Loan Supplement.

7.2 Reports

So long as any amount remains outstanding under a Loan Agreement:

7.2.1 Sberbank will furnish to the Lender commencing with the year ending 31 December 2006, within nine months of the relevant year-end audited annual financial statements prepared in accordance with IFRS as consistently applied and in English, including a report thereon by Sberbank's certified independent accountants.

7.2.2 Within 10 days of a request by the Lender, Sberbank shall deliver to the Lender a written notice in the form of an Officer's Certificate stating whether any Potential Event of Default or Event of Default has occurred and, if it has occurred and shall be continuing, what action Sberbank is taking or proposes to take with respect thereto.

7.2.3 Sberbank will, as soon as practicable following a request of the Lender, provide the Lender with such further information, other than information which Sberbank determines in good faith to be confidential, about the business and financial condition of Sberbank and its Subsidiaries as the Lender may reasonably request (including information referred to in sub-Clauses 14.5 and 14.12 of the Principal Trust Deed).

7.2.4 Sberbank consents that any information provided to the Lender pursuant to this sub-Clause 7.2 may also be provided to the Trustee without violating any duty of confidentiality or secrecy that the Lender may owe to Sberbank under the laws of Luxembourg.

7.2.5 Sberbank will at the same time as delivering its audited annual financial statements pursuant to sub-Clause 7.2.1 and within 10 days of a request from the Lender, deliver to the Lender an Officer's Certificate specifying those Subsidiaries which were at a date no more than 10 days before the date of such Officer's Certificate, Principal Subsidiaries.

8. CHANGE IN LAW OR INCREASE IN COST

8.1 Compensation

If after the date of a Loan Agreement, by reason of (a) any Change of Law and/or (b) change of any regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of similar companies in the country concerned) or in the interpretation or application thereof by any person charged with the administration thereof:

(a) the Lender incurs an additional cost as a result of the Lender's entering into or performing its obligations (including its obligation to make, fund or maintain such Loan) under such Loan Agreement other than any such cost incurred as a result of any increase in the rate of tax payable by the Lender on its income or as a result of any taxes, withholding or deduction, as the case may be referred to in Clause 6.2 or 6.3; or

(b) the Lender becomes liable to make any additional payment on account of tax or otherwise on or calculated by reference to the amount of such Loan and/or to any sum received or receivable by it hereunder other than any such tax on the Lender's income or any tax, withholding or deduction as the case may be referred to in Clause 6.2 or 6.3; then Sberbank shall, on demand of the Lender, pay to the Lender amounts sufficient to hold harmless and indemnify it from and against, as the case may be, such properly documented (1) cost or (2) liability, provided that the Lender will not be entitled to indemnification where such additional cost or liability arises as a result of the gross negligence, fraud or wilful default of the Lender.

8.2 Increased Costs Claims

If the Lender intends to make a claim pursuant to Clause 8.1, it shall promptly notify Sberbank thereof and provide a description in writing in reasonable detail of the relevant reason (as described in Clause 8.1), including a description of the relevant affected jurisdiction or country and the date on which the change in circumstances took effect. This written description shall demonstrate the connection between the change in circumstance and the additional costs and shall be accompanied by relevant supporting documents evidencing the matters described therein, provided that nothing herein shall require the Lender to disclose any confidential information.

8.3 Mitigation

In the event that the Lender becomes entitled to make a claim pursuant to Clause 8.1, the Lender shall consult in good faith with Sberbank and shall use reasonable efforts (based on the Lender's reasonable interpretation of any relevant tax, law, regulation, requirement, official directive, request, policy or guideline) to reduce, in whole or in part, Sberbank's obligations to pay any additional amount pursuant to such Clause, including by the transfer of its rights or obligations under any Loan Agreement to another lender, except that nothing in this Clause 8.3 shall obligate the Lender to incur any costs in taking any action which, in the reasonable opinion of the Lender, may be prejudicial to its interests.

9. REPRESENTATIONS AND WARRANTIES

9.1 Sberbank's Representations and Warranties

Sberbank does, and on each Warranty Date (unless expressly stated otherwise) shall be deemed to, represent and warrant to the Lender as follows, to the intent that such shall form the basis of each Loan Agreement:

9.1.1 Sberbank is duly organised and incorporated and validly existing under the laws of the Russian Federation and has the power and legal right to own its property, to conduct its business as currently conducted and to enter into and to perform its obligations under each Loan Agreement and to borrow Loans; Sberbank has taken all necessary corporate, legal and other action required to authorise the borrowing of Loans on the terms and subject to the conditions of each Loan Agreement and to authorise the execution and delivery of each Loan Agreement and all other documents to be executed and delivered by it in connection with each Loan Agreement, and the performance of each Loan Agreement in accordance with its terms.

9.1.2 The Loan Agreement, including each Loan Supplement in relation thereto, has been duly executed and delivered by Sberbank and constitutes a legal, valid and binding obligation of Sberbank enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, (i) to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); (ii) with respect to the enforceability of a judgment whether there is a federal law or a treaty in force relating to the mutual recognition of foreign judgments; and (iii) to the fact that certain gross-up and indemnity provisions may not be enforceable under Russian law.

9.1.3 The execution, delivery and performance of each Loan Agreement, including each Loan Supplement in relation thereto, by Sberbank will not conflict with or result in any breach or violation of (i) any law or regulation or any order of any governmental, judicial or public body or authority in the Russian Federation, (ii) the constitutive documents, rules and regulations of Sberbank or (iii) any agreement or other undertaking or instrument to which Sberbank is a party or which is binding upon Sberbank or any of its assets, nor result in the creation or imposition of any Encumbrance on any of its assets pursuant to the provisions of any such agreement or other undertaking or instrument.

9.1.4 All consents, authorisations or approvals or other orders of, or filings with, any governmental, judicial, regulatory or public body, administrative agency or other governmental body of Russia or any other relevant jurisdiction required by Sberbank in connection with the execution, delivery, performance, legality, validity, enforceability and admissibility in evidence of each Loan Agreement (subject to a Russian legal requirement to provide to a Russian court a duly certified translation thereof into Russian) and the issue and offering of each Series of Notes have been obtained or effected and are in full force and effect.

9.1.5 No event has occurred that constitutes, or that, with the giving of notice or the lapse of time, or both, would, to the best of Sberbank's knowledge, constitute, an Event of Default or a default under any agreement or instrument evidencing any Financial Indebtedness of Sberbank, and no such event will occur upon the making of the relevant Loan.

9.1.6 There are no judicial, arbitral or administrative actions, proceedings or claims pending or, to the knowledge of Sberbank, threatened, against Sberbank or any of its Principal Subsidiaries, the adverse determination of which could have a Material Adverse Effect.

9.1.7 Sberbank's obligations under each Loan rank at least *pari passu* with all its other unsecured and unsubordinated Financial Indebtedness (apart from any obligations mandatorily preferred by law).

9.1.8 The IFRS Financial Statements for the two preceding financial years were prepared in accordance with IFRS current as at the date thereof, except where specifically stated otherwise therein, and give (in conjunction with the notes thereto) a true and fair view of the financial condition of the Group at the date as of which they were prepared and the results of the Group's operations during the financial years or periods then ended.

9.1.9 There has been no material adverse change to the condition (financial or otherwise), prospects, results of operations or general affairs of Sberbank or the Group taken as a whole since the date of the IFRS Financial Statements.

9.1.10 The execution, delivery and enforceability of each Loan Agreement is not subject to any tax, duty, fee or other charge, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by or within the Russian Federation or any political subdivision or taxing authority thereof or therein (other than state duty paid on any claim filed with a Russian court).

9.1.11 Neither Sberbank nor its property has any right of immunity from suit, execution, attachment or other legal process on the grounds of sovereignty or otherwise in respect of any action or proceeding relating in any way to any Loan Agreement.

9.1.12 Sberbank is in compliance in all respects with all applicable provisions of law except where failure to be so in compliance would not have a Material Adverse Effect.

9.1.13 Neither Sberbank, nor any of its Principal Subsidiaries, has taken any corporate action nor, to the best of the knowledge and belief of Sberbank, have any other steps been taken or legal proceedings started or threatened in writing against Sberbank or any of its Principal Subsidiaries for its or their bankruptcy, winding-up, dissolution, external administration or re-organisation (whether by voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of any or all of its or their assets or revenues.

9.1.14 There are no strikes or other employment disputes against Sberbank which are pending or, to Sberbank's knowledge, threatened in writing which could have a Material Adverse Effect.

9.1.15 In any proceedings taken in the Russian Federation in relation to any Loan Agreement, the choice of English law as the governing law of any such Loan Agreement and any arbitration award obtained in England pursuant to sub-Clause 14.9.4 in relation to any Loan Agreement will be recognised and enforced in the Russian Federation after compliance with the applicable procedural rules and all other legal requirements in Russia.

9.1.16 As of the date of each Loan Supplement and Closing Date (though not on any of the other dates included in the definition of Warranty Date) and subject to sub-Clauses 6.5 or 6.6, under the laws of the Russian Federation, it will not be required to make any deduction or withholding from any payment it may make hereunder.

9.1.17 Its execution of each Loan Agreement will constitute, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial acts done and performed for private and commercial purposes.

9.1.18 It has no overdue tax liabilities which could have a Material Adverse Effect other than those which it has disclosed to the Lender prior to the date of the relevant Loan or which it is contesting in good faith.

9.1.19 All licences, consents, examinations, clearances, filings, registrations and authorisations which are necessary to enable Sberbank and any of its Principal Subsidiaries to own its assets and carry on its business are in full force and effect where the absence of such could not have a Material Adverse Effect.

9.2 **Lender's Representations and Warranties**

The Lender represents and warrants to Sberbank as follows:

9.2.1 The Lender is duly incorporated under the laws of Luxembourg and has full power and capacity to execute the Lender Agreements and to undertake and perform the obligations expressed to be assumed by it herein and therein and the Lender has taken all necessary action to approve and authorise the same.

9.2.2 The execution of the Lender Agreements and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of Luxembourg or the constitutive documents, rules and regulations of the Lender or any agreement or instrument to which it is a party or by which it is bound or in respect of indebtedness in relation to which it is a surety.

9.2.3 The Lender (i) is a *société anonyme* which is a resident of Luxembourg, is subject to taxation in Luxembourg on the basis of its registration as a legal entity, location of its management body or another similar criterion and it is not subject to taxation in Luxembourg merely on income from sources in Luxembourg or connected with property located in Luxembourg, and (ii) does not have a permanent establishment in Russia. The Lender (or any successor thereto) shall, immediately upon becoming aware of such, notify Sberbank if it ceases to be a resident of Luxembourg.

9.2.4 The Lender Agreements constitute legal, valid and binding obligations of the Lender, each enforceable against the Lender in accordance with its terms, except that the enforcement thereof may be subject to bankruptcy, insolvency, fraudulent conveyance, reorganisation, moratorium and other similar laws relating to or affecting creditors' rights generally, and general equitable principles.

9.2.5 All authorisations, consents and approvals required by the Lender for or in connection with the execution of the Lender Agreements and the performance by the Lender of the obligations expressed to be undertaken by it herein and therein have been obtained and are in full force and effect.

10. NEGATIVE PLEDGE

So long as any amount remains outstanding under a Loan Agreement, neither Sberbank nor any Principal Subsidiary will create or permit to subsist any Encumbrance (other than any Encumbrance upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any securitisation, asset-backed financing or like arrangement, and whereby all payment obligations secured by such Encumbrance, or having the benefit of such Encumbrance, are to be discharged solely from such assets or revenues, provided that such Encumbrances shall not be incurred if that would result in the principal amount of such encumbered Relevant Indebtedness exceeding 15 per cent. of Sberbank's total assets (as reported in its most recent financial statements prepared under IFRS)) upon or in respect of any of its undertakings, property, income, assets or revenues, present or future, to secure any Relevant Indebtedness unless, at the same time or prior thereto, Sberbank's obligations hereunder are secured equally and rateably therewith or benefit from such other security or other arrangements, as the case may be, in each case to the satisfaction of the Trustee.

11. EVENTS OF DEFAULT

11.1 Events of Default

If one or more of the following events of default (each, an "**Event of Default**") shall occur and be continuing, the Lender shall be entitled to the remedies set forth in sub-Clause 11.3:

11.1.1 Sberbank fails to pay within five Business Days any amount payable under a Loan Agreement as and when such amount becomes payable in the currency and in the manner specified therein.

11.1.2 Sberbank fails to perform or observe any of its other obligations under a Loan Agreement and (except where in any such case that failure is not capable of remedy when no such notices as is hereinafter mentioned will be required) that failure continues for the period of 30 days (or such longer period as the Lender may permit) next following the submission by the Lender to Sberbank of notice in writing requesting the same to be remedied.

11.1.3 Any representation or warranty of Sberbank or any certificate or notice delivered to the Lender in connection with such Loan Agreement proves to have been inaccurate, incomplete or misleading in any material respect at the time it was made or repeated or deemed to have been made or repeated if not remedied within 30 days.

11.1.4 (i) Sberbank or any Principal Subsidiary fails to pay any of its Financial Indebtedness as and when such Financial Indebtedness becomes payable, taking into account any applicable grace period or (ii) any Financial Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of Sberbank or such Principal Subsidiary or (provided that no event of default, howsoever

11.1.1 described, has occurred) any person or entity entitled to such Financial Indebtedness; provided, that the total amount of such Financial Indebtedness unpaid or capable of being accelerated exceeds the lower of 3 per cent. of Sberbank's total shareholders' equity determined in accordance with IFRS (as calculated by reference to Sberbank's most recent IFRS Financial Statements), or U.S.$100,000,000 (or its equivalent in another currency).

11.1.5 Sberbank or any Principal Subsidiary commences negotiations with a significant portion of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with a significant portion of its creditors; provided that the same could have a Material Adverse Effect.

11.1.6 The occurrence of any of the following events: (i) Sberbank or any Principal Subsidiary fails or is unable to pay its debts generally as they become due; (ii) revocation of the general banking licence of Sberbank or any Principal Subsidiary; (iii) Sberbank or any Principal Subsidiary seeking or consenting to the introduction of proceedings for its liquidation or the appointment of a liquidation committee (*likvidatsionnaya komissiya*) or a similar officer of Sberbank or such Principal Subsidiary or any analogous procedure or event in any other relevant jurisdiction; (iv) the institution of the supervision (*nablyudeniye*), external management (*vneshneye upravleniye*) or bankruptcy management (*konkursnoye proizvodstvo*) of any Principal Subsidiary, as such terms are defined in the Federal Law of Russia No. 127-FZ "On Insolvency (Bankruptcy)" of 26 October 2002 (as amended or replaced from time to time) or any analogous procedure or event in any other relevant jurisdiction; (v) the institution of the financial rehabilitation (*finansovoye ozdorovleniye*), pursuant to the request of the Central Bank of Russia, temporary administration (*vremennaya upravleniye*), bankruptcy management (*konkursnoye proizvodstvo*) or reorganisation (*reorganisatsiya*) with respect to Sberbank or any Principal Subsidiary as such terms are defined in the Federal Law of the Russian Federation No. 40-FZ "On Insolvency (Bankruptcy) of Credit Organisations" dated 25 February 1999 (as amended or replaced from time to time) or any analogous procedure or event in any other relevant jurisdiction; (vi) any judicial liquidation, dissolution, administration or winding-up in respect of Sberbank or any Principal Subsidiary; or (vii) the shareholders of Sberbank or any Principal Subsidiary approving any plan of dissolution, administration or winding-up of Sberbank or such Principal Subsidiary.

11.1.7 Any governmental authorisation necessary for the performance of any obligation of Sberbank under a Loan Agreement fails to be in full force and effect.

11.1.8 Any governmental authority or court takes any action (including the declaration of a moratorium) that has a material adverse effect on Sberbank's ability to perform its obligations under a Loan Agreement or the validity or enforceability of a Loan Agreement or the rights or remedies of the Lender under a Loan Agreement.

11.1.9 Any execution or distress is levied against, or an encumbrancer takes possession of the assets of Sberbank having a fair market value exceeding the lower of 3 per cent. of Sberbank's total shareholders' equity determined in accordance with IFRS (as calculated by reference to Sberbank's most recent IFRS Financial Statements), or U.S.$100,000,000, or the equivalent thereof in any other currency or currencies, or any event occurs which under the laws of any jurisdiction has a similar or analogous effect unless such execution, distress, enforcement of an Encumbrance or similar or analogous event is being contested in good faith by Sberbank and is not removed, paid out, stayed or discharged within 45 days of such execution, distress being levied, taking of possession or similar or analogous act, as the case may be.

11.1.10 The aggregate amount of unsatisfied final judgments, decrees or orders of courts of competent jurisdiction or other appropriate and competent law-enforcement bodies for the payment of money against Sberbank and its Principal Subsidiaries in the aggregate exceeds the lower of 3 per cent. of Sberbank's total shareholders' equity determined in accordance with IFRS (as calculated by reference to Sberbank's most recent IFRS Financial Statements), or U.S.$100,000,000, or the equivalent thereof in any other currency or currencies, and there is a period of 45 days following the entry thereof during which such judgment, decree or order is not appealed, discharged, waived or the execution thereof stayed and such default continues for ten days after the notice specified in sub-Clause 11.2.

11.1.11 Any seizure, compulsory acquisition, expropriation, nationalisation or renationalisation without appropriate compensation after the date of a Loan Agreement by or under the authority of a government authority of all or part (the IFRS book value of which is 15 per cent. or more of the book value of the whole) of the assets of Sberbank or any Principal Subsidiary.

11.1.12 Sberbank or any of its Principal Subsidiaries ceases to carry on the principal business it carries on at the date of a Loan Agreement.

11.1.13 At any time it is or becomes unlawful for Sberbank to perform or comply with any or all of its

11.1.5 obligations under a Loan Agreement or any of such obligations (subject as provided in sub-Clause 9.1.2) are not, or cease to be, legal, valid, binding and enforceable.

11.1.14 Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

11.2 **Notice of Default**

Sberbank shall deliver to the Lender and the Trustee, within 30 days after becoming aware thereof, written notice of any event which is a Potential Event of Default or an Event of Default, its status and what action Sberbank is taking or proposes to take with respect thereto.

11.3 **Default Remedies**

If any Event of Default shall occur and be continuing, the Lender may, by notice in writing to Sberbank, (a) declare the obligations of the Lender under the relevant Loan Agreement to be immediately terminated, whereupon such obligations shall terminate, and (b) declare all amounts payable under such Loan Agreement by Sberbank that would otherwise be due after the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are all expressly waived by Sberbank; provided, however, that if any event of any kind referred to in sub-Clauses 11.1.6 or 11.1.13 occurs, the obligations of the Lender under such Loan Agreement shall immediately terminate, and all amounts payable under such Loan Agreement by Sberbank that would otherwise be due after the occurrence of such event shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are all especially waived by Sberbank.

11.4 **Rights Not Exclusive**

The rights and remedies provided for in each Loan Agreement are cumulative to the extent permitted by law and are not exclusive of any other rights, powers, privileges or remedies provided by law.

12. **INDEMNITY**

12.1 **Indemnification**

Sberbank undertakes to indemnify the Lender and each director, officer, employee or agent (other than the Principal Paying Agent or any of the Paying Agents) of the Lender (each an "**Indemnified Party**") against any reasonably incurred and properly documented cost, claim, loss, expense (including, without limitation, legal fees and expenses and any amount payable by the Lender in connection with its funding of any Loan) or liability (but excluding any such cost, claim, loss, expense or liability that is the subject of the undertakings contained in Clause 13 and sub-Clauses 14.2 and 14.6 of this Agreement) (together, a "**Loss**"), together with any Russian taxes thereon, which an Indemnified Party may sustain or incur as a consequence of the occurrence of any Event of Default, Potential Event of Default or any other default by Sberbank in the performance of any of the obligations expressed to be assumed by it in this Agreement except to the extent that such Loss was due to gross negligence, wilful default, bad faith or fraud of the Lender. Except as expressly provided in any Trust Deed, the Lender shall not have any duty or obligation, whether as fiduciary or trustee, for any Indemnified Party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this Clause 12.1.

For the purposes of this Clause 12.1 a Loss shall be regarded as properly documented if it is supported by an itemised invoice from the Lender to Sberbank, on the headed paper of the Lender and signed by an authorised officer of the Lender, supported, to the extent available, by documented evidence of the respective Loss.

12.2 **Independent Obligation**

Sub-Clause 12.1 constitutes a separate and independent obligation of Sberbank from its other obligations under or in connection with each Loan Agreement or any other obligations of Sberbank in connection with its receipt of any Loan and shall not affect, or be construed to affect, any other provision of a Loan Agreement or any such other obligations.

12.3 **Evidence of Loss**

An itemised invoice, as described in sub-Clause 12.1, shall be *prima facie* evidence of the amount of such Loss.

12.4 **Lender's Costs**

Sberbank shall, from time to time on demand of the Lender, and without prejudice to the provisions of Clauses 13.1 and 13.2, compensate the Lender in the Specified Currency at such daily and/or hourly rates as the Lender shall from time to time reasonably determine (notifying such rates to Sberbank), for all costs (including telephone, fax, copying, travel and such personnel costs) reasonably incurred and properly documented by the Lender in connection with its taking such action as it may deem appropriate or in complying with any request by Sberbank in connection with:

12.4.1 the granting or proposed granting of any waiver or consent requested hereunder by Sberbank;

12.4.2 any actual breach by Sberbank of its obligations hereunder; or

12.4.3 any amendment or proposed amendment hereto requested by Sberbank; provided that before such payment is made by Sberbank, the Lender shall submit an invoice, substantially in the form set out in Schedule B, providing, in reasonable detail, the nature and calculation of the relevant payment. Subsequently, Sberbank and the Lender shall enter and sign an Act of Acceptance as provided in subClause 13.3.

12.5 **Survival**

The obligations of Sberbank pursuant to sub-Clauses 6.2, 6.3 and 12.1 shall survive the execution and delivery of each Loan Agreement and the drawdown and repayment of the relevant Loan, in each case by Sberbank.

13. **COMMISSION**

13.1 **One-Time Commission for the Extension of the Loan by the Lender**

Sberbank shall, pursuant to sub-Clause 3.2 hereof and the relevant Loan Supplement, pay the Lender a one-time commission of the Lender in connection with the extension of each Loan, in the Specified Currency, as supported by an invoice substantially in the form set out in Schedule B.

13.2 **Payment of Ongoing Commissions and Costs**

In addition, Sberbank hereby agrees to pay to the Lender on demand in the Specified Currency all ongoing commissions and costs (including, without limitation, enforcement costs), payable by the Lender under or in respect of the Lender Agreements. Sberbank shall also pay the Lender for any indemnification or other payment obligations of the Lender related to the funding of any Loan (other than the obligation of the Lender to make payments of principal, interest or additional amounts in respect of such funding). Payments to the Lender referred to in this sub-Clause 13.2 shall be made by Sberbank at least one Business Day before the relevant payment is to be made or commission or cost incurred; provided that before such payment is made by Sberbank, the Lender shall submit an invoice substantially in the form provided in Schedule B providing, in reasonable detail, the nature and calculation of the relevant payment or cost. Subsequently, Sberbank and the Lender shall enter and sign a delivery and acceptance act ("**Act of Acceptance**") as provided in sub-Clause 13.3.

13.3 **Acts of Acceptance**

In connection with all payments to be made under Clause 12 and Clause 13 and sub-Clause 14.2, Sberbank and the Lender shall within 60 days of such payment becoming due or such indemnity claim being made, enter into and sign an Act of Acceptance (which Sberbank shall prepare) with respect to the amounts to be paid by Sberbank. Invoices and Acts of Acceptance shall separately specify: (i) the net amount due, (ii) any applicable Russian taxes and (iii) the resulting total tax-inclusive amount.

14. **GENERAL**

14.1 **Evidence of Debt**

The entries made in the relevant Account shall, in the absence of manifest error, constitute *prima facie* evidence of the existence and amounts of Sberbank's obligations recorded therein.

14.2 **Stamp Duties**

14.2.1 Sberbank shall pay all stamp, registration and documentary taxes, duties or similar charges (if any) imposed on Sberbank by any person in the Russian Federation or Luxembourg which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Loan Agreement and shall indemnify the Lender against any and all costs properly documented which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by Sberbank to pay such taxes or similar charges.

14.2.2 Sberbank agrees that if the Lender incurs a liability to pay any stamp, registration and documentary taxes, duties or similar charges (if any) imposed by any person in the Russian Federation or Luxembourg which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Loan Agreement and any documents related thereto as well as the documents related to the Lender's funding of any Loan, Sberbank shall reimburse the Lender on demand an amount equal to such stamp or other documentary taxes, charges or duties and shall indemnify the Lender against any and all costs properly documented and connected with the payment of such amounts.

Provided, however, that before any such payment is made by Sberbank under either sub-Clause 14.2.1 or sub-Clause 14.2.2, the Lender shall submit an invoice, substantially in the form set out in Schedule B, providing, in reasonable detail, the nature and calculation of the relevant payment. Subsequently, Sberbank and the Lender shall enter and sign an Act of Acceptance as provided in sub-Clause 13.3.

14.2 **Waivers**

No failure to exercise and no delay in exercising, on the part of the Lender or Sberbank, any right, power to privilege under any Loan Agreement and no course of dealing between Sberbank and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies provided in each Loan Agreement are cumulative and not exclusive of any rights, or remedies provided by applicable law.

14.3 **Notices**

All notices, requests, demands or other communications to or upon the respective parties to each Loan Agreement shall be given or made in the English language by telex, SWIFT or courier, or fax (in the case of the Lender only) to the party to which such notice, request, demand or other communication is required or permitted to be given or made under such Loan Agreement addressed as follows:

14.4.1 if to Sberbank:

Sberbank 19
Vavilova Street
Moscow 117997
Russian Federation

Fax:	+7 495-747-3758
Telex:	414733 SBRF RU
SWIFT:	SABR RU MM
Attention:	Alexander V. Tataourov/Andrey V. Trusov

14.4.2 if to the Lender:

SB Capital S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg

Fax: +352 421 22 718
Attention: The Directors

or to such other address, telex, SWIFT or fax number as any party may hereafter specify in writing to the other.

Any notice, request, demand or other communication given by courier shall be conclusively deemed to have been given on the day of actual delivery thereof and, if given by telex, fax or SWIFT, on the day of transmission thereof, in each case if given during the normal business hours of the recipient, and on the business day during which such normal business hours next occur if not given during such hours on any day.

14.4 **Assignment**

14.5.1 Each Loan Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights or obligations under such Loan Agreement. Any reference in a Loan Agreement to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions by the Lender, following the enforcement of the security and/or assignment referred to in sub-Clause 14.5.3 below, shall be references to the exercise of such rights or discretions by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any discussions between the Lender and Sberbank or any agreements of the Lender or Sberbank pursuant to subClauses 6.4 or 6.7 or Clause 8.

14.5.2 Sberbank shall not assign or transfer all or any part of its rights or obligations hereunder to any other party.

14.5.3 The Lender may assign or transfer, in whole or in part, on or at any time after the date of this Agreement, any of its rights and benefits or obligations under this Agreement (i), with the prior written consent of Sberbank, to a company located in a Qualifying Jurisdiction and/or (ii), in connection with the funding of each Loan, by way of the charge by way of first fixed charge granted by the Lender and the absolute assignment by the Lender in favour of the Trustee (as Trustee) of the Lender's rights and benefits under each Loan Agreement and, in each case under (ii) hereof, Sberbank agrees that it will, on or prior to the relevant Closing Date, acknowledge in writing any such charge and assignment.

14.5.4 Any references in this Agreement to any such assignee or transferee pursuant to Clause 14.5.3 shall be construed accordingly and, in particular, references to the rights, benefits and obligations hereunder of the Lender, following such assignment or transfer, shall be references to such rights, benefits or obligations by the assignee or transferee.

14.5 **Currency Indemnity**

To the fullest extent permitted by law, the obligation of Sberbank in respect of any amount due in the Specified Currency (or such other currency as contemplated by such obligation) under a Loan Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the Specified Currency (or such other currency as contemplated by such obligation) that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in the Specified Currency (or such other currency as contemplated by such obligation) that may be so purchased for any reason falls short of the amount originally due (the "**Due Amount**"), Sberbank hereby agrees to indemnify and hold harmless the Lender against any deficiency in the Specified Currency. Any obligation of Sberbank not discharged by payment in the Specified Currency (or such other currency as contemplated by such obligation) shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided the relevant Loan Agreement, shall continue in full force and effect. If the amount in the Specified Currency (or such other currency as contemplated by such obligation) that may be purchased exceeds that Due Amount the Lender shall promptly pay the amount of the excess to Sberbank.

14.6 **Contracts (Rights of Third Parties) Act 1999**

A person who is not a party to a Loan Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of such Loan Agreement.

14.7 **Choice of Law**

Each Loan Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, the laws of England.

14.8 **Jurisdiction**

14.8.1 Each of the parties hereby agrees that any dispute, controversy, claim or cause of action brought by any party against another party or arising out of or relating to any Loan Agreement shall be settled by arbitration in accordance with the Rules of the London Court of International Arbitration (the "**LCIA**"), which rules are deemed to be incorporated by reference into this Clause. The place of arbitration shall be London, England and the language of the arbitration shall be English. The number of arbitrators shall be three, each of whom shall be disinterested in the dispute or controversy, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. Each party shall nominate an arbitrator, who, in turn, shall nominate an additional arbitrator who shall be the Chairman of the Tribunal. If a dispute, claim controversy or cause of action shall involve more than two parties, the parties thereto shall attempt to align themselves in two sides (*i.e.*, claimant and respondent) each of which shall appoint an arbitrator as if there were only two sides to such dispute, claim controversy or cause of action. If such alignment and appointment shall not have occurred within twenty (20) calendar days after the initiating party serves the arbitration demand or if a Chairman has not been selected within thirty (30) calendar days of the selection of the second arbitrator, the LCIA Arbitration Court shall appoint the three arbitrators or the Chairman, as the case may be. The parties and the LCIA Arbitration Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The arbitrators shall have no authority to award punitive or other punitive type damages and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of this Agreement.

14.8.2 The fact that an arbitration award has been made, the content of that award and the arbitration proceedings contemplated by this Clause 14 shall be kept confidential by the parties (other than for purposes of enforcement of the award). Costs of the arbitration (excluding each party's preparation, travel, attorneys' fees and similar costs) shall be borne in accordance with the decision of the arbitrators. The decision of the arbitrators shall be final, binding and enforceable upon the parties and judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that the failure of a party to comply with the decision of the arbitrators requires any other party to apply to any court for enforcement of such award, the non-complying party shall be liable to the other for all costs of such litigation, including reasonable attorneys' fees.

14.9 **Waiver of Immunity**

To the extent that Sberbank may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before making of a judgment or award or otherwise) or other legal process including in relation to the enforcement of an arbitration award and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to Sberbank or its assets or revenues, Sberbank agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

14.10 **Counterparts**

Each Loan Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

14.11 **Language**

The language which governs the interpretation of each Loan Agreement is the English language.

14.12 **Amendments**

Except as otherwise provided by its terms, each Loan Agreement may not be varied except by an agreement in writing signed by the parties.

14.13 **Partial Invalidity**

The illegality, invalidity or unenforceability to any extent of any provision of any Loan Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

TERMS AND CONDITIONS OF THE NOTES

The text of these terms and conditions has been updated in this Base Prospectus to reflect the change of name of the agents as further described in the statement on page v of this Base Prospectus and to reflect the amendment to the terms and conditions effected by a deed of amendment dated October 16, 2012 to the Principal Trust Deed (as defined below). The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed and Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by, are subject to, and have the benefit of, a supplemental trust deed dated the Issue Date specified hereon (the "**Supplemental Trust Deed**") supplemental to a trust deed dated June 17, 2008 and as may be amended or supplemented from time to time (the "**Principal Trust Deed**"), each made between SB Capital S.A. (the "**Issuer**") and BNY Corporate Trustee Services Limited (the "**Trustee**", which expression shall include any trustee or trustees for the time being under the Trust Deed) as trustee and successors thereof for the holders of the Notes (the "**Noteholders**"). The Principal Trust Deed and the Supplemental Trust Deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified, are together referred to as the "**Trust Deed**".

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing either a Senior Loan (if the status of the Loan is specified as "**Senior**" thereon) or a Subordinated Loan (if the status of the Loan is specified as "**Subordinated**" thereon and together with a Senior Loan, the "**Loans**", and any one of them a "**Loan**") to Sberbank of Russia (the "**Borrower**") subject to, and in accordance with, either (i) in relation to a Senior Loan, a facility agreement between the Issuer and the Borrower dated 12 May 2006 (such facility agreement as amended from time to time, the "**Facility Agreement**") as amended and supplemented by a loan supplement to be dated the Trade Date (the "**Loan Supplement**" and, together with the Facility Agreement, the "**Senior Loan Agreement**"), or (ii) in relation to a Subordinated Loan, a subordinated loan agreement between the Issuer and the Borrower to be entered into on the Trade Date together with a supplement thereto (together, the "**Subordinated Loan Agreement**"). In these Terms and Conditions, "**Loan Agreement**" shall mean either (i) a Senior Loan Agreement (in respect of a Senior Loan) or (ii) a Subordinated Loan Agreement (in respect of a Subordinated Loan), as applicable.

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligations of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer from the Borrower pursuant to the Loan Agreement.

The Issuer has charged by way of first fixed charge in favour of the Trustee certain of its rights and interests as lender under the Loan Agreement as security for its payment obligations in respect of the Notes and under the Trust Deed (the "**Charge**"), and has assigned absolutely to the Trustee certain other rights under the Loan Agreement (together with the Charge, the "**Security Interests**"), in each case excluding the Reserved Rights (as defined below). In certain circumstances, the Trustee can (subject to it being indemnified and/or secured to its satisfaction) be required by Noteholders holding at least one quarter of the principal amount of the Notes outstanding or by an Extraordinary Resolution (as defined below) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

The Notes have the benefit of, and payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Borrower) pursuant to, a paying agency agreement dated June 17, 2008 (as may be amended or supplemented from time to time, the "**Agency Agreement**"), and made between the Issuer, The Bank of New York Mellon, London Branch as principal paying agent, calculation agent and transfer agent (the "**Principal Paying Agent**", the "**Calculation Agent**" and the "**Registrar**", respectively), The Bank of New York Mellon, New York Branch, as a paying agent and a transfer agent (a "**Paying Agent**" and "**Transfer Agent**", respectively) and the Trustee. References herein to principal paying agent, registrar, paying agent or transfer agent, shall include any additional or successor principal paying agent, registrar, paying agent or transfer agent.

Copies of the Trust Deed, the Loan Agreement, the Agency Agreement and the Final Terms are available for inspection at the principal office of the Trustee, at the specified office of the Principal Paying Agent and at the specified office of the Paying Agent in London.

The statements contained in these Terms and Conditions include summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed), the Final Terms, the Loan Supplement and the Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions thereof.

"**Reserved Rights**" are the rights excluded from the Security Interest, being all and any rights, interests and benefits of the Issuer in respect of the obligations of the Borrower (i) in respect of a Senior Series, under Clauses 3.2, 5.3 (other than the right to receive any amount payable under such Clause), 6.2 (to the extent that the Borrower shall reimburse the Issuer on demand for any amount paid by the Issuer in respect of the Russian Federation taxes, penalties or interest), 6.3 (only to the extent that the Issuer has received amounts to which the Noteholders are not entitled), 8, 12.1 – 3, 13.1, 13.2 (only to the extent that the Borrower shall reimburse the Issuer for any amount paid by the Issuer) and 14.2 (to the extent that the Borrower shall reimburse the Issuer for any amount paid by the Issuer in respect of such taxes, charges or costs) of the Facility Agreement and, for the avoidance of doubt, Clauses 6.4 and 6.7 of the Facility Agreement, and (ii) in respect of a Subordinated Series, as set out in the relevant Supplemental Trust Deed.

1. **Status**

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the Loan Agreement.

The Trust Deed provides that payments in respect of the Notes equivalent to the sums actually received by or for the account of the Issuer by way of principal, interest or additional amounts (if any) pursuant to the Loan Agreement will be made *pro rata* among all Noteholders, on the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. As provided therein, neither the Issuer nor the Trustee shall be under any obligation to exercise in favour of the Noteholders any rights of set-off or of banker's lien or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Borrower.

Noteholders have notice of, and have accepted, these Terms and Conditions, the Final Terms and the contents of the Trust Deed and the Loan Agreement, and have hereby accepted that:

1.1 neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, save as otherwise expressly provided in the Trust Deed or in paragraph 1.6 below, liability or obligation in respect of the performance and observance by the Borrower of its obligations under the Loan Agreement or the recoverability of any sum of principal or interest (or any additional amounts) due or to become due from the Borrower under the Loan Agreement;

1.2 neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the financial condition, creditworthiness, affairs, status or nature of the Borrower;

1.3 neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default or omission of the Borrower under or in respect of the Loan Agreement;

1.4 neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Principal Paying Agent, any Paying Agent, the Registrar or Transfer Agent of their respective obligations under the Agency Agreement;

1.5 the financial servicing and performance of the terms of the Notes depend solely and exclusively upon performance by the Borrower of its obligations under the Loan Agreement and its covenant to make payments under the Loan Agreement and its credit and financial standing. The Borrower has represented and warranted to the Issuer that the Loan Agreement constitutes a legal, valid and binding obligation of the Borrower; and

1.6 the Issuer and the Trustee shall be entitled to rely on (i) Officer's Certificates (as defined in the Loan Agreement) as to whether or not an Event of Default or Potential Event of Default (each as defined in the relevant Loan Agreement) has occurred and (ii) Officer's Certificates specifying the Principal Subsidiaries (as defined in the Loan Agreement) of the Borrower and shall not otherwise be responsible for investigating any aspect of the Borrower's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a security holder in relation to the property which is the subject of the Trust Deed and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the assigned property whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security and the Trustee has no responsibility for the value of such security.

The obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves.

In respect of a Note issued under a Subordinated Series (as defined in the Trust Deed) only, the claims of the Issuer under the Loan Agreement, excluding the Reserved Rights, constitute the direct, unconditional and unsecured

subordinated obligations of the Borrower and will rank at least equally with all other unsecured and subordinated obligations of the Borrower (whether actual or contingent) as more fully set out in the relevant Subordinated Loan Agreement.

In the event that the payments under the Loan Agreement are made by the Borrower to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto* satisfy the obligations of the Issuer in respect of the Notes.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's right under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to the Borrower except through action by the Trustee pursuant to the relevant Security Interests granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take proceedings to enforce payment under the Loan Agreement unless it has been indemnified and/or secured by the Noteholders to its satisfaction.

2. Form and Denomination

The Notes will be issued in fully registered form, and in the Specified Denomination shown hereon or higher integral multiples as specified in the relevant Final Terms, without interest coupons, provided that (i) interests in the Rule 144A Notes shall be held in amounts of not less that U.S.$200,000 and (ii) the minimum Specified Denomination of any Notes shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or, if more than one Specified Denomination, the lowest Specified Denomination) provided hereon and higher integral multiples as specified in the relevant Final Terms provided in the relevant Final Terms.

The Notes are Fixed Rate Notes, Floating Rate Notes, a combination of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis specified hereon.

3. **Register, Title and Transfers**

The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement with an up-to-date copy to be kept with the Issuer at its registered office (the "**Issuer's Register**"). In these Conditions the "holder" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A Note will be issued to each Noteholder in respect of its registered holding. Under the terms of the Agency Agreement, the Registrar will provide to the Issuer after each such change to the Register an up-to-date copy of the Register to be maintained at the Issuer's registered office. In case of inconsistency between the Register and the Issuer's Register, the Issuer's Register shall prevail.

The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note) and no person shall be liable for so treating such holder.

A Note may be transferred upon surrender of the relevant Note, with the endorsed form of transfer duly completed, at the specified office of the Registrar or at the specified office of a Transfer Agent, together with such evidence as the Registrar or such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Notes represented by the surrendered Note are the subject of the transfer, a new Note in respect of the balance of the Note will be issued to the transferor.

Subject to the last paragraph of this Condition, within five business days of the surrender of a Note in accordance with the immediately preceding paragraph above, the Registrar will register the transfer in question and deliver a new Note to each relevant holder at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its specified office.

The transfer of a Note will be effected without charge but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

4. **Restrictive Covenants**

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not (and will not consent to any request of the Borrower to), without the prior written consent of the Trustee, agree to any amendments to or any modification of (in each preceding case, in respect of a Note issued under a Subordinated Series only, with the consent of the Central Bank of Russia if applicable (the "**CBR**")) or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14.

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee, shall not, *inter alia*, incur any other indebtedness for borrowed moneys (other than issuing any Series of Notes), engage in any other business (other than acquiring and holding the Security Interests in respect of each Series, issuing Notes and performing any act incidental to or necessary in connection with the foregoing), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in these conditions and the Trust Deed), issue any shares, give any guarantee or assume any other liability, or subject to the laws of Luxembourg, petition for any winding-up or bankruptcy.

5. **Interest**

(a) ***Interest on Fixed Rate Notes:***

Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest specified thereon which shall be equal to the rate per annum at which interest under the Loan accrues. Accordingly, on each Interest Payment Date or as soon thereafter as the same shall be received by the Issuer, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer under the Loan Agreement.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

(b) ***Interest on Floating Rate Notes:***

(i) *Interest Payment Dates:*

Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified hereon, which shall be equal to the rate per annum at which interest under the Loan accrues, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. Accordingly, on each such date or as soon thereafter as the same shall be received by the Issuer, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest under the Loan received by or for the account of the Issuer pursuant to the Loan Agreement, as the case may be.

(ii) *Business Day Convention:*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:*

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and as set out in the Loan Agreement.

(c) ***Accrual of Interest:***

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(d) ***Calculations:***

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon and the Day Count Fraction for such Interest Accrual Period as specified hereon and in the Loan Agreement, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(e) ***Publication of Rates of Interest and Interest Amounts:***

The Calculation Agent shall, as soon as practicable after calculating or determining the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date as set out in the Loan Agreement, cause such Rate of Interest and Interest Amounts to be notified to the Trustee, the Issuer, the Borrower, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable as a consequence of amounts under the Loan Agreement becoming due and payable prior to the Repayment Date (as defined in the Loan Agreement), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(f) ***Determination or Calculation by Trustee:***

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount pursuant to the Loan Agreement, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances. The Trustee shall incur no liability in respect of such determination or calculation.

6. **Redemption and Purchase**

(a) ***Final Redemption:***

Unless the Loan is previously prepaid or repaid pursuant to Clauses 5.2, 5.3 or 5.4 of the Facility Agreement in the case of a Senior Series of Notes or pursuant to the terms of the relevant Subordinated Loan Agreement in the case of a Subordinated Series of Notes, the Borrower will be required to repay the Loan on the Repayment Date and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will on that date be redeemed or repaid by the Issuer in the relevant Specified Currency on the Redemption Date specified hereon at their Final Redemption Amount (which, unless otherwise specified hereon, is 100 per cent. of the principal amount thereof).

(b) ***Early Redemption:***

If the Loan should become repayable in full (and be repaid in full) pursuant to the terms and conditions of the Loan Agreement prior to its Repayment Date, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at their Early Redemption Amount (which, unless otherwise specified hereon is par together with interest accrued to the date of redemption)

and the Issuer will endeavour to give not less than eight days' notice thereof to the Trustee and the Noteholders in accordance with Condition 14.

To the extent that the Issuer receives amounts of principal, interest or other amounts (other than amounts in respect of the Reserved Rights) following acceleration of the Loan, the Issuer shall pay an amount equal to and in the same currency as such amounts on the business day following receipt of such amounts, subject as provided in Condition 7.

(c) ***Redemption at the Option of Noteholders of a Senior Series:***

If a Put Option Event (as defined below) shall occur while a Note of any Senior Series is outstanding, the holder of each such Note will have the option (unless, prior to the delivery of the Put Option Notice referred to below, the Issuer gives notice under Condition 6(b)) to require the Issuer to redeem that Note) (the "**Put Option**") on the Put Option Settlement Date (as defined below) at its principal amount together with accrued interest and additional amounts (as defined in Condition 8) (if any) to the Put Option Settlement Date.

Promptly upon the Issuer becoming aware that a Put Option Event has occurred, the Issuer shall give notice (a "**Put Option Event Notice**") to the Noteholders in accordance with Condition 14, specifying the details relating to the occurrence of the Put Option Event and the procedure for exercising the option contained in this Condition 6(c).

In order to exercise the option contained in the Condition 6(c), the holder of a Note of any Senior Series must deliver no later than 30 days after the Put Option Event Notice is given (the "**Put Option Period**"), to the specified office of the Principal Paying Agent or any Paying Agent evidence satisfactory to the Paying Agent of such holder's entitlement to such Note and a duly completed put option notice (a "**Put Option Notice**") specifying the principal amount of the Notes in respect of which the Put Option is exercised, in the form obtainable from the Principal Paying Agent or any Paying Agent. The Principal Paying Agent or the Paying Agent will provide such Noteholder with a receipt. Provided that the Notes that are the subject of any such Put Option Notice have been delivered to the Principal Paying Agent or a Paying Agent prior to the expiry of the Put Option Period, then the Issuer shall (subject (i) to the receipt of sufficient funds to do so from the Borrower and (ii) as provided in Condition 7) redeem all such Notes on the date falling five Business Days after the expiration of the Put Option Period (the "**Put Option Settlement Date**"). No Put Option Notice, once delivered in accordance with this Condition 6(c), may be withdrawn.

For the purposes of these Conditions, a "**Change of Control**" shall occur at any time that the CBR and/or any other federal state agencies appropriately authorised to hold the shares of the Borrower (i) ceases to own or control (directly or indirectly) 50 per cent. plus one share of the issued and outstanding voting share capital of the Borrower; or (ii) no longer has the right to appoint or remove a majority of the Borrower's supervisory council.

"**Put Option Event**" means a Change of Control has occurred.

This Condition 6(c) does not apply to Notes issued under a Subordinated Series.

(d) ***Purchase:***

The Borrower or any of its Subsidiaries (as defined in the Facility Agreement) may at any time and from time to time purchase Notes in the open market or by tender or by private agreement at any price. Such Notes may be held, sold in the open market or, at the option of the Borrower or such Subsidiary, surrendered by the Borrower or such Subsidiary, as the case may be, to the Issuer for cancellation, whereupon the Issuer shall instruct the Principal Paying Agent to cancel such Notes. Upon such cancellation by or on behalf of the Principal Paying Agent, the relevant Loan shall be deemed to have been prepaid by the Borrower in an amount corresponding to the aggregate principal amount of the Notes surrendered for cancellation, together with accrued interest (if any) thereon and no further payments shall be made or required to be made by the Issuer in respect of such Notes.

This Condition 6(d) will only apply to Notes issued under a Subordinated Series to the extent specified to be applicable in the relevant Final Terms.

(e) ***Compulsory Sale:***

The Issuer may compel any beneficial owner of an interest in the Rule 144A Notes to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is a U.S. person that is not a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and a qualified purchaser (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940).

7. ***Payments and Agents***

Payments of principal shall be made against presentation and surrender of the relevant Notes at the specified office of the Principal Paying Agent or at the specified office of any Transfer Agent or of the Registrar and in the manner provided in the paragraph below.

Interest shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest shall be made in the Specified Currency by cheque drawn on a bank in the principal financial centre for the Specified Currency or, in the case of euro, in a city in which banks have access to the TARGET System (a "**Bank**") and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank, or by transfer to an account in the Specified Currency maintained by the payee with, a Bank in the principal financial centre of such Specified Currency or in the case of euro, a Bank specified by the payee or at the option of the payee, by a euro-cheque and (in the case of interest payable on redemption) upon surrender of the relevant Notes at the specified office of the Principal Paying Agent or at the specified office of any Transfer Agent.

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

If the due date for payments of interest or principal is not a business day, a Noteholder shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon, and (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of a payment in euro) which is a business day on which the TARGET system is operating.

The names of the initial Paying Agents and their initial specified offices are set out below. The Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee, vary or terminate the appointment of the Principal Paying Agent or any of the Paying Agents, and appoint additional or other paying agents provided that (i) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will be a Paying Agent and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority and (ii) there will be a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to such Directive. Any such variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 days' and not less than 30 days' notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the Issue Date as specified hereon shall be payable only as and when actually received by or for the account of the Issuer pursuant to the Loan Agreement.

Save as otherwise directed by the Trustee at any time after any of the Security Interests created in the Trust Deed become enforceable, the Issuer will, pursuant to Clause 7 of the Agency Agreement require the Borrower to make all payments of principal, interest and premium (if any) to be made pursuant to the Loan Agreement to the Principal Paying Agent to an account in the name of the Issuer (the "**Account**"). Under the Charge, the Issuer will charge by way of first fixed charge all the rights, title and interest in and to all sums of money then or in the future deposited in the Account in favour of the Trustee for the benefit of the Noteholders.

8. **Taxation**

All payments in respect of the Notes by or on behalf of the Issuer will be made without deduction or withholding for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Russian Federation or Luxembourg or any authority thereof or therein having the power to tax, unless the deduction or withholding of such taxes or duties is required by law.

In such event, the Issuer shall pay such additional payments ("**additional amounts**") as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required but only to the extent and only at such time as the Issuer receives an equivalent amount from the Borrower under the Loan Agreement. To the extent that the Issuer receives a lesser additional amount from the Borrower the Issuer will account to each Noteholder for an additional amount equivalent to a *pro rata* proportion of such additional amount (if any) as is actually received by, or for the account of, the Issuer pursuant to the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment

of such additional amount to the Issuer provided that no such additional amount will be payable in respect of any Note:

8.1 to a Noteholder who (a) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (b) is liable for such taxes or duties by reason of his having some connection with the Russian Federation or Luxembourg other than the mere holding of such Note or the receipt of payments in respect thereof;

8.2 in respect of a Note presented for payment of principal more than 30 days after the Relevant Date except to the extent that such additional payment would have been payable if such Note had been presented for payment on such 30th day;

8.3 where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

8.4 in respect of a Note presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

As used herein, "**Relevant Date**" (i) means the date on which any payment under the Loan Agreement first becomes due but (ii) if the full corresponding amount payable has not been received by, or for the account of, the Issuer on or prior to such date, it means the date on which such moneys shall have been so received and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 14.

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 8 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9. **Enforcement**

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

At any time after the occurrence of an Event of Default or of a Relevant Event (as defined below), the Trustee may, at its discretion and without notice, and shall, if requested to do so by Noteholders owning 25 per cent. in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction, (i) (in the case of an Event of Default in respect of a Note issued under a Senior Series only) declare all amounts payable under the Loan Agreement by the Borrower to be due and payable, (ii) (in the case of an Event of Default in respect of a Note issued under a Subordinated Series only) take the action permitted to be taken by the Issuer under the Loan Agreement), or (iii) (in the case of a Relevant Event) exercise any rights under the Security Interests created in the Trust Deed in favour of the Trustee. Upon repayment of the Loan following an Event of Default and a declaration as provided herein, the Notes will be redeemed or repaid at their principal amount together with interest accrued to the date fixed for redemption and thereupon shall cease to be outstanding.

"**Relevant Event**" means the earlier of the failure by the Issuer to make any payment of principal or interest on the Notes when due or the Issuer becoming insolvent or bankrupt or unable to pay its debts, stopping or suspending payment of all or material part (in the opinion of the Trustee) of its debts, proposing or making a general assignment or any arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium is agreed or declared in respect of affecting all or (in the opinion of the Trustee) a material part of the debts of the Issuer or an order is made or an effective resolution is passed for the winding up or dissolution of the Issuer or the Issuer becomes subject to any insolvency, bankruptcy, *concordat préventif de faillite*, moratorium, controlled management (*gestion contrôlée*), general settlement with creditors, liquidation, reorganisation and any other similar legal proceedings affecting the Issuer or a *commissaire à la gestion contrôlée*, a *liquidateur*, a *commissaire*, a *curateur*, an *administrateur* or any similar officer is appointed as a consequence of the financial difficulties affecting the Issuer.

10. **Meetings of Noteholders; Modification of Notes, Trust Deed and Loan Agreement; Waiver; Substitution of the Issuer; Appointment/Removal of Trustees**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, the Loan Agreement or the

Trust Deed. Noteholders will vote according to the principal amount of their Notes. Special quorum provisions apply for meetings of Noteholders convened for the purpose of amending certain terms concerning, *inter alia*, the governing law of the Loan, the amount payable on, and the currency of payment in respect of, the Notes and the amounts payable and currency of payment under the Loan Agreement. Any resolution duly passed at a meeting of Noteholders will be binding on all the Noteholders, whether present or not.

The Trustee may agree, without the consent of the Noteholders, to any modification of the Notes, the Trust Deed and the Loan Agreement which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven or is not materially prejudicial to the interests of the Noteholders.

The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Terms and Conditions of the Notes or the Trust Deed or by the Borrower of the terms of the Loan Agreement, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement shall not be treated as such, if, in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be promptly notified to the Noteholders.

The Trust Deed contains provisions to the effect that the Issuer may, and at the request of the Borrower shall, having obtained the consent of the Borrower (if such substitution is not to be made at the request of the Borrower) and the Trustee (which latter consent may be given without the consent of the Noteholders) and having complied with such reasonable requirements as the Trustee may direct in the interests of the Noteholders, substitute any entity in place of the Issuer as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed and as party to the Loan Agreement, subject to the relevant provisions of the Trust Deed and the substitute's rights under the Loan Agreement being charged and assigned to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes.

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

The Trust Deed contains provision for the appointment or removal of a Trustee by a meeting of Noteholders passing an extraordinary resolution, provided that, in the case of the removal of a Trustee, at all times there remains a trustee in office after such removal. Any appointment or removal of a Trustee shall be notified to the Noteholders in accordance with Condition 14. The Trustee may also resign such appointment giving not less that three months' notice to the Noteholders provided that such retirement shall not become effective unless there remains a trustee in office after such retirement.

11. Prescription

Notes will become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

12. Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless indemnified to its satisfaction. The Trustee is entitled to enter into contracts or transactions with the Issuer, and/or the Borrower and any entity related to the Issuer, and/or the Borrower without accounting for any profit, fees, corresponding interest, discounts or share of brokerage earned, arising or resulting from any such contract or transactions.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or for the performance by the Borrower of its obligations under or in respect of the Loan Agreement. The Trustee has no liability to Noteholders for any shortfall arising from the Trustee being subject to tax as a result of the Trustee holding or realising the Security Interests.

13. **Replacement of Notes**

If any Note shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and stock exchange requirements, be replaced at the specified office of the Registrar or at the specified office of the Paying Agent in London or the United States on payment of such costs, expenses, taxes

and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer or the Trustee. Mutilated or defaced Notes must be surrendered before replacements will be issued.

14. **Notices**

All notices to the Noteholders shall be deemed to have been duly given if (i) posted to such holders at their respective addresses as shown on the Register and (ii) so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, published on the website of the Irish Stock Exchange. Any such notice shall be deemed to have been given on the first date on which both conditions shall have been met.

In case by reason of any other cause it shall be impracticable to publish any notice to holders of Notes as provided above, then such notification to such holders as shall be given with the approval of the Trustee shall constitute sufficient notice to such holders for every purpose hereunder.

15. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and the date of the first payment of interest) so as to be consolidated and form a single series with the Notes. Such further Notes shall be constituted by a deed supplemental to the Trust Deed between the Issuer and the Trustee. The Trust Deed contains provisions for convening a single meeting of Noteholders and the holders of Notes of other series in certain circumstances where the Trustee so decides. In relation to any further issue which is to be consolidated and form a single series with the Notes, (i) the Issuer will enter into a loan agreement supplemental to the Loan Agreement with the Borrower on substantially the same terms as the Loan Agreement (or in all respects except for the amount and the date of the first payment of interest on the further Loan) and (ii) the Security Interests granted in respect of the Notes will be amended or supplemented so as to secure amounts due in respect of such further Notes also and/or the Issuer will provide a further fixed charge in favour of the Trustee in respect of certain of its rights and interests under any further Loan Agreement as so amended and will assign absolutely certain of its rights under such Loan Agreement as amended to secure amounts due on the Notes and such further Notes.

16. **Contracts (Rights of Third Parties) Act 1999**

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

17. **Governing Law**

The Notes, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Issuer has submitted in the Trust Deed to the jurisdiction of the courts of England and has appointed an agent for the service of process in England. The provisions of articles 86 to 94-8 of the Luxembourg law of 10 August 1915, as amended, on commercial companies are excluded.

OVERVIEW OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Notes

Each Series of Notes will be evidenced on issue (i) in the case of Regulation S Notes, a Regulation S Global Note deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg and (ii) in the case of Rule 144A Notes, a Rule 144A Global Note deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*—Book-Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person and that, prior to the expiration of 40 days after completion of the distribution of the Series of which such Notes are a part as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a Series of Notes sold to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such Series sold by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all relevant Dealers have so certified (the "**distribution compliance period**"), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Transfer Restrictions*". Beneficial interests in a Rule 144A Global Note may only be held through DTC at any time. See "*— Book-Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that if it is a U. S. person (within the meaning of Regulation S), it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement, and with respect to Rule 144A Global Note, as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under "Transfer Restrictions". A beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note in denominations greater than or equal to the minimum denominations applicable to interests in a Rule 144A Global Note and only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB that is also a QP and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) from the transferor to the effect that the transfer is being made to a non-U.S. person and in accordance with Regulation S.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule l44A Global Note will, upon transfer, cease to be an interest in the Regulation S Global Note and become an interest in the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in the Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "**Definitive Notes**"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is an overview of those provisions:

- *Payments.* Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by the Principal Paying Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

- *Notices.* So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of such Notes **provided that** for so long as the Notes are listed on any stock exchange, notices will also be published in accordance with the rules of such stock exchange.

- *Meetings.* The holder of each Global Note will be treated as being one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each Note for which the relevant Global Note may be exchangeable.

- *Trustee's Powers.* In considering the interests of Noteholders whilst the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of such Global Note.

- *Cancellation.* Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

- *Redemption at the Option of Noteholders.* If a Put Option (as defined in the "Terms and Conditions of the Notes") occurs, the Issuer must, upon becoming aware of the occurrence of a Change of Control, promptly give notice to the Noteholders in accordance with the "Terms and Conditions of the Notes" and the standard procedures of DTC, Euroclear and Clearstream, Luxembourg of such Change of Control. For so long as all of the Notes are represented by the Global Notes and such Global Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg and DTC, as applicable, such option of the Noteholders to require redemption of the Notes may be exercised by an accountholder (shown in the records of Euroclear and/or Clearstream, Luxembourg and DTC, as applicable, as the holder of Notes) giving notice to a Paying Agent in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC of the principal amount of the Notes in respect of which such option is to be exercised, not later than 30 days after the Issuer has given the notice of the Change of Control referred to above. Following presentation of the relevant Global Notes to the Principal Paying Agent for notation, the Issuer shall (subject to certain limitations on the obligation of payment of the Issuer in Condition 7) redeem the relevant proportion of each Global Note five business days after the expiration of the 30 day period detailed above and the Paying Agent will mark down the Global Notes in accordance with the terms of the Agency Agreement. This paragraph does not apply to Notes issued under a Subordinated Series.

Exchange for Definitive Notes

Exchange

Each Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive, registered form if: (i) a Global Note is held by or on behalf of (A) DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Note or ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934 (the "**Exchange Act**") or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC or (B) Euroclear or Clearstream, Luxembourg, and Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 which would not be suffered were the Notes in definitive form and a notice to such effect signed by two directors of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or any Transfer Agent and the Noteholders, of its intention to exchange the relevant Global Note for Definitive Notes on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar or any Transfer Agent. In exchange for the relevant Global Note, as provided in the Paying Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for definitive Notes and the Issuer will, at the cost of Sberbank (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause

sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule l44A, a certification that the transfer is being made in compliance with the provisions of Rule l44A to a QIB that is also a QP. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

Book-Entry Procedures for the Global Notes

For each Series of Notes evidenced by both a Regulation S Global Note and a Rule 144A Global Note, custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "*—Book-Entry Ownership—Settlement and Transfer of Notes*".

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "Exchange for Definitive Notes", DTC will surrender the relevant Rule l44A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing Regulation S Notes of any Series will have an International Securities Identification Number ("**ISIN**") and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg.

DTC

The Rule 144A Global Note representing Rule 144A Notes of any Series will have a CUSIP number and will be deposited with a custodian for and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System. The address of DTC is 55 Water Street, New York, New York 10041, USA.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule l44A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement ("**SDFS**") system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Rule l44A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Rule l44A Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment thereof on the Closing Date thereof, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant Closing Date should consult their own advisers.

SUBSCRIPTION AND SALE

Overview of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated May 12, 2006 as amended by an amendment agreement dated July 24, 2007 (the "**Dealer Agreement**") between the Issuer, Sberbank, the Permanent Dealers and the Arrangers, the Notes will be offered from time to time by the Issuer to the Permanent Dealers or such other Dealers as may be appointed from time to time in respect of any Series of Notes pursuant to the Dealer Agreement. Any agreement for the sale of Notes will, *inter alia,* make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Dealer Agreement also provides for Notes to be issued in syndicated Series that may be underwritten by two or more Dealers.

Each of the Issuer and Sberbank has agreed to indemnify the Dealers against certain losses, as set out in the Dealer Agreement. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the corresponding loans have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. persons within the meaning of Regulation S ("**U.S. Persons**"), except in certain transactions exempt from or not subject to the registration requirements of the Securities Act.

Each Dealer will, in respect of any Series of Notes, agree that except as permitted by the Dealer Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until after the completion of the distribution compliance period within the United States or to, or for the account or benefit of, U.S. Persons, and it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons.

In addition, until 40 days after commencement of the offering of the Notes, an offer or sale of Notes within the United States, or to or for the account of a U.S. person, by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Terms used in the preceding paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes offered and sold outside the United States to non-U.S. Persons may be sold in reliance on Regulation S. The Dealer Agreement provides that the Dealer(s) may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to persons whom they reasonably believe are QIBs and QPs who can represent that (a) they are QPs who are QIBs within the meaning of Rule 144 A, (b) they are not broker-dealers who own and invest on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers, (c) they are not a participant-directed employee plan, such as 401(k) plan, (d) they are acting for their own account, or the account of one or more QIBs each of which is a QP, (e) they are not formed for the purpose of investing in the Issuer or the Notes, (f) they, and each account for which they are purchasing, will hold and transfer at least U.S.$200,000 in principal amount of Notes at any time, (g) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries, and (h) they will provide notice of the transfer restrictions set forth in this Base Prospectus to any subsequent transferees.

This Base Prospectus has been prepared by the Issuer and Sberbank for use in connection with the offer and sale of the Notes outside the United States and the resale of the Notes in the United States and for the admission of the Notes to the Official List and to trading on the Main Securities Market, the admission of the Notes to the official list of the UKLA and the regulated market of the London Stock Exchange or another stock exchange specified in the Final Terms. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. Person other than any QIB who is also a QP and to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Base Prospectus by any non-U.S. Person outside the United States or by any QIB/QP within the United States to any U.S. Person or to any other person within the United States, other than any QIB/QP and those persons, if any, retained to advise such non-U.S. Person or QIB/QP with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. Person or other person within the United States, other than any QIB/QP and those persons, if any, retained to advise such non-U.S. Person or QIB/QP, is prohibited. See "*Transfer Restrictions*".

United Kingdom

Each Dealer has represented and agreed that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Russian Federation

Each of the Dealers has represented and agreed that the Notes will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer will, in respect of any series of Notes, represent and agree that it has not offered, sold or distributed, and will not offer, sell or distribute any Notes or any copy of the Final Terms and/or the Base Prospectus or any other offer document in the Republic of Italy ("**Italy**") except:

(a) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "**Consolidated Financial Services Act**") and Article 34-*ter,* paragraph 1(b) of CONSOB regulation No. 11971 of May 14, 1999, (the "**CONSOB Regulation**"), all as amended; or

(b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under the Consolidated Financial Services Act or the CONSOB Regulation.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of the Final Terms and/or the Base Prospectus or any other document relating to the Notes in Italy under (a) or (b) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the "**Banking Act**"), CONSOB Regulation No. 16190 of October 29, 2007, all as amended;

(b) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

(c) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, *inter alia*, by CONSOB or the Bank of Italy.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes it purchases in this offering occurs in compliance with applicable laws and regulations.

This Base Prospectus and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

General

Each Dealer has agreed that it has, to the best of its knowledge and belief, complied and will comply with applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes this Base Prospectus (and any amendments thereof and supplements thereto) or any other offering or publicity material relating to the Notes, the Issuer or Sberbank.

No action has or will be taken in any jurisdiction by the Issuer, Sberbank or any of the Dealers that would, or is intended to, permit a public offer of the Notes or possession or distribution of any offering material in relation thereto,

in any country or jurisdiction where action for that purpose is required. Accordingly, each Dealer has undertaken to the Issuer and Sberbank that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

These selling restrictions may be modified by the agreement of the Issuer, Sberbank and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes, to which it relates, or in a supplement to this Base Prospectus.

The Arrangers, the Dealers and their respective affiliates have engaged in transactions with Sberbank and other members of the Group (including, in some cases, credit agreements and credit lines) in the ordinary course of their banking business and the Arrangers and the Dealers performed various investment banking, financial advisory, and other services for Sberbank, for which they received customary fees, and the Arrangers, the Dealers and their respective affiliates may provide such services in the future. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TAXATION

The following is a general description of certain U.S., Russian and Luxembourg tax considerations relating to the Notes and the Loan. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the laws of those countries. This overview is based upon the law as in effect on the date of this Base Prospectus. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Certain U.S. Federal Income Tax Considerations

To ensure compliance with U.S. Treasury Department Circular 230, Noteholders are hereby notified that: (A) any discussion of U.S. Federal tax issues in this Base Prospectus is not intended or written to be relied upon by, and cannot be relied upon by, Noteholders for the purposes of avoiding penalties that may be imposed on Noteholders under the Internal Revenue Code; (B) such discussion is included herein by the Issuer in connection with the promotion or marketing (within the meaning of Circular 230) by the Issuer of the transactions or matters addressed herein; and (C) Noteholders should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion provides an overview of certain U.S. federal income tax considerations that may be relevant to you if you invest in the Notes and are a U.S. holder. You will be a U.S. holder if you are (i) a beneficial owner of the Notes and (ii) an individual who is a citizen or resident of the United States, a U.S. domestic corporation, or any other person that is subject to U.S. federal income tax on a net income basis in respect of an investment in the Notes. This overview deals only with U.S. holders that hold Notes as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, trader in securities or commodities that elects mark to market treatment, partnership or a partner therein, person that will hold Notes as a hedge against currency risk or as a position in a "straddle" or conversion transaction, tax-exempt organisation, or a person whose "functional currency" is not the U.S. dollar. Moreover, the overview deals only with Notes with a term of 30 years or less. The U.S. federal income tax consequences of owning Notes with a longer term will be discussed in the applicable Final Terms.

This overview is based on laws, regulations, rulings and decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this overview.

You should consult your tax adviser about the tax consequences of holding Notes, including the relevance to your particular situation of the considerations discussed below, as well as the relevance to your particular situation of state, local or other tax laws.

Payments or Accruals of Interest

Interest payments (including any foreign withholding tax imposed on, and additional amounts paid with respect to, such payments) on the Notes, other than interest on an "Original Issue Discount Note" that is not "qualified stated interest" (each as defined below under "Original Issue Discount"), will be taxable to you as ordinary interest income at the time that you receive or accrue such amounts (in accordance with your regular method of tax accounting).

If you receive payments of interest pursuant to the terms of a Note in a currency other than U.S. dollars (a "foreign currency") and you are an accrual basis U.S. holder, the amount of interest income you will realise will be based on the average exchange rate in effect during the interest accrual period (or with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, you may elect to translate all interest income on foreign currency-denominated Notes at the spot rate on the last day of the accrual period (or the last day of the taxable year, in the case of an accrual period that spans more than one taxable year) or on the date that you receive the interest payment if that date is within five business days of the end of the accrual period. If you make this election, you must apply it consistently to all debt instruments from year to year and you cannot change the election without the consent of the Internal Revenue Service. You will recognise foreign currency gain or loss on the receipt of a foreign currency interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. If you are a cash basis U.S. holder, the amount of interest income you will realise is the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. Any foreign currency gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income received on the Note.

Payments of interest on the Notes will be treated as foreign source income for the purposes of calculating that holder's foreign tax credit limitation. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to the specific classes of income. You may be able, subject to certain generally applicable

limitations, to claim a foreign tax credit (or, alternatively, a deduction if you have elected to deduct all foreign income taxes for that taxable year) for any non-U.S. withholding taxes imposed on payments of interest. The rules relating to foreign tax credits and the timing thereof are complex. You should consult your own tax advisors regarding the availability of a foreign tax credit under your particular situation.

Purchase, Sale and Retirement of Notes

General

Initially, your tax basis in a Note generally will equal the cost of the Note to you. Your basis will increase by any amounts that you are required to include in income under the rules governing original issue discount and market discount, and will decrease by the amount of any amortised premium and any payments other than qualified stated interest made on the Note. (The rules for determining these amounts are discussed below.) When you sell or exchange a Note, or if a Note that you hold is retired, you generally will recognise gain or loss equal to the difference between the amount you realise on the transaction (less any accrued but unpaid qualified stated interest, which will be subject to tax in the manner described above under "*Payments or Accruals of Interest*") and your tax basis in the Note.

Except as discussed below with respect to market discount and foreign currency gain or loss, the gain or loss that you recognise on the sale, exchange or retirement of a Note generally will be capital gain or loss. The gain or loss on the sale, exchange or retirement of a Note will be long-term capital gain or loss if you have held the Note for more than one year on the date of disposition. Net long-term capital gain recognised by an individual U.S. holder generally will be subject to tax at a lower rate than net short-term capital gain or ordinary income. Capital gain or loss, if any, recognised by a U.S. holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. The ability of U.S. holders to offset capital losses against ordinary income is limited.

Foreign Currency Notes

If you purchase a Note that is denominated in a foreign currency, the cost to you (and therefore generally your initial tax basis) will be the U.S. dollar value of the foreign currency purchase price on the date of purchase calculated at the exchange rate in effect on that date or, if you are a cash basis U.S. holder or you make a special election, at the spot rate of exchange on the settlement date of your purchase. The amount of any subsequent adjustments to your tax basis in a Note in respect of foreign currency-denominated original issue discount, market discount and premium will be determined in the manner described below. If you convert U.S. dollars into a foreign currency and then immediately use that foreign currency to purchase a Note, you generally will not have any taxable gain or loss as a result of the conversion or purchase.

If you sell or exchange a Note for a foreign currency, or receive foreign currency on the retirement of a Note, the amount you will realise for U.S. tax purposes generally will be the dollar value of the foreign currency that you receive calculated at the exchange rate in effect on the date the foreign currency Note is disposed of or retired or, if you are a cash basis U.S. holder or you make a special election, at the spot rate of exchange on the settlement date of the sale, exchange or retirement.

The gain or loss that you recognise on the sale, exchange or retirement of a foreign currency Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which you held the Note. This foreign currency gain or loss will not be treated as an adjustment to interest income that you receive on the Note.

The special election available to you in respect of the purchase and sale of foreign currency Notes traded on an established securities market, which is discussed in the above paragraphs, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the Internal Revenue Service.

Original Issue Discount

If Notes are issued, other than Notes with a term of one year or less ("short-term Notes"), at a discount from their stated redemption price at maturity, and the discount is equal to or greater than the product of one-fourth of one percent (0.25 per cent.) of the stated redemption price at maturity of the Notes multiplied by the number of full years to their maturity, the Notes will be "Original Issue Discount Notes." The difference between the issue price and the stated redemption price at maturity of the Notes will be the "original issue discount." The "issue price" of the Notes will be the first price at which a substantial amount of the Notes are sold to the public (i.e., excluding sales of Notes to underwriters, placement agents, wholesalers, or similar persons). The "stated redemption price at maturity" will include all payments under the Notes other than payments of qualified stated interest. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments issued by the Company) at least annually during the entire term of a Note at a single fixed interest rate or, subject to certain conditions, based on one or more interest indices.

If you invest in an Original Issue Discount Note, you generally will be subject to the special tax accounting rules for original issue discount obligations provided by the Internal Revenue Code and certain U.S. Treasury regulations. You should be aware that, as described in greater detail below, if you invest in an Original Issue Discount Note, you generally will be required to include original issue discount in ordinary gross income for U.S. federal income tax purposes as it accrues, although you may not yet have received the cash attributable to that income.

In general, if you are the holder of an Original Issue Discount Note with a maturity greater than one year, you will be required to include in ordinary gross income the sum of the "daily portions" of original issue discount on that Note for all days during the taxable year that you own the Note. The daily portions of original issue discount on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that period. Accrual periods may be any length and may vary in length over the term of an Original Issue Discount Note, so long as no accrual period is longer than one year and each scheduled payment of principal or interest occurs on the first or last day of an accrual period. If you are the initial holder of the Note, the amount of original issue discount on an Original Issue Discount Note allocable to each accrual period is determined by:

(i) multiplying the "adjusted issue price" (as defined below) of the Note at the beginning of the accrual period by a fraction, the numerator of which is the annual yield to maturity (defined below) of the Note and the denominator of which is the number of accrual periods in a year; and

(ii) subtracting from that product the amount (if any) payable as qualified stated interest allocable to that accrual period.

An Original Issue Discount Note that is a floating rate Note will be subject to special rules. Generally, if a floating rate Note qualifies as a "variable rate debt instrument" (as defined in applicable U.S. Treasury Regulations), then (i) all stated interest with respect to such floating rate debt security will be qualified stated interest and hence included in a U.S. holder's income in accordance with such U.S. holder's normal method of accounting for U.S. federal income tax purposes, and (ii) generally, the amount of original issue discount, if any, will be determined under the general original issue discount rules (as described above) by assuming that the variable rate is a fixed rate equal, in general, to the value, as of the issue date, of the floating rate.

If a floating rate Note does not qualify as a "variable rate debt instrument," the Note will ordinarily be classified as a contingent payment debt instrument and will be subject to special rules for calculating the accrual of stated interest and original issue discount. A detailed description of the tax considerations relevant to U.S. holders of any such Notes will be provided in the pricing supplement.

Any other special considerations with respect to the tax consequences of holding a floating rate Note will also be provided in the applicable pricing supplement.

The "adjusted issue price" of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (including any accrued interest) and the amount of original issue discount allocable to all prior accrual periods, reduced by the amount of all payments other than any qualified stated interest payments on the Note in all prior accrual periods. All payments on an Original Issue Discount Note (other than qualified stated interest) will generally be viewed first as payments of previously accrued original issue discount (to the extent of the previously accrued discount), with payments considered made from the earliest accrual periods first, and then as a payment of principal. The "annual yield to maturity" of a Note is the discount rate (appropriately adjusted to reflect the length of accrual periods) that causes the present value on the issue date of all payments on the Note to equal the issue price. As a result of this "constant yield" method of including original issue discount income, the amounts you will be required to include in your gross income if you invest in an Original Issue Discount Note denominated in U.S. dollars generally will be lesser in the early years and greater in the later years than amounts that would be includible on a straight-line basis.

You generally may make an irrevocable election to include in income your entire return on a Note (i.e., the excess of all remaining payments to be received on the Note, including payments of qualified stated interest, over the amount you paid for the Note) under the constant yield method described above. If you purchase Notes at a premium or market discount and if you make this election, you will also be deemed to have made the election (discussed below under the "*Premium*" and "*Market Discount*") to amortise premium or to accrue market discount currently on a constant yield basis in respect of all other premium or market discount bonds that you hold.

In the case of an Original Issue Discount Note that is also a foreign currency Note, you should determine the U.S. dollar amount includible as original issue discount for each accrual period by (i) calculating the amount of original issue discount allocable to each accrual period in the foreign currency using the constant yield method described above and (ii) translating that foreign currency amount at the average exchange rate in effect during that accrual period (or, with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, you may translate the foreign currency amount at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year, for an accrual period that spans two taxable years) or at the spot rate of exchange on the date of receipt, if that date is within five business days of the last day of the accrual period, **provided that** you have made the election described above under "*Payments or Accruals of Interest*". However, cash basis U.S. holders must use the latter method. Because exchange rates may fluctuate, if you are the holder of an Original Issue Discount Note that is also a foreign currency Note, you may recognise a different amount of original issue discount income in each accrual period than would be the case if you were the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. Upon the receipt of an amount attributable to

original issue discount (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), you will recognise ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

If you purchase an Original Issue Discount Note outside of the initial offering at a cost less than its remaining redemption amount (i.e., the total of all future payments to be made on the Note other than payments of qualified stated interest), or if you purchase an Original Issue Discount Note in the initial offering at a price other than the Note's issue price, you generally will also be required to include in gross income the daily portions of original issue discount, calculated as described above. However, if you acquire an Original Issue Discount Note at a price (i) less than or equal to the remaining redemption amount but (ii) greater than its adjusted issue price, your periodic inclusions of original issue discount will be reduced to reflect the premium paid over the adjusted issue price. (As discussed under "*Premium*" and "*Market Discount*" below, if you purchase an Original Issue Discount Note at a price greater than its remaining redemption amount, the original issue discount rules described in this section will not apply).

Certain Original Issue Discount Notes may be redeemed prior to maturity, either at the option of the Company or at the option of the holder, or may have special repayment or interest rate reset features as indicated in the pricing supplement. Original Issue Discount Notes containing these features may be subject to rules that differ from the general rules discussed above. If you purchase Original Issue Discount Notes with these features, you should carefully examine the pricing supplement and consult your tax adviser about their treatment since the tax consequences of original issue discount will depend, in part, on the particular terms and features of the Notes.

Original issue discount accrued with respect to an Original Issue Discount Note will be treated as foreign source income for the purposes of calculating that holder's foreign tax credit limitation. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. The rules relating to foreign tax credits and the timing thereof are complex. You should consult your own tax advisors regarding the availability of a foreign tax credit under your particular situation.

Short-Term Notes

The rules described above will also generally apply to short-term Notes, but with some modifications.

First, none of the interest payments on a short-term Note will be qualified stated interest. Consequently, all such interest payments are included in the short-term Note's stated redemption price at maturity. Since the amount of original issue discount is calculated in the same manner as described above, such interest payments may give rise to original issue discount (or acquisition discount, as defined below) even if the short-term Notes are not actually issued at a discount. Except as noted below, if you are a cash-basis holder of a short-term Note and you do not identify the short-term Note as part of a hedging transaction you will generally not be required to accrue original issue discount currently, but you will be required to treat any gain realised on a sale, exchange or retirement of the Note as ordinary income to the extent such gain does not exceed the original issue discount accrued with respect to the Note during the period you held the Note. You may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a short-term Note until the maturity of the Note or its earlier disposition in a taxable transaction. Notwithstanding the foregoing, if you are a cash-basis U.S. holder of a short-term Note, you may elect to accrue original issue discount on a current basis (in which case the limitation on the deductibility of interest described above will not apply). A U.S. holder using the accrual method of tax accounting and some cash method holders generally will be required to include original issue discount on a short-term Note in gross income on a current basis. Original issue discount will be treated as accruing for these purposes on a ratable basis or, at the election of the holder, on a constant yield basis based on daily compounding.

Second, if you are the holder of a short-term Note you may elect to accrue any "acquisition discount" with respect to the Note on a current basis. Acquisition discount is the excess of the remaining redemption amount of the Note at the time of acquisition over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the holder, under a constant yield method based on daily compounding. If you elect to accrue acquisition discount, the original issue discount rules will not apply. U.S. holders should consult their own tax advisors as to the application of these rules.

Finally, the market discount rules described below will not apply to short-term Notes.

As described above, certain of the Notes may be subject to special redemption features. These features may affect the determination of whether a Note has a maturity of one year or less and thus is a short-term Note. We will provide a description of the tax considerations relevant to U.S. holders of any Notes with redemption features that cause them to be treated as short-term Notes in the pricing supplement.

Premium

If you purchase a Note at a cost greater than the Note's remaining redemption amount, you will be considered to have purchased the Note at a premium, and you may elect to amortise the premium as an offset to interest income, using a

constant yield method, over the remaining term of the Note. If you make this election, it generally will apply to all debt instruments that you hold at the time of the election, as well as any debt instruments that you subsequently acquire. In addition, you may not revoke the election without the consent of the Internal Revenue Service. If you elect to amortise the premium, you will be required to reduce your tax basis in the Note by the amount of the premium amortised during your holding period. Original Issue Discount Notes purchased at a premium will not be subject to the original issue discount rules described above. In the case of premium on a foreign currency Note, you should calculate the amortisation of the premium in the foreign currency. Premium amortisation deductions attributable to a period reduce interest income in respect of that period, and therefore are translated into U.S. dollars at the rate that you use for interest payments in respect of that period. Exchange gain or loss will be realised with respect to amortised premium on a foreign currency Note based on the difference between the exchange rate computed on the date or dates the premium is amortised against interest payments on the Note and the exchange rate on the date the holder acquired the Note. If you do not elect to amortise premium, the amount of premium will be included in your tax basis when the Note matures or is disposed of. Therefore, if you do not elect to amortise premium and you hold the Note to maturity, you generally will be required to treat the premium as capital loss when the Note matures.

Market Discount

If you purchase a Note at a price that is lower than the Note's remaining redemption amount (or in the case of an Original Issue Discount Note, the Note's adjusted issue price), by 0.25 per cent. or more of the remaining redemption amount (or adjusted issue price), multiplied by the number of remaining whole years to maturity, the Note will be considered to bear "market discount" in your hands. In this case, any gain that you realise on the disposition of the Note generally will be treated as ordinary interest income to the extent of the market discount that accrued on the Note during your holding period. In addition, you may be required to defer the deduction of a portion of the interest paid on any indebtedness that you incurred or continued to purchase or carry the Note. In general, market discount will be treated as accruing ratably over the term of the Note, or, at your election, under a constant yield method. You must accrue market discount on a foreign currency Note in the specified currency. The amount that you will be required to include in income in respect of accrued market discount will be the U.S. dollar value of the accrued amount, generally calculated at the exchange rate in effect on the date that you dispose of the Note.

You may elect to include market discount in gross income currently as it accrues (on either a ratable or constant yield basis), in lieu of treating a portion of any gain realised on a sale of the Note as ordinary income. If you elect to include market discount on a current basis, the interest deduction deferral rule described above will not apply. If you do make such an election, it will apply to all market discount debt instruments that you acquire on or after the first day of the first taxable year to which the election applies. The election may not be revoked without the consent of the Internal Revenue Service. Any accrued market discount on a foreign currency Note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the holder's taxable year).

Indexed Notes and Other Notes Providing for Contingent Payments

Special rules govern the tax treatment of debt obligations that provide for contingent payments ("contingent debt obligations"). These rules generally require accrual of interest income on a constant yield basis in respect of contingent debt obligations at a yield determined at the time of issuance of the obligation, and may require adjustments to these accruals when any contingent payments are made. A detailed description of the tax considerations relevant to U.S. holders of any contingent debt obligations will be provided in the pricing supplement.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. holder's tax basis in the Notes. U.S. holders should consult their tax advisors concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Information Reporting and Backup Withholding

The paying agent must file information returns with the United States Internal Revenue Service in connection with note payments made to certain United States persons. If you are a United States person, you generally will not be subject to United States backup withholding tax on such payments if you provide your taxpayer identification number to the paying agent. You may also be subject to information reporting and backup withholding tax requirements with respect to the proceeds from a sale of the notes. If you are not a United States person, you may have to comply with certification procedures to establish that you are not a United States person in order to avoid information reporting and backup withholding tax requirements.

Beginning in 2017, the paying agent may be required pursuant to FATCA to withhold U.S. tax on a portion of payments on certain types of debt issued by the Issuer after December 31, 2012 to investors or intermediaries who do not provide information sufficient for the Issuer to determine whether the investors or intermediaries are exempt from FATCA withholding, or to investors or intermediaries that are non-U.S. financial institutions that are not in compliance with FATCA. The application of these rules to interest or other amounts paid on or with respect to the Notes or the Loan is not clear. If an amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from interest or other payments on the Notes or the Loan as a result of the failure of an investor, an intermediary, or the Issuer to comply with these rules, neither the Issuer nor Sberbank nor any paying agent nor any other person would, pursuant to either the Terms and Conditions of the Notes or any Loan Agreement, be required to pay additional amounts with respect to any Notes or any Loan as a result of the deduction or withholding of such tax. Holders should consult their own tax advisors on how these rules may apply to payments they receive under the Notes.

For years beginning after March 18, 2010, individual U.S. holders who, during any taxable year, hold any interest in any "specified foreign financial asset" generally will be required to file with their U.S. federal income tax returns a statement setting forth certain information if the aggregate value of all such assets exceeds $50,000 at the end of the taxable year or $75,000 at any time during the taxable year. These thresholds are higher for married individuals filing jointly and individuals living outside of the United States. A "specified foreign financial asset" generally includes any financial account maintained with a foreign financial institution and includes the Notes if they are not held in an account maintained with a financial institution. A U.S. holder who fails to file any such form could be required to pay a penalty of $10,000, or a penalty of up to $50,000 for ongoing failure to file.

Russian Taxation

Taxation of the Notes

General

The following is an overview of certain Russian tax considerations relevant to the purchase, ownership and disposal of the Notes, as well as the taxation of interest income on the Loan. The overview is based on the laws of the Russian Federation in effect on the date of this Base Prospectus, which are subject to potential change (possibly with retroactive effect). The overview does not seek to address the applicability of, and procedures in relation to, taxes levied by regions, municipalities or other non-federal authorities of the Russian Federation. Nor does the overview seek to address the availability of double tax treaty relief in respect of the Notes, and it should be noted that there may be practical difficulties, including satisfying certain documentation requirements, involved in claiming double tax treaty relief. Prospective investors should consult their own advisers regarding the tax consequences of investing in the Notes. No representations with respect to the Russian tax consequences of investing, owning or disposing of the Notes to any particular Noteholder is made hereby.

The provisions of the Russian Tax Code applicable to Noteholders and transactions involving the Notes are ambiguous and lack interpretive guidance. Both the substantive provisions of the Russian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities may be more inconsistent and subject to more rapid and unpredictable change than in jurisdictions with more developed capital markets or more developed taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates.

In practice, interpretation by different tax inspectorates may be inconsistent or contradictory and may constitute the imposition of conditions, requirements or restrictions not provided for by the existing legislation. Similarly, in the absence of binding precedents court rulings on tax or related matters by different Russian courts relating to the same or similar circumstances may also be inconsistent or contradictory.

According to the Russian Tax Code, a tax resident is an individual who spent in the Russian Federation not less than 183 days within 12 consecutive months (days of medical treatment and education outside of the Russian Federation are also counted as Russian days if the individual departed from the Russian Federation for these purposes for less than six months).

The interpretation of this definition by the Ministry of Finance of the Russian Federation states that for tax withholding purposes an individual's tax residence status should be determined on the date of income payment (based on the number of Russian days in the 12-month period preceding the date of payment). The individual's final tax liability in the Russian Federation for the reporting calendar year should be determined based on his/her tax residence status for such calendar year, i.e. based on the number of Russian days in the 12-month period as of the end of such calendar year.

For the purposes of this overview, a "non-resident Noteholder" means (i) an individual Noteholder who has not established a Russian tax residence status for the reporting calendar year as discussed above; or (ii) a legal entity or organisation in each case not organised under Russian law that holds and disposes of the Notes otherwise than through a permanent establishment in the Russian Federation.

For the purposes of this overview, a "Russian resident Noteholder" means (i) an individual Noteholder who has established a Russian tax residence status for the reporting calendar year as discussed above; or (ii) a legal entity or organisation which is a Noteholder but is not a non-resident Noteholder defined in the previous paragraph.

The Russian tax treatment of interest payments made by Sberbank to the Issuer under the relevant Loan Agreement may affect the holders of the Notes. See — "*Taxation of Interest Income on the Loan*" below.

Non-Resident Noteholders

A non-resident Noteholder should not be subject to any Russian taxes on receipt from the Issuer of amounts payable in respect of principal, premium or interest on the Notes, subject to what is stated in "Taxation of Interest Income on the Loan".

A non-resident Noteholder generally should not be subject to any Russian taxes in respect of gain or other income realised on a redemption, sales or a disposal of the Notes outside the Russian Federation, provided that the proceeds of such sale, redemption, or other disposal of the Notes are not received from a source within the Russian Federation.

In the event that proceeds from sales, redemption or a disposal of Notes are received from a source within the Russian Federation, a non-resident Noteholder that is a legal entity or organisation should not be subject to Russian tax in respect of such proceeds, provided that no portion thereof is attributable to accrued interest. There is a risk that any portion of such sales proceeds attributable to accrued interest may be subject to Russian withholding tax on income at the rate of 20 per cent. subject to any available double tax treaty relief, even if the disposal itself results in a capital loss. In order to enjoy the benefits of an applicable double tax treaty, documentary evidence is required prior to payment being made to confirm the applicability of the double tax treaty under which benefits are claimed. Non-resident Noteholders that are legal entities or organisations should consult their own tax advisers with respect to possibility of obtaining a respective double tax treaty relief.

If proceeds from sales, redemption or other disposal of the Notes are received from a Russian source, a non-resident Noteholder who is an individual will generally be subject to tax at a rate of 30 per cent. subject to any available double tax treaty relief as discussed below, in respect of gross proceeds from such disposal less any available cost deduction (which includes the purchase price of the Notes). Any portion of the above proceeds from sale, redemption or other disposal of the Notes attributable to accrued interest income under the Notes which is received by a non-resident Noteholder from the Russian sources may be subject to tax at a rate of 30 per cent. subject to any available double tax treaty relief as discussed below. In this regard, if the Notes are disposed of in the Russian Federation, for Russian personal income tax purposes, the proceeds of such disposition (including any portion of such proceeds attributable to accrued interest income under the Notes) are likely to be regarded as received from a Russian source. In certain circumstances, if the disposal proceeds (including the interest income portion) are payable by a Russian legal entity, individual entrepreneur or a Russian permanent establishment of a foreign organisation, the payer may be required to withhold this tax. Unless the tax is withheld by the payer, the non-resident individual Noteholder would be liable to pay the tax to the Russian budget.

In such a situation, there is a risk that the taxable base may be affected by fluctuations in the exchange rates between the currency of acquisition of the Notes, the currency of sale of the Notes and roubles. Non-resident Noteholders who are individuals should consult their own tax advisers with respect to the tax consequences of the receipt of proceeds from a source within the Russian Federation in respect of a disposition of the Notes.

Resident Noteholders

A Russian resident Noteholder is subject to all applicable Russian taxes and responsible for complying with any documentation requirements that may be established by law or practice in respect of gains from disposal of the Notes and interest income received on the Notes. Resident Noteholders should consult their own tax advisers with respect to their tax position regarding the Notes.

Tax Treaty Relief

Advance Treaty Relief

Where proceeds from the disposal of the Notes are received from a Russian source, in order for the non - resident Noteholders, whether an individual, legal entity or organisation, to receive the benefits of an applicable double tax treaty, documentary evidence is required to confirm the applicability of the double tax treaty for which benefits are claimed.

Currently, a non-resident Noteholder – legal entity or organisation should present to the payer of income an apostilled or legalised confirmation of its tax residence, attaching a notarised translation in Russian. The confirmation should be presented before any payment is made and should be certified by the competent authority of the country of the Noteholder's tax residence. Such confirmation is valid for the calendar year in which it is issued. Non-resident Noteholders that are legal entities or organisations should consult their own tax advisers with respect to the possibilities to enjoy any double tax treaty relief and the relevant Russian procedures.

For non-resident individual Noteholders, procedures for advance treaty clearance are not provided for by current Russian legislation. Therefore, technically, for non-resident individual Noteholders a reduction of the Russian withholding income tax either exemption from such tax provided by a respective double tax treaty between the Russian Federation and the country of the tax residence of such non-resident individual Noteholder could practically not be obtained. Non-resident individual Noteholders should consult their own tax advisers with respect to the possibilities to enjoy any double tax treaty relief or tax refund and the relevant Russian procedures.

Refund of Tax Withheld

For a non-resident Noteholder which is not an individual and for which double tax treaty relief is available, if Russian withholding tax on income was withheld by the source of payment, a refund of such tax is possible within three years from the end of the tax period in which the tax was withheld. In order to obtain a refund, the tax documentation confirming the right of the non-resident recipient of the income to double tax treaty relief is required.

If non-resident individual Noteholders do not obtain double tax treaty relief at the time the proceeds from a disposal of the Notes are paid to such non-resident individual Noteholders and income tax is withheld by a Russian payer of the income, such non-resident individual Noteholders may apply for a refund within one year from the end of the tax period in which the tax was withheld. The documentation requirements to obtain such a refund would include a confirmation of the income received and the taxes paid in the country of tax residence of the non-resident individual Noteholders as confirmed by the relevant tax authorities of such countries. However, there can be no assurance that the refund of any taxes withheld or double tax treaty relief (as described above) will be available for such non-resident individual Noteholders.

The Russian tax authorities may, in practice, require a wide variety of documentation confirming the right to benefits under a double tax treaty. Such documentation, in practice, may not be explicitly required by the Russian Tax Code.

Obtaining a refund of Russian tax withheld may be a time consuming process and can involve considerable practical difficulties, including the possibility that a tax refund may be denied for various reasons.

Taxation of Interest Income on the Loan

In general, interest payments on borrowed funds made by a Russian legal entity to a non-resident legal entity or organisation are subject to Russian withholding income tax at a rate of 20 per cent. (or 30 per cent. in respect of non-resident individuals), subject to reduction or elimination pursuant to the terms of an applicable double tax treaty. Based on the professional advice it has received, Sberbank's management believes that interest payments on the Loan made by Sberbank to the Issuer should not be subject to withholding taxes under the terms of the Convention between the Grand Duchy of Luxembourg and the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital signed on June 28, 1993 (the "Convention"), provided that the Russian tax documentation requirements (annual advance confirmation of the lender's tax residency) are satisfied.

The new protocol to the Convention was signed in 2011. The protocol introduces certain changes to the provisions of the Convention. Such changes include *inter alia* a limitation of benefits of a resident of one contracting state if the main purpose or one of the main purposes of the establishment and existence of such resident was receipt of treaty benefits; further exchange of information procedures are extended. Once the protocol is ratified and becomes effective, it may have an impact on future payments under the relevant Loan Agreement.

The application of tax benefits under the double tax treaty could be influenced by changes in the position of the Russian tax authorities to look beyond the mere form of the transaction while assessing the availability of treaty benefits.

There is a risk that under the Russian thin capitalisation rules in certain circumstances where parties related to Sberbank (i.e. the Related Parties as defined above) hold Notes part or all of the interest to be paid by Sberbank under the Loan could be reclassified as dividends for Russian tax purposes. This would occur if the overall amount of the "controlled debt" of Sberbank calculated on an individual Related Party basis exceeded the capital of Sberbank, calculated in accordance with the requirements of the Russian Tax Code, 12.5 times. Interest on the amount of such excess would be reclassified as dividends for Russian tax purposes. Under the Russian Tax Code, there is a risk that the "controlled debt" of Sberbank may include all or part of the Loan to the extent that certain Related Parties acquire any portion of the Notes.

Such reclassification of all or a portion of the interest as dividends could potentially lead to the imposition of Russian withholding tax on such reclassified interest at the rate of 15 per cent., subject to possible exemption under the double tax treaty between the Russian Federation and Luxembourg, and the non-deductibility of such interest for Russian profits tax purposes by Sberbank.

Based on the assumption that the amount of Sberbank's "controlled debt" calculated in accordance with the requirements of Article 269 of the Russian Tax Code will not exceed 12.5 times the amount of "own capital" ("собственный капитал") of Sberbank calculated on an individual Related Party basis, the Russian thin capitalisation rules should not apply currently to the interest on the Loan. However, changes in these assumptions could result in all or a portion of such interest being subject to the thin capitalisation rules in the future so as to treat "excess interest" related to the Loan as a dividend under the double tax treaty between the Russian Federation and Luxembourg subject to 15 per cent. withholding tax applicable to dividends (subject to possible tax treaty relief, if any) rather than zero withholding tax applicable to interest.

The Amendments should allow the interest on the Loan not to be subject to withholding. In particular, the Amendments introduce into the Russian Tax Code an exemption from the obligation to withhold tax from interest paid under transactions similar to the transactions described herein. The Amendments have recently been approved by the Russian State Duma, the Russian Council of the Federation and the President of the Russian Federation and have entered into force starting from July 1, 2012.

According to the Amendments, in respect of bonds issued prior to January 1, 2014 Russian borrowers are exempted from the obligation to withhold Russian withholding tax from interest payments made to foreign companies on debt obligations arising in connection with placement by these foreign companies of quoted bonds, provided that: (1) there is a double tax treaty between the Russian Federation and the jurisdiction of tax residence of the issuer; and (2) the issuer duly confirms its tax residence. The Amendments do not provide a tax exemption for the holders of Eurobonds from Russian tax on interest payments, although at present there is no mechanism or requirement for non-residents to self-assess and pay the tax.

For the purpose of the Amendments, "quoted bonds" mean bonds and other debt obligations which qualified for listing and/or were admitted to trading on one or more foreign stock exchanges and/or the rights to which are recorded by a foreign depositary-clearing organisation, provided such foreign stock exchanges and depositary-clearing organisations are specified in the list approved by the FSFM in consultation with the Ministry of Finance of the Russian Federation. Until such list is adopted, bonds and other debt obligations which qualified for listing and/or were admitted to trading on one or more foreign stock exchanges and/or the rights to which are recorded by any foreign depositary-clearing organisation are to be recognised as "quoted bonds". From publicly available information, this list has not been drafted yet.

The Amendments apply retrospectively to interest payments made after January 1, 2007, which, given the general three year limitation for tax audits, should mean that tax agents in the above situation should not be challenged for not having withheld tax in prior periods.

According to the Amendments, the above exemption established for the interest payments is also applicable to (i) income payable by a Russian legal entity in connection with a guarantee, surety or other security granted by such Russian organisation with respect to a debt obligation to a foreign organization and/or with respect to quoted bonds; and (ii) to other income payable by a Russian organisation, provided that the payment of such income is established by the provisions of the respective debt obligation or such income is paid due to a change in the terms and conditions of the respective quoted bonds and/or debt obligations, including in the case of their early repurchase or redemption.

The Amendments address Russian withholding tax treatment of interest payments or other above payments to be made to foreign companies on debt obligations arising in connection with the issuance by these foreign companies of bonds before January 1, 2014. The Amendments do not address Russian tax treatment of such payments on or after January 1, 2014.

If the payments under the Loan are subject to any withholding taxes for any reason (as a result of which the Issuer would reduce payments under the Notes in the amount of such withholding taxes), Sberbank is required to increase payments as may be necessary so that the Issuer receives the net amount equal to the full amount it would have received in the absence of such withholding. It should be noted, however, that tax gross-up provisions in contracts may not be enforceable in the Russian Federation. In the event that Sberbank fails to increase the payments, such failure would constitute an Event of Default. If Sberbank is obliged to increase payments, it may prepay the Loan in full. In such case, all outstanding Notes would be redeemable at par with accrued interest.

Russian VAT is not applied to the rendering of financial services involving the provision of a loan in monetary form. Therefore, no VAT will be payable in the Russian Federation on any payment of interest or principal in respect of the Loan.

Luxembourg

The following is a general description of Luxembourg tax laws relating to the Notes and the tax position of the Noteholders. This overview is based upon the tax laws of Luxembourg as in effect on the date of this Base Prospectus and is subject to any change that may come into effect after that date. As it does not constitute a complete analysis of the Luxembourg considerations relating to the Notes and the tax position of the Noteholders, prospective investors should consult their advisors to analyse the Luxembourg tax consequences in the light of their particular circumstances.

This overview does not seek to address the tax peculiarities of any special Luxembourg taxation regimes available for Luxembourg persons.

Tax residence of Noteholders

Pursuant to Article 159 LITL, a legal entity will be treated as a Luxembourg tax resident if it has its registered office or central administration in Luxembourg.

As a rule, a Noteholder will not become resident or be deemed to be resident in Luxembourg by reason only of the holding of the Notes or the execution, performance, delivery and/or enforcement of the Notes.

Withholding tax

Under the existing laws of Luxembourg all payments of interest and principal by the Issuer under the Notes (also in case of redemption, repurchase or exchange of Notes) will be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein to the extent that:

(i) such interest has been negotiated at arm's length and is not profit participating;

(ii) such interest does not fall within the scope of the Luxembourg Law of June 21, 2005 (transposition of the EU Savings Directive); and

(iii) such interest does not fall within the scope of the Luxembourg Law of December 23, 2005.

Luxembourg Law of June 21, 2005 implementing the Savings Directive into Luxembourg law

According to the Luxembourg Laws of June 21, 2005 implementing the Savings Directive and the bilateral agreements described below in "European Union Savings Directive on the Taxation of Savings Income in the Form of Interest Payments (Directive 2003/48/EC)" a Luxembourg Paying Agent may, during the transitional period referred to below, be required to withhold tax on interest payments to Residual Entities or to individual Beneficial Owners resident in other Member States (or in relevant dependant and associated territories) at a rate of 35 per cent., unless the relevant individual Beneficial Owner or Residual Entity has opted for exchange of information or, in the case of an individual Beneficial Owner, has provided a tax certificate.

For the purpose of this section, the terms "Residual Entity," "Paying Agent" and "Beneficial Owner" shall have the meanings given to them in the laws of June 21, 2005 and the Circular of the Director of the Tax Authority RIUE No. 1 dated June 29, 2005.

Noteholders should consult their own tax advisers regarding the implications of the laws of June 21, 2005 in their particular circumstances.

Luxembourg Law of December 23, 2005

Under the Luxembourg Law of December 23, 2005, as amended by a law of July 17, 2008, providing for the introduction of a withholding tax on certain income from savings derived by Luxembourg residents, as from January 1, 2006, Luxembourg Paying Agents shall withhold a final tax of 10 per cent. on certain income from savings. Interest on Notes paid to a Luxembourg resident individual would fall under the scope of the provisions of this law. Such a withholding tax constitutes the final tax liability for the Luxembourg individuals holding the Notes within the framework of their private wealth.

In addition, pursuant to the Luxembourg law of December 23, 2005 as amended by a law of July 17, 2008, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10 per cent. tax on interest payments made after December 31, 2007 by certain paying agents not established in Luxembourg (defined in the same way as in the Savings Directive), i.e., paying agents located in a EU member state other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an international agreement directly related to the Savings Directive.

Income tax

A Noteholder who derives income from a Note or who realises a gain on the disposal or redemption of a Note will not be subject to Luxembourg taxation on income or capital gains unless:

(i) the Noteholder is, or is deemed to be, tax resident in Luxembourg for the purpose of the relevant provisions without benefiting from tax exemption; or

(ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

Luxembourg resident individual Noteholders are not subject to taxation in relation to capital gains realised by them upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of these Notes. The Luxembourg tax treatment of the accrued and unpaid interest upon the sale, redemption or exchange of the Notes should be analysed by the Noteholders' advisors, depending in particular on the type of the transaction, the involvement of the paying agent and whether the income increases their private wealth or has been received as business income.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on a Noteholder unless:

(i) The Noteholder is, or is deemed to be, a fully taxable company resident in Luxembourg for the purpose of the relevant provisions not benefiting from a special tax regime; or

(ii) the Notes are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

The individuals are not subject to the net wealth tax in Luxembourg.

Luxembourg gift or inheritance taxes

Luxembourg gift or inheritance taxes will not be levied on the transfer of a Note by way of gift by, or on the death of, a Noteholder unless:

(i) the Noteholder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or as a gift made by or on behalf of a person who, at the time of death or gift, is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or

(iii) such Note is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg; or

(iv) the gift is registered in Luxembourg, which is not mandatory.

Registration tax, capital tax, stamp duty or any other similar tax or duty

There is no Luxembourg registration tax, capital tax, stamp duty or any other similar tax or duty (other than nominal court fees and contributions for the registration with the Chamber of Commerce) payable in Luxembourg in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Notes or the performance of the Issuer's obligations under the Notes, except that in the case of court proceedings in a Luxembourg court or the presentation of the documents relating to the Notes to an "autorité constituée," such court or "autorité constituée" may require registration thereof, in which case the documents will be subject to fixed or ad valorem registration duties depending on the nature of the documents.

Value Added Tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of a Note. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from value added tax does not apply with respect to such services. The value added tax consequences of the subscription by a Noteholder in terms of both value added tax status and input value added tax recovery right should be analysed based on the rules applicable where the Noteholder is established.

European Union Savings Directive on the Taxation of Savings Income in the Form of Interest Payments (Directive 2003/48/EC)

Under European Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), each Member State of the EU is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent within the meaning of the Savings Directive within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. However, for a transitional period, Austria and Luxembourg will (unless during such period such Member States elect otherwise) instead operate a withholding system in relation to such payments. Under such a withholding system, the beneficial owner of the interest payment must be allowed to elect that certain provision of information procedures should be applied instead of withholding. The current rate of withholding is 35 per cent.

The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted or agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within the meaning of the Savings Directive within their respective jurisdictions to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entities established in, a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those countries and territories in relation to payments made by a paying agent within the meaning of the Savings Directive in a Member State to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entities established in, one of those countries or territories.

On November 13, 2008 the European Commission published a proposal for amendments to the Savings Directive. The proposal included a number of suggested changes which, if implemented, would broaden the scope of the rules described above. The European Parliament approved an amended version of this proposal on April 24, 2009. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment under a Note were to be made by a person in a Member State or another country or territory which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to the Savings Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts under the terms of such Note as a result of the imposition of such withholding tax. The Issuer is, however, required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive or any such law.

CERTAIN ERISA CONSIDERATIONS

The United States Employee Retirement Income Securities Act of 1974, as amended ("**ERISA**") imposes fiduciary standards and certain other requirements on employee benefit plans subject thereto (collectively, "ERISA Plans"), including collective investment funds, separate accounts, and other entities or accounts whose underlying assets are treated as assets of such plans pursuant to the US Department of Labor "plan assets" regulation, 29 CFR Section 2510.3-101, as modified by section 3(42) of ERISA (the "**Plan Assets Rules**"), and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption applies to the transaction. In particular, an extension of credit between a Plan and a "party in interest" or "disqualified person" may constitute a prohibited transaction.

In addition, under a "look-through rule" set forth in the Plan Assets Rules, if a Plan invests in an "equity interest" of an entity and no other exception applies, the Plan's assets may include both the equity interest and an undivided interest in each of the entity's underlying assets. Where the value of an interest in an entity relates solely to identified property of the entity, that property is treated as the sole property of a separate entity.

Because the Notes do not represent an interest in any property of the Issuer other than the Loan, they may be regarded for ERISA purposes as equity interests in a separate entity whose sole asset is the Loan. No assurance can be given that an investment by a Plan in the Notes would not give rise to a prohibited transaction under the applicable provisions of ERISA and the Code. Accordingly, the Notes should not be acquired by any Plan.

BY ITS PURCHASE AND HOLDING OF A NOTE OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT (1) IT IS NOT AND IS NOT ACTING ON BEHALF OF A PLAN AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATION AND WARRANTY FROM THAT PERSON.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale or other transfer offered hereby.

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

If it is a U.S. Person within the meaning of Regulation S, it is (a) a QIB that is also a QP, (b) not a broker-dealer which owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acquiring such Notes for its own account, or for the account of one or more QIBs each of which is also a QP, (e) not formed for the purpose of investing in the Notes or the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the seller of such Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

1. It will, (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than U.S.$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in the Issuer's securities from one or more book-entry depositories.

2. It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs, each of which is also a QP or (b) to a non-U.S. person within the meaning of Regulation S in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, in each case in accordance with any applicable securities laws of any State or another jurisdiction of the United States.

3. It understands that the Issuer has the power to compel any beneficial owner of Rule 144A Notes that is a U.S. person and is not a QIB and a QP to sell its interest in the Rule l44A Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and a QP.

4. It understands and acknowledges that its purchase and holding of such Notes constitutes a representation and agreement by it that, at the time of its purchase and throughout the period in which it holds such Notes or any interest therein, (a) either (i) it is not an employee benefit plan as described in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and subject to the provisions of Title I of ERISA, a plan subject to Section 4975 of the Code, or an entity whose underlying assets include plan assets by reason of a plan's investment in the entity, or a governmental plan, non-U.S. plan or church plan subject to any federal, state, non-U.S. or local law that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code or (ii) it is a governmental, non-U.S. or church plan, and its acquisition, holding and disposition of this Note throughout the period that it holds this Note will not result in a non-exempt prohibited transaction or another violation of any similar federal, state, non-U.S. or local law, and (b) it will not sell or otherwise transfer any such Note or interest to any person without first obtaining the same foregoing representations and warranties from that person.

5. It understands that the Rule 144A Global Note and any Definitive Notes issued in respect thereof, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

   THIS NOTE AND THE LOAN IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON

ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE l44A (A "**QIB**") THAT IS A QUALIFIED PURCHASER ("**QP**") WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.$200,000 PRINCIPAL AMOUNT OF NOTES OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON WHO IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") IN ACCORDANCE WITH RULE

903 OR RULE 904 OF REGULATION S, AND, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO,* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

IF THE BENEFICIAL OWNER HEREOF IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S, SUCH BENEFICIAL OWNER REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, EACH OF WHICH IS A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITARIES; (7) IT, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, WILL HOLD AND TRANSFER AT LEAST U.S.$200,000 IN PRINCIPAL AMOUNT OF THE NOTE AT ANY TIME; AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB AND A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON WHO IS (I) A U.S. PERSON WHO IS A QIB AND A QP THAT IS, IN EACH CASE, OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREOF PAID BY THE BENEFICIAL OWNER, (Y) 100 per cent. OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO A U.S. PERSON WHO IS NOT A QIB AND A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

EACH BENEFICIAL OWNER HEREOF REPRESENTS AND WARRANTS THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) EITHER (A) IT IS NOT AND WILL NOT BE A BENEFIT PLAN INVESTOR WITHIN THE MEANING OF SECTION 3(42) OF ERISA AND THE DEPARTMENT OF LABOR REGULATION, 29 C.F.R. SECTION 2510.3-101 (COLLECTIVELY, THE "PLAN ASSETS PROVISIONS") OR A GOVERNMENTAL PLAN, NON-U.S. PLAN OR CHURCH PLAN SUBJECT TO ANY FEDERAL, STATE, NON-U.S. OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION

PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) IT IS A GOVERNMENTAL, NON-U.S. OR CHURCH PLAN, AND ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION OR ANOTHER VIOLATION OF ANY SIMILAR FEDERAL, STATE, NON-U.S. OR LOCAL LAW, AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY NOTE OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER OF THIS NOTE THAT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S TO CERTIFY PERIODICALLY THAT SUCH BENEFICIAL OWNER IS A QIB AND A QP.

6. It acknowledges that the Issuer, Sberbank, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, Sberbank and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

7. It understands that Rule l44A Notes of a Series will be evidenced by a Rule 144A Global Note. Before any interest in a Rule l44A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes outside the United States and each subsequent purchaser of Regulation S Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S), and (b) it is not an affiliate of the Issuer, Sberbank or a person acting on behalf of such an affiliate.

2. It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. It understands that Regulation S Notes of a Series will be evidenced by a Regulation S Global Note. Prior to the expiration of the distribution compliance period, before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws. It understands that, if specified on the Final Terms for a Series or a Tranche of Notes, the Regulation S Notes may be initially represented by a Temporary Regulation S Global Note, and may, in certain circumstances, not be exchangeable for an interest in the Rule 144A Global Note until the first business day (as defined in Condition 3 of the Terms and Conditions of the Notes) following the expiry of 40 calendar days after the Issue Date of the Notes for such Series or Tranche.

4. It understands and acknowledges that its purchase and holding of such Notes constitutes a representation and agreement by it that, at the time of its purchase and throughout the period it holds such Notes or any interest therein, (a) either (i) it is not an employee benefit plan as described in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and subject to the provisions of Title I of ERISA, a plan subject to Section 4975 of the Code, or an entity whose underlying assets include plan assets by reason of a plan's investment in the entity, or a governmental plan, non-U.S. plan or church plan subject to any federal, state, non-U.S. or local law that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code or (ii) it is a governmental, non-U.S. or church plan, and its acquisition, holding and disposition of this Note throughout the period that it holds this Note will not result in a non-exempt prohibited transaction or another violation of any similar federal, state, non-U.S. or local law, and (b) it will not sell or otherwise transfer any such Note or interest to any person without first obtaining these same foregoing representations and warranties from that person.

5. It acknowledges that the Issuer, Sberbank, the Registrar, the Dealers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer, Sberbank, and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

FORM OF FINAL TERMS

Final Terms dated [●][1]

SB CAPITAL S.A. (the "Issuer")

société anonyme with registered office at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg, RCS Luxembourg B-115914

Issue of [Aggregate Principal Amount of Series] [Title of Loan Participation Notes] under a U.S.$30,000,000,000 Programme for the Issuance of Loan Participation Notes for the purpose of financing a Loan to SBERBANK (the "**Borrower**")

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated October 16, 2012 [and the supplement[s] to the Base Prospectus dated [●] and [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) as amended from time to time (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein and has been prepared for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and Sberbank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [and the supplement[s] to the Base Prospectus dated [●] and [●]] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from the offices of SB Capital S.A. at 2, Bd. Konrad Adenauer, L-1115 Luxembourg and The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom.]

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set out on pages [●] to [●] of the base prospectus dated [●] and which are incorporated by reference into the Base Prospectus dated October 16, 2012 [and the supplement[s] to the Base Prospectus dated [●] and [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) as amended from time to time (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein and has been prepared for the purposes of Article 5(4) of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 26 September 2012 [as so supplemented]. Full information on the Issuer and Sberbank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [and the supplement[s] to the Base Prospectus dated [●] and [●]] are available for viewing at [address] [and] [website] and copies may be obtained from the offices of SB Capital S.A. at 2, Bd. Konrad Adenauer, L-1115 Luxembourg and The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom.][1]

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

1.	[(i)]	Series Number:	[●]
	[(ii)	Tranche Number:	[●]
	(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)]		

[1] In the case of a Subordinated Series, the 'issue terms' of the notes will be included in the relevant Drawdown Prospectus in substantially the same form as these final terms. For the avoidance of doubt, such 'issue terms' will not constitute Final Terms for the purposes of Article 5.4 of the Prospectus Directive.

2.	Specified Currency or Currencies:		[●]
3.	Aggregate Nominal Amount of Notes admitted to trading:		[●]
	[(i)]	Series:	[●]
	[(ii)]	Tranche:	[●]
4.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount of the Notes [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(i)	Specified Denominations:	[●]
	(ii)	Calculation Amount	[●]
6.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●]
7.	Maturity Date:		[●]
8.	Interest Basis:		[[●] per cent. Fixed Rate] [subject to interest rate step-up as specified below (*in the case of a Subordinated Series*)] [+[●]/-[●] per cent Floating Rate] [subject to margin step-up as specified below (*in the case of a Subordinated Series*)] [(further particulars specified below)]
9.	Redemption/Payment Basis:		Redemption at par
10.	(i)	Status of the Notes:	Senior
	(ii)	Status of the Loan:	[Senior/Subordinated]
	[(iii)]	[Date [Board] approval for issuance of Notes obtained:	[●] [and [●], respectively]]
11.	Method of distribution:		[Syndicated/Non-syndicated]
12.	Financial Centres (Condition 7):		[●]

PROVISIONS RELATING TO INTEREST PAYABLE UNDER THE NOTES

13.	**Fixed Rate Note Provisions:**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate [(s)] of Interest:	[●] per cent. per annum payable [annually/semi-annually] in arrear (*in the case of a Senior Series*) [DETAILS OF INITIAL INTEREST RATE AND INTEREST RATE STEP-UP] (*in the case of a Subordinated Series*)
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount [(s)]:	[●] per Calculation Amount

	(iv)	Broken Amount:	[●] per Calculation Amount payable on [●]
	(v)	Day Count Fraction (Condition 5):	[●]
	(vi)	Determination Date(s) (Condition 5):	[●]
14.	**Floating Rate Note Provisions:**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[●]
	(ii)	Specified Interest Payment Dates:	[●]
	(iii)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day/Convention]
	(iv)	Additional Business Centre(s):	[●]
	(v)	Manner in which the Rate(s) of Interest is/ are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vi)	Interest Period Date(s):	[Not Applicable/[●]]
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
	(viii)	Screen Rate Determination:	See paragraph 6 under Part B
	(ix)	ISDA Determination:	See paragraph 6 under Part B
	(x)	Margin(s):	[+/-] [●] per cent. per annum (*in the case of a Senior Series*) [DETAILS OF INITIAL MARGIN TO BE SPECIFIED] (*in the case of a Subordinated Series*)
	(xi)	Minimum Rate of Interest:	[●] per cent. per annum
	(xii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiii)	Day Count Fraction (Condition 5):	[●]
	(xiv)	Rate Multiplier:	[●]

PROVISIONS RELATING TO REDEMPTION

15.	Final Redemption Amount of each Note:	[●] per Calculation Amount
16.	Early Redemption Amount(s) of each Note payable if the Loan should become repayable under the Loan Agreement prior to the Maturity Date:	[●] per Calculation Amount

DISTRIBUTION

17.	(i)	If syndicated, names of Managers:	[Not Applicable/[●]]
	(ii)	Stabilising Manager(s) (if any):	[Not Applicable/[●]]

18. If non-syndicated, name of Dealer: [Not Applicable/[●]]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.$30,000,000,000 Programme for the Issuance of Loan Participation Notes of the Issuer for the purpose of financing loans to the Borrower.]

RESPONSIBILITY

The Issuer and the Borrower accept responsibility for the information contained in these Final Terms [[●] has been extracted from [●]]. [Each of the Issuer and the Borrower confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:		Signed on behalf of the Borrower:	
By: Director	______________________	By: Duly authorised	______________________
By: Director	______________________	By: Duly authorised	______________________

PART B – OTHER INFORMATION

1. **LISTING**

(i) Listing:	[Irish Stock Exchange/London Stock Exchange/None]
(ii) Admission to trading:	[Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market with effect from [●].] [Application has been made to the London Stock Exchange for the Notes to be admitted to trading on its regulated market with effect from [●].] [Not Applicable]
(iii) Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

Ratings:	[Not Applicable/The Notes to be issued have been rated:] [Fitch: [●]] [Moody's: [●]] [Standard & Poor’s: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*.) [*Insert legal name of credit rating agency*] is established in the EU and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").] [*Insert legal name of credit rating agency*] is established in the EU and is not registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**").] [*Insert legal name of credit rating agency*] is not established in the EU but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EU and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**").] [*Insert legal name of credit rating agency*] is not established in the EU but is certified under Regulation (EC) No 1060/2009 (the "**CRA Regulation**").]

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

If applicable a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest is to be included. This may be satisfied by the inclusion of the following statement:

"Save as discussed in ["*Subscription and Sale*"] in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."] [*amend as appropriate if there are other interests*]

4. **[Fixed Rate Notes only – YIELD**

Indication of yield:	[[●]. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield (*in the case of a Senior Series*).] [[●] The yield is calculated at the Issue Date on the basis of the Issue Price and in respect of the Initial Interest Term (as defined in the Subordinated Loan Agreement). Calculation of the yield beyond that period is subject to the interest rate step-up mechanism at the end of such period (*in the case of a Subordinated Series*).]

5. **OPERATIONAL INFORMATION**

ISIN:	[●]
Common Code:	[●]
CUSIP:	[●]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, societe anonyme [and DTC] and the relevant identification number(s):	[Not Applicable/[●]*)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]

6. **[THE LOAN**[2]

Terms of the Loan

(i)	Loan:	[*Insert currency and amount of Loan*]
(ii)	Date of Drawdown:	[*Insert Closing Date*]
(iii)	Repayment Date:	[●]
(iv)	One-Time Loan Commission:	[●]

Interest

The Loan is a [Fixed Rate][Floating Rate] Loan. Interest shall be calculated as set out below:

Fixed Rate Loan Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub paragraphs of this*

[2] Paragraph 6 (*The Loan*) to be included in the case of a Senior Series only. If the Final Terms are in respect of a Subordinated Series, delete the whole of Paragraph 6.

		paragraph)
(i)	Interest Commencement Date	[●]
(ii)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually] in arrear]
(iii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
(iv)	Fixed Amount[(s)]:	[●] per [●] in principal amount
(v)	Broken Amount:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Amount [(s)] and the Interest Payment Date(s) to which they relate*]
Floating Rate Loan Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Commencement Date	[●]
(ii)	Interest Period(s):	[●]
(iii)	Specified Interest Payment Dates:	[●]
(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(v)	Business Centre(s) (Clause 4.9):	[●]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Interest Period Date(s):	[Not Applicable/*specify dates*]
(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
(ix)	Screen Rate Determination (sub-Clause 4.3.3):	
	- Reference Rate:	[*LIBOR, EURIBOR, MOSPRIME*]
	- Relevant Time:	[●]
	- Interest Determination Date:	[*[•] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date*]]
	- Primary Source for Floating Rate:	[*Specify relevant screen page and rate or* "Reference Banks"]

	- Reference Banks (if Primary Source is "Reference Banks"):	[*Specify four*]
	- Relevant Financial Centre:	[*The financial centre most closely connected to the Benchmark - specify if not London*]
	- Benchmark:	[*LIBOR, EURIBOR, MOSPRIME*]
	- Representative Amount:	[*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount*]
	- Effective Date:	[*Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period*]
	- Specified Duration:	[*Specify period for quotation if not duration of Interest Accrual Period*]
(x)	ISDA Determination (Clause 4.3):	
	- Floating Rate Option:	[●]
	- Designated Maturity:	[●]
	- Reset Date:	[●]
	- ISDA Definitions:	[●]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction (Clause 4.9):	[●]
(xv)	Rate Multiplier:	[●]

GENERAL INFORMATION

1. Sberbank and the Issuer have obtained or will obtain all necessary consents, approvals and authorisations in Russia and Luxembourg in connection with any Loan and the issue and performance of the corresponding Series of Notes. The establishment of the Programme was authorised by the Board of Directors of the Issuer on May 5, 2006, and the update of the Programme, to which this Base Prospectus relates, was authorised by the Board of Directors of the Issuer on October 15, 2012. The receipt of Loans from the Issuer by Sberbank was authorised by the CIC on April 24, 2006.

2. Application has been made to the Irish Stock Exchange for Notes to be admitted to the Official List and trading on the Market. Prior to official listing, however, dealings will be permitted by the Irish Stock Exchange in accordance with the listing guidelines. Transactions will normally be effected for delivery on the third working day after the day of the transaction. Application may be made for Notes issued under the Programme to be admitted to the official list of the UKLA and to trading on the regulated market of the London Stock Exchange. Notes may also be issued pursuant to the Programme which will not be listed on any stock exchange. Arthur Cox Listing Services Limited (the "**Listing Agent**") is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

3. No consents, approvals, authorisations or orders of any regulatory authorities are required by the Issuer under the laws of Luxembourg for the maintaining of any Loan or for the issue and performance of the corresponding Series of Notes.

4. There has been no significant change in the financial or trading position of Sberbank or the Group since June 30, 2011 or the Issuer since December 31, 2010. There has been no material adverse change in the prospects of Sberbank or the Group since December 31, 2011 or the Issuer since December 31, 2010. The Issuer has no subsidiaries.

5. Neither Sberbank nor any of its subsidiaries is involved in, or has been involved in, any governmental, legal or arbitration proceedings (including any such proceedings pending or threatened, of which Sberbank is aware) during the last 12 months preceding the date of this Base Prospectus that may have, or have had, during the last 12 months preceding the date of this Base Prospectus, a significant effect on the financial position or profitability of Sberbank or its subsidiaries as a whole.

6. The Issuer is not involved in, nor has been involved in, any governmental, legal or arbitration proceedings, including any such proceedings pending or threatened, of which the Issuer is aware, during the last 12 months preceding the date of this Base Prospectus that may have, or have had, during the last 12 months preceding the date of this Base Prospectus, a significant effect on the Issuer's financial position or profitability.

7. For so long as any Series of Notes is outstanding, copies of the following documents may be obtained free of charge in physical form at the specified offices of the Trustee and the Paying Agents during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

   - the audited consolidated financial statements as of and for the years ended December 31, 2011, 2010 and 2009 of the Group, and the latest available audited financial statements of the Group;
   - the audited non-consolidated financial statements of the Issuer as of and for the years ended December 31, 2011, 2010 and 2009 and the latest available audited financial statements of the Issuer;

   and copies of the following documents will be available for inspection in physical form at the specified offices of the Trustee and the Paying Agents during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

   - the charter of Sberbank (Original in Russian. An accurate English translation will be available; in the event of a discrepancy, the Russian language version will prevail);
   - the Articles of Incorporation of the Issuer;
   - the Trust Deed in respect of the Notes including any amendments or supplements thereto (including the forms of the Global Notes and definitive Notes);

- the Agency Agreement;
- each Final Terms for Notes (and each Loan Agreement in respect of such Notes) which are listed on the Irish Stock Exchange, the London Stock Exchange or any other stock exchange (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer, Sberbank and the Paying Agent as to its holding of Notes and identity); and
- a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus.

In addition, this Base Prospectus is also available for viewing at the registered office of the Issuer.

8. The Group does not prepare financial statements in accordance with U.S. GAAP.

9. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and the ISIN and (where applicable) the CUSIP number and the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

10. The European Union Transparency Obligations Directive was published in the Official Journal of the European Communities on December 31, 2004, and was due to be incorporated into the national laws of the Member States by January 20, 2007. The Directive was implemented in Ireland. If, in the Issuer's view, it was implemented in a manner that is unduly burdensome for it and/or the Group, it may, subject to the provisions of the Trust Deed, seek a listing for the Notes on an alternative stock exchange outside the European Union.

11. As of the date of this Base Prospectus, Sberbank is in compliance with applicable Russian law corporate governance requirements in all material respects.

12. Neither Sberbank nor the Issuer intends to provide any post-issuance transaction information regarding any Series of Notes or any Loan.

INDEX TO FINANCIAL STATEMENTS INDEX TO FINANCIAL STATEMENTS

Sberbank of Russia

Condensed Interim Consolidated Financial Statements and Review Report

30 June 2012

Condensed Interim Consolidated Financial Statements and Review Report

CONTENTS

Ernst & Young

CJSC Ernst & Young Vneshaudit
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com

ЗАО «Эрнст энд Янг Внешаудит»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 00139790

Report on review of condensed interim consolidated financial statements

To the Shareholders and Supervisory Board of Sberbank –

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Sberbank (the "Bank") and its subsidiaries (together the "Group") as at 30 June 2012, comprising of the condensed interim consolidated statement of financial position as at 30 June 2012 and the related condensed interim consolidated income statement and statement of comprehensive income for the three- and the six-month periods then ended, condensed interim consolidated statements of changes in equity and of cash flows for the six-month period then ended and selected explanatory notes. Management of the Bank is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

CJSC Ernst & Young Vneshaudit

27 August 2012

SBERBANK

Condensed Interim Consolidated Statement of Financial Position

In billions of Russian Roubles	Note	30 June 2012 (Unaudited)	31 December 2011
ASSETS			
Cash and cash equivalents		933,3	625,6
Mandatory cash balances with central banks		125,2	101,2
Trading securities	5	80,8	102,0
Securities designated at fair value through profit or loss	6	28,5	52,0
Due from other banks		56,8	35,1
Loans and advances to customers	7	8 861,5	7 719,7
Securities pledged under repurchase agreements	8	564,3	300,8
Investment securities available for sale	9	819,0	884,5
Investment securities held to maturity	10	147,8	286,5
Deferred income tax asset		1,2	7,8
Premises and equipment		393,9	359,9
Other financial assets	11	166,7	163,1
Other non-financial assets	11	254,8	196,9
TOTAL ASSETS		**12 433,8**	**10 835,1**
LIABILITIES			
Due to other banks		873,0	532,4
Due to individuals	12	6 175,4	5 726,3
Due to corporate customers	12	2 593,5	2 205,8
Debt securities in issue	13	483,7	268,7
Other borrowed funds		278,7	244,0
Deferred income tax liability		20,1	21,2
Other financial liabilities	14	215,5	222,8
Other non-financial liabilities	14	64,0	42,4
Subordinated debt		314,5	303,5
TOTAL LIABILITIES		**11 018,4**	**9 567,1**
EQUITY			
Share capital		87,7	87,7
Treasury shares		(8,8)	(7,0)
Share premium		232,6	232,6
Revaluation reserve for office premises		80,2	81,5
Fair value reserve for investment securities available for sale		0,1	(7,5)
Foreign currency translation reserve		(3,0)	(5,7)
Retained earnings		1 012,6	882,9
Total equity attributable to shareholders of the Bank		**1 401,4**	**1 264,5**
Non-controlling interest		14,0	3,5
TOTAL EQUITY		**1 415,4**	**1 268,0**
TOTAL LIABILITIES AND EQUITY		**12 433,8**	**10 835,1**

Approved for issue and signed on behalf of the Management Board on 27 August 2012.

Herman Gref, Chairman of the Management Board and CEO

Andrey Kruzhalov, Chief Accountant

Condensed Interim Consolidated Income Statement

(Unaudited) *In billions of Russian Roubles*	Note	Six months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2012	Three months ended 30 June 2011
Interest income	15	520,8	401,9	271,1	204,1
Interest expense	15	(185,2)	(133,0)	(97,4)	(65,2)
Expenses directly attributable to deposit insurance	15	(11,4)	(9,7)	(5,8)	(4,9)
Net interest income		**324,2**	**259,2**	**167,9**	**134,0**
Net recovery of provision/ (net provision charge) for loan impairment	7	1,1	22,2	(2,1)	8,0
Net interest income after recovery of provision / provision charge for loan impairment		**325,3**	**281,4**	**165,8**	**142,0**
Fee and commission income	16	85,3	68,8	46,1	37,0
Fee and commission expense	16	(7,0)	(4,7)	(3,6)	(2,5)
Net (losses)/ gains arising from trading securities		(1,8)	0,1	(5,2)	(0,2)
Net gains/(losses) arising from securities designated at fair value through profit or loss		1,2	(1,3)	0,2	0,3
Net gains arising from investment securities available for sale		4,2	8,5	2,0	4,7
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	17	1,4	3,7	5,0	3,7
Net gains arising from operations with precious metals and precious metals derivatives		4,6	2,3	1,3	0,9
Net gains/(losses) arising from operations with other derivatives		7,1	(1,5)	4,3	(0,3)
Provision charge for impairment of other assets		(2,9)	(0,7)	(2,1)	(0,6)
Other operating income		15,4	17,5	8,1	10,0
Operating income		**432,8**	**374,1**	**221,9**	**195,0**
Operating expenses	18	(205,3)	(155,3)	(109,2)	(83,9)
Profit before tax		**227,5**	**218,8**	**112,7**	**111,1**
Income tax expense		(52,2)	(42,7)	(29,6)	(21,7)
Profit for the reporting period		**175,3**	**176,1**	**83,1**	**89,4**
Attributable to:					
- shareholders of the Bank		175,6	176,5	83,4	89,7
- non-controlling interest		(0,3)	(0,4)	(0,3)	(0,3)
Earnings per ordinary share for profit attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	**19**	**8,03**	**8,12**	**3,75**	**4,10**

Approved for issue and signed on behalf of the Management Board on 27 August 2012.

Herman Gref, Chairman of the Management Board and CEO

Andrey Kruzhalov, Chief Accountant

SBERBANK

Condensed Interim Consolidated Statement of Other Comprehensive Income

(Unaudited) *In billions of Russian Roubles*	Six months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2012	Three months ended 30 June 2011
Profit for the reporting period recognised in the income statement	**175,3**	**176,1**	**83,1**	**89,4**
Components of other comprehensive income:				
Investment securities available for sale:				
- Net gains/ (losses) on revaluation of investment securities available for sale	13,6	3,8	(13,0)	(6,6)
- Accumulated gains transferred to Income statement upon disposal of securities	(4,2)	(8,5)	(2,0)	(4,7)
Net foreign currency translation gains/(losses)	2,7	(5,8)	1,8	(4,0)
Deferred income tax relating to components of other comprehensive income:				
- Investment securities available for sale	(1,8)	1,0	3,0	2,2
Total components of other comprehensive income for the reporting period, net of tax	**10,3**	**(9,5)**	**(10,2)**	**(13,1)**
Total comprehensive income for the reporting period	**185,6**	**166,6**	**72,9**	**76,3**
Attributable to:				
- shareholders of the Bank	185,9	167,0	73,2	76,7
- non-controlling interest	(0,3)	(0,4)	(0,3)	(0,4)

Condensed Interim Consolidated Statement of Changes in Equity

		Attributable to shareholders of the Bank									
In billions of Russian Roubles	Note	Share capital	Treasury shares	Share premium	Revaluation reserve for office premises	Fair value reserve for investment securities available for sale	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2011		**87,7**	**-**	**232,6**	**53,6**	**24,4**	**(1,1)**	**585,8**	**983,0**	**4,1**	**987,1**
Changes in equity for the six months ended 30 June 2011 (Unaudited)											
Dividends declared	20	-	-	-	-	-	-	(21,0)	(21,0)	-	(21,0)
Amortisation of revaluation reserve for office premises, net of tax		-	-	-	(1,0)	-	-	1,0	-	-	-
Business combinations		-	-	-	-	-	-	-	-	0,1	0,1
Total comprehensive income recognised for the six months ended 30 June 2011		-	-	-	-	(3,8)	(5,7)	176,5	167,0	(0,4)	166,6
Balance as at 30 June 2011 (Unaudited)		**87,7**	**-**	**232,6**	**52,6**	**20,6**	**(6,8)**	**742,3**	**1 129,0**	**3,8**	**1 132,8**
Balance as at 1 January 2012		**87,7**	**(7,0)**	**232,6**	**81,5**	**(7,5)**	**(5,7)**	**882,9**	**1 264,5**	**3,5**	**1 268,0**
Changes in equity for the six months ended 30 June 2012 (Unaudited)											
Purchase of treasury shares		-	(1,8)	-	-	-	-	-	(1,8)	-	(1,8)
Dividends declared	20	-	-	-	-	-	-	(47,5)	(47,5)	-	(47,5)
Amortisation of revaluation reserve for office premises, net of tax		-	-	-	(1,3)	-	-	1,3	-	-	-
Business combinations and disposal of subsidiaries		-	-	-	-	-	-	0,2	0,2	10,8	11,0
Acquisition of non-controlling interests in subsidiaries		-	-	-	-	-	-	0,1	0,1	-	0,1
Total comprehensive income recognised for the six months ended 30 June 2012		-	-	-	-	7,6	2,7	175,6	185,9	(0,3)	185,6
Balance as at 30 June 2012 (Unaudited)		**87,7**	**(8,8)**	**232,6**	**80,2**	**0,1**	**(3,0)**	**1 012,6**	**1 401,4**	**14,0**	**1 415,4**

SBERBANK

Condensed Interim Consolidated Statement of Cash Flows

(Unaudited)		Six months ended 30 June	
In billions of Russian Roubles	**Note**	**2012**	**2011**
Cash flows from operating activities			
Interest received		516,9	389,6
Interest paid		(158,5)	(115,8)
Expenses paid directly attributable to deposit insurance		(10,7)	(9,1)
Fees and commissions received		85,3	69,2
Fees and commissions paid		(7,4)	(4,7)
Net (losses incurred)/ gains received from trading securities		(2,7)	0,5
Net losses incurred from securities designated at fair value through profit or loss		(0,3)	-
Net (losses incurred)/ gains received from trading in foreign currencies and from operations with foreign currency derivatives		(4,4)	17,7
Net gains received from operations with other derivatives		0,6	0,7
Net gains received from operations with precious metals and precious metals derivatives		3,6	3,2
Other operating income received		29,8	17,2
Operating expenses paid		(162,1)	(114,5)
Income tax paid		(49,3)	(49,1)
Cash flows from operating activities before changes in operating assets and liabilities		**240,8**	**204,9**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with central banks		(13,6)	(37,0)
Net decrease in trading securities		24,1	11,1
Net decrease in securities designated at fair value through profit or loss		19,6	17,5
Net increase in due from other banks		(20,1)	(25,4)
Net increase in loans and advances to customers		(823,0)	(630,3)
Net decrease in other assets		4,0	23,1
Net increase/(decrease) in due to other banks		273,8	(56,0)
Net increase in due to individuals		346,4	285,8
Net increase in due to corporate customers		249,8	99,8
Net increase/(decrease) in debt securities in issue		97,6	(19,3)
Net (decrease)/ increase in other liabilities		(5,3)	5,9
Net cash from / (used in) operating activities		**394,1**	**(119,9)**
Cash flows from investing activities			
Purchase of investment securities available for sale		(172,5)	(578,3)
Proceeds from disposal and redemption of investment securities available for sale		135,4	907,7
Purchase of investment securities held to maturity		(20,2)	(50,3)
Proceeds from redemption of investment securities held to maturity		30,7	-
Acquisition of premises and equipment		(34,0)	(20,9)
Acquisition of investment property		(0,2)	(0,3)
Proceeds from disposal of investment property		0,7	-
Proceeds from disposal of premises and equipment including insurance payments		1,9	7,8
Acquisition of subsidiaries		(16,5)	-
Proceeds from disposal of subsidiaries		5,1	-
Dividends received		1,1	1,8
Net cash (used in) / from investing activities		**(68,5)**	**267,5**
Cash flows from financing activities			
Other borrowed funds received		50,8	29,4
Redemption of other borrowed funds		(111,2)	(12,5)
Repayment of interest on other borrowed funds		(2,4)	(0,8)
Subordinated debt received		0,4	-
Redemption of subordinated debt		(5,1)	-
Funds received from loan participation notes issued under the MTN programme		98,8	27,9
Repayment of interest on loan participation notes issued under the MTN programme		(4,4)	(3,9)
Acquisition of non-controlling interests in subsidiaries		(0,2)	-
Purchase of treasury shares		(1,8)	-
Dividends paid	20	(47,1)	(15,4)
Net cash (used in) / from financing activities		**(22,2)**	**24,7**
Effect of exchange rate changes on cash and cash equivalents		**4,8**	**(10,2)**
Effect of inflation on cash and cash equivalents		**(0,5)**	**-**
Net increase in cash and cash equivalents		**307,7**	**162,1**
Cash and cash equivalents at the beginning of the reporting period		625,6	719,6
Cash and cash equivalents as at the end of the reporting period		**933,3**	**881,7**

Selected Notes to the Condensed Interim Consolidated Financial Statements – 30 June 2012

1 Introduction

These condensed interim consolidated financial statements of Sberbank of Russia (Sberbank, "the Bank") and its subsidiaries (together referred to as "the Group" or "Sberbank Group") have been prepared in accordance with IAS 34 *Interim Financial Reporting* for the six months ended 30 June 2012. Principal subsidiaries include foreign commercial banks and other Russian and foreign companies controlled by the Group. A list of principal subsidiaries included in these condensed interim consolidated financial statements is disclosed in Note 26.

The Bank is an open joint stock commercial bank established in 1841 and operating in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank's principal shareholder, the Central Bank of the Russian Federation ("Bank of Russia"), owns 60.3% of ordinary shares or 57.6% of the issued and outstanding shares as at 30 June 2012 (31 December 2011: 60.3% of ordinary shares or 57.6% of the issued and outstanding shares).

As at 30 June 2012 the Supervisory Board of the Bank is headed by the Chairman of the Bank of Russia. Two First Deputy Chairmen of the Bank of Russia are Deputy Chairmen of the Supervisory Board. The Supervisory Board also includes independent directors.

The Bank operates under a full banking license issued by the Bank of Russia since 1991. In addition, the Bank holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer, a custodian, and provision of asset management services. The Bank is regulated and supervised by the Bank of Russia and by the Federal Service for Financial Markets. The Group's foreign banks operate under the banking regulatory regimes of their respective countries.

The Group's principal business activity is corporate and retail banking. This includes, but is not limited to, deposit taking and commercial lending in freely convertible currencies, local currencies of countries where the subsidiary banks operate and in Russian Roubles, support of clients' export/import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. As at 30 June 2012 the Group conducts its business in Russia through Sberbank with its network of 17 (31 December 2011: 17) regional head offices, 479 (31 December 2011: 505) branches and 18 545 (31 December 2011: 18 727) sub-branches, and through principal subsidiaries located in Russia such as CJSC Sberbank Leasing, LLC Sberbank Capital and some companies of Troika Dialog Group Ltd. The Group carries out banking operations in Ukraine, Belarus, Kazakhstan, Austria, Switzerland and other countries of Central and Eastern Europe, and also conducts operations through a branch office in India, representative offices in Germany and China and companies of Troika Dialog Group Ltd. located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions.

The actual headcount of the Group's employees as at 30 June 2012 was 261 105 (31 December 2011: 266 187).

Registered address and place of business. The Bank's registered address is: Vavilova str., 19, Moscow, Russian Federation.

Presentation currency. These condensed interim consolidated financial statements are presented in billions of Russian Roubles ("RR billions") unless otherwise stated.

At 30 June 2012 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RUR	/UAH	/BYR	/KZT	/EUR	/CHF
RUR/	1	0,246	254,137	4,553	0,024	0,029
USD/	32,817	8,079	8 340,000	149,425	0,794	0,954
EUR/	41,323	10,172	10 501,718	188,156	1	1,202

1 Introduction (Continued)

At 31 December 2011 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RUR	/UAH	/BYR	/KZT	/EUR	/CHF
RUR/	1	0,250	259,348	4,611	0,024	0,029
USD/	32,196	8,038	8 350,001	148,455	0,773	0,940
EUR/	41,671	10,404	10 807,403	192,146	1	1,217

2 Operating Environment of the Group

The Group primarily conducts its business in the Russian Federation. The Russian Federation continues economic reforms and development of its legal, tax and regulatory frameworks. The recent developments of the Russian government are focused on modernization of the Russian economy in order to improve its productivity and quality, increase the proportion of industries producing high-value-added products and services. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Despite economic recovery trends there continues to be uncertainty regarding further economic growth in Russia, access to capital markets and cost of capital, which could negatively affect the Group's future financial position, results of its operations and its business prospects. As the Russian economy is vulnerable to global economic slowdowns, there still remain the risks of fluctuations on the Russian financial markets.

While the management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

3 Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2011.

These condensed interim consolidated financial statements do not contain all the explanatory notes as required for a full set of consolidated financial statement.

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of New or Revised Standards and Interpretations, and Reclassifications

The accounting policies and methods of computation applied in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2011, except for the changes introduced due to implementation of new and/or revised standards and interpretations as of 1 January 2012, noted below:

Deferred tax: Recovery of underlying assets – Amendment to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). IAS 12 has been updated to include a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of New or Revised Standards and Interpretations, and Reclassifications (Continued)

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

The above mentioned new or revised standards and interpretations effective from 1 January 2012 did not have a material impact on the accounting policies, financial position or performance of the Group unless otherwise stated.

Management's estimates and judgements. Judgements and critical estimates made by Management in the process of applying the accounting policies were consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2011. Management has not identified new areas of judgement or critical estimates.

Income tax expense is recognised in these condensed interim consolidated financial statements based on management's best estimates of the effective annual income tax rate expected for the full financial year. Costs that occur 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.

Changes in presentation and reclassifications. The Group has changed disclosure of expenses directly attributable to deposit insurance according to the substance of such expenses. The presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the condensed interim consolidated income statement for the six months ended 30 June 2011 is as follows:

(Unaudited) *In billions of Russian Roubles*	**As previously reported**	**Reclassification**	**As reclassified**
Operating expenses			
State deposit insurance system membership fee	9,7	(9,7)	-
Consolidated Income Statement			
Expenses directly attributable to deposit insurance	-	9,7	9,7

The effect of changes on the condensed interim consolidated income statement for the three months ended 30 June 2011 is as follows:

(Unaudited) *In billions of Russian Roubles*	**As previously reported**	**Reclassification**	**As reclassified**
Operating expenses			
State deposit insurance system membership fee	4,9	(4,9)	-
Consolidated Income Statement			
Expenses directly attributable to deposit insurance	-	4,9	4,9

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of New or Revised Standards and Interpretations, and Reclassifications (Continued)

The effect of correspondent reclassifications on the condensed interim consolidated statement of cash flows for the six months ended 30 June 2011 is as follows:

(Unaudited) *In billions of Russian Roubles*	**As previously reported**	**Reclassification**	**As reclassified**
Operating expenses	(123,6)	9,1	(114,5)
Expenses paid directly attributable to deposit insurance	-	(9,1)	(9,1)

5 Trading Securities

In billions of Russian Roubles	**30 June 2012 (Unaudited)**	**31 December 2011**
Federal loan bonds (OFZ bonds)	24,6	26,0
Corporate bonds	13,7	26,6
Foreign government bonds	4,5	3,9
Russian Federation Eurobonds	4,1	6,3
Municipal and subfederal bonds	1,8	7,2
Total debt trading securities	**48,7**	**70,0**
Corporate shares	29,4	29,7
Investments in mutual funds	2,7	2,3
Total trading securities	**80,8**	**102,0**

6 Securities Designated at Fair Value through Profit or Loss

In billions of Russian Roubles	**30 June 2012 (Unaudited)**	**31 December 2011**
Federal loan bonds (OFZ bonds)	19,8	30,5
Corporate bonds	0,4	-
Foreign government bonds	0,3	0,2
Municipal and subfederal bonds	0,1	0,1
Total debt securities designated at fair value through profit or loss	**20,6**	**30,8**
Corporate shares	7,9	21,2
Total securities designated at fair value through profit or loss	**28,5**	**52,0**

7 Loans and Advances to Customers

The tables below show credit quality of the Group's loan portfolio by loan classes as at 30 June 2012 and 31 December 2011.

For the purposes of these condensed interim consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions is recognised as past due.

30 June 2012:

(Unaudited) *In billions of Russian Roubles*	**Not past due loans**	**Past due loans**	**Total**
Commercial loans to legal entities	4 212,3	223,3	4 435,6
Specialised loans to legal entities	2 538,4	121,8	2 660,2
Consumer and other loans to individuals	1 222,3	67,2	1 289,5
Mortgage loans to individuals	897,0	45,3	942,3
Car loans to individuals	92,3	4,3	96,6
Total loans and advances to customers before provision for loan impairment	**8 962,3**	**461,9**	**9 424,2**
Less: Provision for loan impairment	(244,0)	(318,7)	(562,7)
Total loans and advances to customers net of provision for loan impairment	**8 718,3**	**143,2**	**8 861,5**

31 December 2011:

In billions of Russian Roubles	**Not past due loans**	**Past due loans**	**Total**
Commercial loans to legal entities	3 828,8	184,1	4 012,9
Specialised loans to legal entities	2 347,9	215,8	2 563,7
Consumer and other loans to individuals	898,7	45,3	944,0
Mortgage loans to individuals	741,6	35,8	777,4
Car loans to individuals	80,7	3,5	84,2
Total loans and advances to customers before provision for loan impairment	**7 897,7**	**484,5**	**8 382,2**
Less: Provision for loan impairment	(281,6)	(380,9)	(662,5)
Total loans and advances to customers net of provision for loan impairment	**7 616,1**	**103,6**	**7 719,7**

7 Loans and Advances to Customers (Continued)

Commercial lending to legal entities comprises corporate loans, loans to individual entrepreneurs, federal bodies and municipal authorities of the Russian Federation. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property, portfolio investments, expansion and consolidation of business, etc.). Majority of commercial loans are provided for periods up to 5 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and lending for export-import transactions. The repayment source is cash flow from current production and financial activities of the borrower.

Specialised lending to legal entities includes investment and construction project financing and also developers' financing. As a rule, loan terms are linked to payback periods of investment and construction projects, contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid from cash flows generated by the investment project at the stage of its commercial operation.

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans. These loans include loans for current needs and overdrafts.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term and are collateralized by real estate.

Car loans to individuals include loans for purchasing a car or other vehicle. Car loans are provided for periods of up to 5 years.

7 Loans and Advances to Customers (Continued)

The table below shows the analysis of loans and provisions for loan impairment as at 30 June 2012:

(Unaudited) *In billions of Russian Roubles*	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	4 170,0	(121,0)	4 049,0	2.9%
Loans up to 30 days overdue	22,6	(4,4)	18,2	19.5%
Loans 31 to 60 days overdue	6,0	(2,5)	3,5	41.7%
Loans 61 to 90 days overdue	7,1	(3,0)	4,1	42.3%
Loans 91 to 180 days overdue	14,1	(9,1)	5,0	64.5%
Loans over 180 days overdue	117,3	(113,4)	3,9	96.7%
Total collectively assessed loans	**4 337,1**	**(253,4)**	**4 083,7**	**5.8%**
Individually impaired				
Not past due	42,3	(6,0)	36,3	14.2%
Loans up to 30 days overdue	5,1	(1,7)	3,4	33.3%
Loans 31 to 60 days overdue	5,0	(4,8)	0,2	96.0%
Loans 61 to 90 days overdue	7,3	(4,5)	2,8	61.6%
Loans 91 to 180 days overdue	7,4	(6,2)	1,2	83.8%
Loans over 180 days overdue	31,4	(25,2)	6,2	80.3%
Total individually impaired loans	**98,5**	**(48,4)**	**50,1**	**49.1%**
Total commercial loans to legal entities	**4 435,6**	**(301,8)**	**4 133,8**	**6.8%**
Specialised loans to legal entities				
Collectively assessed				
Not past due	2 469,3	(86,1)	2 383,2	3.5%
Loans up to 30 days overdue	18,2	(2,2)	16,0	12.1%
Loans 31 to 60 days overdue	2,8	(0,8)	2,0	28.6%
Loans 61 to 90 days overdue	1,9	(0,5)	1,4	26.3%
Loans 91 to 180 days overdue	5,2	(2,8)	2,4	53.8%
Loans over 180 days overdue	47,7	(46,5)	1,2	97.5%
Total collectively assessed loans	**2 545,1**	**(138,9)**	**2 406,2**	**5.5%**
Individually impaired				
Not past due	69,1	(22,1)	47,0	32.0%
Loans up to 30 days overdue	6,2	(2,8)	3,4	45.2%
Loans 31 to 60 days overdue	0,7	(0,1)	0,6	14.3%
Loans 61 to 90 days overdue	1,9	(0,7)	1,2	36.8%
Loans 91 to 180 days overdue	2,9	(0,4)	2,5	13.8%
Loans over 180 days overdue	34,3	(25,8)	8,5	75.2%
Total individually impaired loans	**115,1**	**(51,9)**	**63,2**	**45.1%**
Total specialised loans to legal entities	**2 660,2**	**(190,8)**	**2 469,4**	**7.2%**
Total loans to legal entities	**7 095,8**	**(492,6)**	**6 603,2**	**6.9%**

7 Loans and Advances to Customers (Continued)

(Unaudited) *In billions of Russian Roubles*	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Consumer and other loans to individuals				
Collectively assessed				
Not past due	1 222,3	(6,2)	1 216,1	0.5%
Loans up to 30 days overdue	26,6	(1,4)	25,2	5.3%
Loans 31 to 60 days overdue	6,2	(1,3)	4,9	21.0%
Loans 61 to 90 days overdue	3,0	(1,0)	2,0	33.3%
Loans 91 to 180 days overdue	4,5	(3,2)	1,3	71.1%
Loans over 180 days overdue	26,9	(26,6)	0,3	98.9%
Total consumer and other loans to individuals	**1 289,5**	**(39,7)**	**1 249,8**	**3.1%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	897,0	(2,2)	894,8	0.2%
Loans up to 30 days overdue	13,4	(0,5)	12,9	3.7%
Loans 31 to 60 days overdue	3,4	(0,4)	3,0	11.8%
Loans 61 to 90 days overdue	2,0	(0,4)	1,6	20.0%
Loans 91 to 180 days overdue	2,3	(0,9)	1,4	39.1%
Loans over 180 days overdue	24,2	(23,4)	0,8	96.7%
Total mortgage loans to individuals	**942,3**	**(27,8)**	**914,5**	**3.0%**
Car loans to individuals				
Collectively assessed				
Not past due	92,3	(0,4)	91,9	0.4%
Loans up to 30 days overdue	1,7	(0,1)	1,6	5.9%
Loans 31 to 60 days overdue	0,3	-	0,3	-
Loans 61 to 90 days overdue	0,1	-	0,1	-
Loans 91 to 180 days overdue	0,2	(0,1)	0,1	50.0%
Loans over 180 days overdue	2,0	(2,0)	-	100.0%
Total car loans to individuals	**96,6**	**(2,6)**	**94,0**	**2.7%**
Total loans to individuals	**2 328,4**	**(70,1)**	**2 258,3**	**3.0%**
Total loans and advances to customers as at 30 June 2012	**9 424,2**	**(562,7)**	**8 861,5**	**6.0%**

7 Loans and Advances to Customers (Continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2011:

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	3 795,5	(117,4)	3 678,1	3.1%
Loans up to 30 days overdue	11,3	(3,1)	8,2	27.4%
Loans 31 to 60 days overdue	4,7	(2,2)	2,5	46.8%
Loans 61 to 90 days overdue	3,4	(1,8)	1,6	52.9%
Loans 91 to 180 days overdue	7,4	(4,8)	2,6	64.9%
Loans over 180 days overdue	115,6	(111,8)	3,8	96.7%
Total collectively assessed loans	**3 937,9**	**(241,1)**	**3 696,8**	**6.1%**
Individually impaired				
Not past due	33,3	(22,3)	11,0	67.0%
Loans up to 30 days overdue	7,0	(7,0)	-	100.0%
Loans 31 to 60 days overdue	0,5	(0,2)	0,3	40.0%
Loans 61 to 90 days overdue	4,1	(0,3)	3,8	7.3%
Loans 91 to 180 days overdue	0,1	-	0,1	-
Loans over 180 days overdue	30,0	(28,7)	1,3	95.7%
Total individually impaired loans	**75,0**	**(58,5)**	**16,5**	**78.0%**
Total commercial loans to legal entities	**4 012,9**	**(299,6)**	**3 713,3**	**7.5%**
Specialised loans to legal entities				
Collectively assessed				
Not past due	2 276,1	(86,7)	2 189,4	3.8%
Loans up to 30 days overdue	5,2	(0,8)	4,4	15.4%
Loans 31 to 60 days overdue	3,3	(1,2)	2,1	36.4%
Loans 61 to 90 days overdue	1,6	(0,7)	0,9	43.8%
Loans 91 to 180 days overdue	2,1	(1,3)	0,8	61.9%
Loans over 180 days overdue	59,3	(52,8)	6,5	89.0%
Total collectively assessed loans	**2 347,6**	**(143,5)**	**2 204,1**	**6.1%**
Individually impaired				
Not past due	71,8	(38,7)	33,1	53.9%
Loans up to 30 days overdue	4,0	(2,8)	1,2	70.0%
Loans 31 to 60 days overdue	2,2	(1,6)	0,6	72.7%
Loans 91 to 180 days overdue	0,4	(0,3)	0,1	75.0%
Loans over 180 days overdue	137,7	(106,8)	30,9	77.6%
Total individually impaired loans	**216,1**	**(150,2)**	**65,9**	**69.5%**
Total specialised loans to legal entities	**2 563,7**	**(293,7)**	**2 270,0**	**11.5%**
Total loans to legal entities	**6 576,6**	**(593,3)**	**5 983,3**	**9.0%**

7 Loans and Advances to Customers (Continued)

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Consumer and other loans to individuals				
Collectively assessed				
Not past due	898,7	(10,9)	887,8	1.2%
Loans up to 30 days overdue	12,5	(0,2)	12,3	1.6%
Loans 31 to 60 days overdue	3,1	(0,2)	2,9	6.5%
Loans 61 to 90 days overdue	1,7	(0,2)	1,5	11.8%
Loans 91 to 180 days overdue	2,8	(0,6)	2,2	21.4%
Loans over 180 days overdue	25,2	(25,2)	-	100.0%
Total consumer and other loans to individuals	**944,0**	**(37,3)**	**906,7**	**4.0%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	741,6	(4,6)	737,0	0.6%
Loans up to 30 days overdue	8,2	(0,2)	8,0	2.4%
Loans 31 to 60 days overdue	2,0	(0,2)	1,8	10.0%
Loans 61 to 90 days overdue	0,9	(0,1)	0,8	11.1%
Loans 91 to 180 days overdue	1,3	(0,3)	1,0	23.1%
Loans over 180 days overdue	23,4	(23,4)	-	100.0%
Total mortgage loans to individuals	**777,4**	**(28,8)**	**748,6**	**3.7%**
Car loans to individuals				
Collectively assessed				
Not past due	80,7	(1,0)	79,7	1.2%
Loans up to 30 days overdue	1,0	-	1,0	-
Loans 31 to 60 days overdue	0,2	-	0,2	-
Loans 61 to 90 days overdue	0,1	-	0,1	-
Loans 91 to 180 days overdue	0,1	-	0,1	-
Loans over 180 days overdue	2,1	(2,1)	-	100.0%
Total car loans to individuals	**84,2**	**(3,1)**	**81,1**	**3.7%**
Total loans to individuals	**1 805,6**	**(69,2)**	**1 736,4**	**3.8%**
Total loans and advances to customers as at 31 December 2011	**8 382,2**	**(662,5)**	**7 719,7**	**7.9%**

7 Loans and Advances to Customers (Continued)

As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

As at 30 June 2012 the outstanding non-performing loans were as follows:

(Unaudited) *In billions of Russian Roubles*	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	170,2	(153,9)	16,3	90.4%
Specialised loans to legal entities	90,1	(75,5)	14,6	83.8%
Consumer and other loans to individuals	31,4	(29,8)	1,6	94.9%
Mortgage loans to individuals	26,5	(24,3)	2,2	91.7%
Car loans to individuals	2,2	(2,1)	0,1	95.5%
Total non-performing loans and advances to customers as at 30 June 2012	**320,4**	**(285,6)**	**34,8**	**89.1%**

As at 31 December 2011 the outstanding non-performing loans were as follows:

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	153,1	(145,3)	7,8	94.9%
Specialised loans to legal entities	199,5	(161,2)	38,3	80.8%
Consumer and other loans to individuals	28,0	(25,8)	2,2	92.1%
Mortgage loans to individuals	24,7	(23,7)	1,0	96.0%
Car loans to individuals	2,2	(2,1)	0,1	95.5%
Total non-performing loans and advances to customers as at 31 December 2011	**407,5**	**(358,1)**	**49,4**	**87.9%**

7 Loans and Advances to Customers (Continued)

Provisions for Loan Impairment. The analysis of changes in provisions for loan impairment for the six months ended 30 June 2012 is presented in the table below:

(Unaudited) *In billions of Russian Roubles*	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Provision for loan impairment as at 1 January 2012	**299,6**	**293,7**	**37,3**	**28,8**	**3,1**	**662,5**
Net provision charge / (net recovery of provision) for loan impairment during the reporting period	23,5	(26,7)	2,9	(0,4)	(0,4)	(1,1)
Foreign currencies translation	0,1	-	-	-	-	0,1
Loans and advances written off during the reporting period	(21,4)	(76,2)	(0,5)	(0,6)	(0,1)	(98,8)
Provision for loan impairment as at 30 June 2012	**301,8**	**190,8**	**39,7**	**27,8**	**2,6**	**562,7**

The analysis of changes in provisions for loan impairment for the three months ended 30 June 2012 is presented in the table below:

(Unaudited) *In billions of Russian Roubles*	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Provision for loan impairment as at 1 April 2012	**297,9**	**289,6**	**36,1**	**26,6**	**2,7**	**652,9**
Net provision charge / (net recovery of provision) for loan impairment during the reporting period	20,0	(23,1)	3,8	1,5	(0,1)	2,1
Foreign currencies translation	0,6	0,1	0,1	0,2	-	1,0
Loans and advances written off during the reporting period	(16,7)	(75,8)	(0,3)	(0,5)	-	(93,3)
Provision for loan impairment as at 30 June 2012	**301,8**	**190,8**	**39,7**	**27,8**	**2,6**	**562,7**

7 Loans and Advances to Customers (Continued)

The analysis of changes in provisions for loan impairment for the six months ended 30 June 2011 is presented in the table below:

(Unaudited) *In billions of Russian Roubles*	**Commercial loans to legal entities**	**Specialised loans to legal entities**	**Consumer and other loans to individuals**	**Mortgage loans to individuals**	**Car loans to individuals**	**Total**
Provision for loan impairment as at 1 January 2011	**312,9**	**320,8**	**36,1**	**29,3**	**3,4**	**702,5**
(Net recovery of provision) / net provision charge for loan impairment during the reporting period	(2,6)	(21,4)	1,1	0,8	(0,1)	(22,2)
Foreign currencies translation	(0,4)	(1,4)	(0,2)	(0,3)	-	(2,3)
Loans and advances written off during the reporting period	(11,2)	(5,9)	(0,5)	(0,5)	-	(18,1)
Provision for loan impairment as at 30 June 2011	**298,7**	**292,1**	**36,5**	**29,3**	**3,3**	**659,9**

The analysis of changes in provisions for loan impairment for the three months ended 30 June 2011 is presented in the table below:

(Unaudited) *In billions of Russian Roubles*	**Commercial loans to legal entities**	**Specialised loans to legal entities**	**Consumer and other loans to individuals**	**Mortgage loans to individuals**	**Car loans to individuals**	**Total**
Provision for loan impairment as at 1 April 2011	**302,8**	**307,0**	**36,0**	**29,1**	**3,4**	**678,3**
(Net recovery of provision) / net provision charge for loan impairment during the reporting period	(1,6)	(8,1)	1,0	0,8	(0,1)	(8,0)
Foreign currencies translation	(0,4)	(1,4)	(0,2)	(0,3)	-	(2,3)
Loans and advances written off during the reporting period	(2,1)	(5,4)	(0,3)	(0,3)	-	(8,1)
Provision for loan impairment as at 30 June 2011	**298,7**	**292,1**	**36,5**	**29,3**	**3,3**	**659,9**

7 Loans and Advances to Customers (Continued)

Renegotiated loans. Information on loans whose terms have been renegotiated, as at 30 June 2012, 31 March 2012 and 31 December 2011 is presented in the table below. It shows the amount of renegotiated loans before provision for loan impairment.

In billions of Russian Roubles	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
30 June 2012:						
(Unaudited)						
Not past due collectively assessed loans	527,5	322,1	7,5	8,3	0,5	865,9
Other renegotiated loans	90,1	45,4	3,3	6,2	0,6	145,6
Total renegotiated loans before provision for loan impairment	**617,6**	**367,5**	**10,8**	**14,5**	**1,1**	**1 011,5**
31 March 2012:						
(Unaudited)						
Not past due collectively assessed loans	513,1	317,5	6,9	8,4	0,5	846,4
Other renegotiated loans	90,4	52,6	3,2	5,9	0,7	152,8
Total renegotiated loans before provision for loan impairment	**603,5**	**370,1**	**10,1**	**14,3**	**1,2**	**999,2**
31 December 2011:						
Not past due collectively assessed loans	552,0	329,5	7,0	5,4	0,5	894,4
Other renegotiated loans	85,1	42,1	3,3	6,0	0,7	137,2
Total renegotiated loans before provision for loan impairment	**637,1**	**371,6**	**10,3**	**11,4**	**1,2**	**1 031,6**

Investments in finance lease. Included in specialised loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 30 June 2012 and as at 31 December 2011 is as follows:

In billions of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011
Gross investment in finance lease	135,5	134,9
Unearned future finance income on finance lease	(45,3)	(46,6)
Net investment in finance lease before provision for impairment	**90,2**	**88,3**
Less provision for impairment	(2,6)	(2,3)
Net investment in finance lease after provision for impairment	**87,6**	**86,0**

7 Loans and Advances to Customers (Continued)

The contractual maturity analysis of net investments in finance lease as at 30 June 2012 is as follows:

(Unaudited) *In billions of Russian Roubles*	**Net investment in finance lease before provision for impairment**	**Provision for impairment**	**Net investment in finance lease after provision for impairment**
Not later than 1 year	27,6	(0,8)	26,8
Later than 1 year but not later than 5 years	50,0	(1,4)	48,6
Later than 5 years	12,6	(0,4)	12,2
Total as at 30 June 2012	**90,2**	**(2,6)**	**87,6**

The contractual maturity analysis of net investments in finance lease as at 31 December 2011 is as follows:

In billions of Russian Roubles	**Net investment in finance lease before provision for impairment**	**Provision for impairment**	**Net investment in finance lease after provision for impairment**
Not later than 1 year	26,6	(0,7)	25,9
Later than 1 year but not later than 5 years	48,9	(1,3)	47,6
Later than 5 years	12,8	(0,3)	12,5
Total as at 31 December 2011	**88,3**	**(2,3)**	**86,0**

The analysis of minimal finance lease receivables as at 30 June 2012 and as at 31 December 2011 per contractual maturity is as follows:

In billions of Russian Roubles	**30 June 2012 (Unaudited)**	**31 December 2011**
Not later than 1 year	29,3	28,5
Later than 1 year but not later than 5 years	73,1	72,0
Later than 5 years	33,1	34,4
Total	**135,5**	**134,9**

7 Loans and Advances to Customers (Continued)

Economic sector risk concentration. Economic sector risk concentrations within the customer loan portfolio as at 30 June 2012 and as at 31 December 2011 are as follows:

In billions of Russian Roubles	30 June 2012 (Unaudited) Amount	%	31 December 2011 Amount	%
Individuals	2 328,4	24.7	1 805,6	21.5
Services	1 800,1	19.1	1 658,5	19.8
Trade	1 217,5	12.9	1 134,8	13.5
Food and agriculture	723,3	7.7	703,9	8.4
Energy	431,7	4.6	379,9	4.5
Telecommunications	377,4	4.0	332,0	4.0
Machine building	377,0	4.0	355,6	4.2
Chemical industry	373,4	4.0	340,2	4.1
Metallurgy	371,4	3.9	299,4	3.6
Construction	368,6	3.9	451,3	5.4
Transport, aviation, space industry	341,9	3.6	285,4	3.4
Government and municipal bodies	245,7	2.6	268,1	3.2
Oil and gas	173,8	1.8	164,7	2.0
Timber industry	66,4	0.7	50,4	0.6
Other	227,6	2.5	152,4	1.8
Total loans and advances to customers before provision for loan impairment	**9 424,2**	**100.0**	**8 382,2**	**100.0**

"Services" category includes financial, insurance and other service companies, as well as loans granted to holding and multi-industry companies.

As at 30 June 2012 the Group had 20 largest corporate borrowers with aggregated loan amounts due from each of these borrowers exceeding RR 54,1 billion (31 December 2011: 20 largest borrowers with loan amounts due from each of these borrowers exceeding RR 47,9 billion). The total aggregate amount of these loans was RR 2 034,2 billion or 21.6% of the total gross loan portfolio of the Group (31 December 2011: RR 1 956,2 billion or 23.3%).

8 Securities Pledged under Repurchase Agreements

In billions of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011
Trading securities pledged under repurchase agreements		
Corporate shares	30,2	34,3
Russian Federation Eurobonds	9,6	7,0
Municipal and subfederal bonds	3,1	-
Corporate bonds	1,4	6,1
Foreign government bonds	0,7	-
Federal loan bonds (OFZ bonds)	0,6	0,4
Investments in mutual funds	-	0,3
Total trading securities pledged under repurchase agreements	**45,6**	**48,1**
Securities designated at fair value through profit or loss pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	7,3	8,1
Corporate shares	-	1,3
Total securities designated at fair value through profit or loss pledged under repurchase agreements	**7,3**	**9,4**
Investment securities available for sale pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	118,1	25,5
Corporate bonds	78,0	30,8
Russian Federation Eurobonds	34,8	29,4
Corporate shares	9,6	20,1
Municipal and subfederal bonds	3,4	-
Foreign government bonds	-	0,3
Total investment securities available for sale pledged under repurchase agreements	**243,9**	**106,1**
Investment securities held to maturity pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	185,8	136,4
Municipal and subfederal bonds	49,1	-
Corporate bonds	32,6	0,8
Total investment securities held to maturity pledged under repurchase agreements	**267,5**	**137,2**
Total securities pledged under repurchase agreements	**564,3**	**300,8**

As at 30 June 2012 included in Securities pledged under repurchase agreements are securities pledged under sale and repurchase agreements with corporate customers; correspondent deposits are included in Due to corporate customers in the amount of RR 28,3 billion (31 December 2011: 38,1 billion). Refer to Note 12.

Included in Securities pledged under repurchase agreements are also securities pledged under sale and repurchase agreements with banks; correspondent deposits are included in Due to other banks in the amount of RR 493,7 billion (31 December 2011: RR 220,9 billion).

9 Investment Securities Available for Sale

In billions of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011
Corporate bonds	319,4	320,3
Federal loan bonds (OFZ bonds)	299,2	410,9
Russian Federation Eurobonds	70,2	23,6
Foreign government bonds	49,8	22,0
Municipal and subfederal bonds	40,1	47,6
Total debt investment securities available for sale	**778,7**	**824,4**
Corporate shares	40,3	60,1
Total investment securities available for sale	**819,0**	**884,5**

10 Investment Securities Held to Maturity

In billions of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011
Corporate bonds	100,6	130,1
Federal loan bonds (OFZ bonds)	23,7	74,7
Municipal and subfederal bonds	22,9	79,6
Foreign government bonds	0,6	0,1
Promissory notes	-	2,0
Total investment securities held to maturity	**147,8**	**286,5**

11 Other Assets

In billions of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011
Other financial assets		
Receivables on plastic cards settlements	67,2	78,8
Derivative financial instruments	63,6	51,1
Settlements on operations with securities	16,0	15,2
Settlements on currency conversion operations	6,7	6,5
Accrued fees and commissions	4,2	3,9
Trade receivables	2,6	2,7
Funds in settlement	0,3	0,2
Other financial assets	8,6	6,9
Provision for impairment of other financial assets	(2,5)	(2,2)
Total other financial assets	**166,7**	**163,1**
Other non-financial assets		
Precious metals	68,9	66,0
Inventory of non-banking subsidiaries	50,7	12,7
Prepayments for premises and other assets	39,7	29,9
Goodwill	20,4	15,1
Intangible assets acquired through business combinations	15,1	12,2
Investment property	12,9	11,8
Non-exclusive licences	9,0	8,9
Tax settlements (other than on income)	4,6	9,8
Prepaid expenses	4,5	3,8
Investments in associates	4,2	4,7
Prepayment on income tax	2,6	1,5
Non-current assets held for sale and assets of the disposal group	0,1	14,4
Other non-financial assets	27,6	10,0
Provision for impairment of other non-financial assets	(5,5)	(3,9)
Total other non-financial assets	**254,8**	**196,9**
Total other assets	**421,5**	**360,0**

12 Due to Individuals and Corporate Customers

In billions of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011
Individuals:		
- Current/demand accounts	1 157,1	1 077,0
- Term deposits	5 018,3	4 649,3
Total due to individuals	**6 175,4**	**5 726,3**
State and public organisations:		
- Current/settlement accounts	122,0	142,2
- Term deposits	165,8	39,6
Total due to state and public organisations	**287,8**	**181,8**
Other corporate customers:		
- Current/settlement accounts	1 216,1	1 230,1
- Term deposits	1 089,6	793,9
Total due to other corporate customers	**2 305,7**	**2 024,0**
Total due to corporate customers	**2 593,5**	**2 205,8**
Total due to individuals and corporate customers	**8 768,9**	**7 932,1**

Economic sector concentrations within customer accounts are as follows:

	30 June 2012 (Unaudited)		31 December 2011	
In billions of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	6 175,4	70.4	5 726,3	72.2
Services	677,2	7.7	450,2	5.7
Oil and gas	419,5	4.8	311,9	3.9
Trade	316,1	3.6	305,6	3.9
Municipal bodies and state organisations	178,4	2.0	58,3	0.7
Machine building	148,9	1.7	132,2	1.7
Construction	139,0	1.6	182,7	2.3
Energy	136,7	1.6	122,2	1.5
Transport, aviation, space industry	99,3	1.1	79,7	1.0
Chemical	71,1	0.8	56,3	0.7
Food and agriculture	67,4	0.8	61,7	0.8
Metallurgy	63,1	0.7	43,3	0.5
Telecommunications	56,9	0.6	48,7	0.6
Timber industry	21,7	0.2	17,2	0.2
Other	198,2	2.4	335,8	4.3
Total due to individuals and corporate customers	**8 768,9**	**100.0**	**7 932,1**	**100.0**

12 Due to Individuals and Corporate Customers (Continued)

As at 30 June 2012 included in term deposits of corporate customers are deposits in the amount of RR 28,3 billion (31 December 2011: RR 38,1 billion) received under sale and repurchase agreements with corporate customers. Fair value of securities collateralised under these agreements amounted to RR 32,9 billion and was included in securities pledged under repurchase agreements (31 December 2011: RR 46,1 billion). Refer to Note 8.

Included in term deposits of corporate customers are deposits in the amount of RR 1,2 billion (31 December 2011: RR 3,9 billion) under sale and repurchase agreements which are collateralised with securities of clients. Fair value of such securities totalled RR 1,3 billion (31 December 2011: RR 5,1 billion).

As at 30 June 2012 included in Due to corporate customers are deposits of RR 79,6 billion (31 December 2011: RR 95,0 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 23.

As at 30 June 2012 the Group had 20 largest customers with balances above RR 12,5 billion (31 December 2011: 20 customers with balances above RR 11,5 billion). The aggregate balance of these customers was RR 875,7 billion (31 December 2011: RR 621,1 billion) or 10.0% (31 December 2011: 7.8%) of total due to individuals and corporate customers.

13 Debt Securities in Issue

In billions of Russian Roubles	**30 June 2012 (Unaudited)**	**31 December 2011**
Loan participation notes issued under the MTN programme	277,5	169,6
Promissory notes	108,0	77,2
Savings certificates	76,4	9,8
Other bonds issued	20,2	9,9
Structured notes	1,4	1,5
Deposits certificates	0,2	0,7
Total debt securities in issue	**483,7**	**268,7**

In February 2012 the Group issued the eighth series of loan participation notes under the MTN issuance programme in the amount of USD 1 billion equivalent to RR 30,2 billion as at the date of issue. The notes mature in February 2017 and have contractual fixed interest rate of 5.0% p.a. As at 30 June 2012 the notes were accounted for at amortised cost of RR 33,4 billion; the effective interest rate on the notes was 5.1% p.a. In August 2012 the Group issued additional notes for USD 0,3 bilion (equivalent to RR 9,6 billion as at the date of issue) which form a single series with the eighth series issue and have the same interest rate and maturity. Refer to Note 28.

In February 2012 the Group issued the ninth series of loan participation notes under the MTN issuance programme in the amount of USD 0,75 billion equivalent to RR 22,7 billion as at the date of issue. The notes mature in February 2022 and have contractual fixed interest rate of 6.1% p.a. As at 30 June 2012 the notes were accounted for at amortised cost of RR 25,2 billion; the effective interest rate on the notes was 6.2% p.a. In July 2012 the Group issued additional notes for USD 0,75 billion (equivalent to RR 24,3 billion as at the date of issue) which form a single series with the ninth series issue and have the same interest rate and maturity. Refer to Note 28.

In March 2012 the Group issued the tenth series of loan participation notes under the MTN issuance programme in the amount of CHF 0,41 billion equivalent to RR 13,2 billion as at the date of issue. The notes mature in September 2015 and have contractual fixed interest rate of 3.1% p.a. As at 30 June 2012 the notes were accounted for at amortised cost of RR 14,2 billion; the effective interest rate on the notes was 3.2% p.a.

13 Debt Securities in Issue (continued)

In June 2012 the Group issued the eleventh series of loan participation notes under the MTN issuance programme in the amount of USD 1 billion equivalent to RR 32,8 billion as at the date of issue. The notes mature in June 2019 and have contractual fixed interest rate of 5.2% p.a. As at 30 June 2012 the notes were accounted for at amortised cost of RR 32,8 billion; the effective interest rate on the notes was 5.3% p.a.

Other bonds issued represent interest-bearing securities issued by the Group, denominated in Belorussian Roubles, Kazakh Tenge, US Dollars and Euro.

14 Other Liabilities

In billions of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011
Other financial liabilities		
Short position on securities	59,4	67,4
Payables on plastic card settlements	48,2	45,8
Derivative financial instruments	34,5	26,7
Settlements on operations with securities	26,3	10,5
Funds in settlement	15,9	10,1
Trade payables	9,4	13,1
Deposit insurance system fees payable	5,8	5,2
Deferred consideration on acquisition of Troika Dialog Group Ltd.	3,7	36,1
Deferred commissions received on guarantees issued	1,3	1,4
Other	11,0	6,5
Total other financial liabilities	**215,5**	**222,8**
Other non-financial liabilities		
Accrued employee benefit costs	41,1	17,9
Taxes payable other than on income	14,6	9,5
Advances received	1,2	1,8
Income tax payable	0,4	1,5
Deferred gains on initial recognition of financial instruments	0,8	0,8
Liabilities of the disposal group	-	8,5
Other	5,9	2,4
Total other non-financial liabilities	**64,0**	**42,4**
Total other liabilities	**279,5**	**265,2**

15 Interest Income and Expense

(Unaudited) *In billions of Russian Roubles*	Six months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2012	Three months ended 30 June 2011
Interest income				
Interest income on financial assets carried at amortised cost and on financial assets available for sale:				
- Loans and advances to customers	466,8	346,0	244,5	176,4
- Debt investment securities available for sale	32,8	35,0	16,7	16,9
- Debt investment securities held to maturity	14,7	12,8	7,3	6,8
- Due from other banks	3,1	4,0	1,4	2,0
- Correspondent accounts with other banks	0,2	-	-	-
	517,6	**397,8**	**269,9**	**202,1**
Interest income on financial assets carried at fair value through profit or loss:				
- Debt trading securities	2,2	2,1	0,7	1,0
- Debt securities designated at fair value through profit or loss	1,0	2,0	0,5	1,0
	3,2	**4,1**	**1,2**	**2,0**
Total interest income	**520,8**	**401,9**	**271,1**	**204,1**
Interest expense				
Term deposits of individuals	(109,7)	(95,8)	(57,0)	(46,8)
Term deposits of legal entities	(26,1)	(11,2)	(14,4)	(6,1)
Term placements of other banks	(15,2)	(1,0)	(8,1)	(0,4)
Subordinated debt	(10,1)	(9,6)	(5,1)	(4,9)
Debt securities in issue	(8,9)	(6,2)	(5,1)	(3,0)
Current/settlement accounts of legal entities	(8,0)	(5,1)	(4,2)	(2,3)
Current/demand accounts of individuals	(3,7)	(2,0)	(2,0)	(0,6)
Other borrowed funds	(2,9)	(1,9)	(1,1)	(1,0)
Correspondent accounts of other banks	(0,6)	(0,2)	(0,4)	(0,1)
Total interest expense	**(185,2)**	**(133,0)**	**(97,4)**	**(65,2)**
Expenses directly attributable to deposit insurance	(11,4)	(9,7)	(5,8)	(4,9)
Net interest income	**324,2**	**259,2**	**167,9**	**134,0**

16 Fee and Commission Income and Expense

(Unaudited) *In billions of Russian Roubles*	Six months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2012	Three months ended 30 June 2011
Fee and commission income				
Cash and settlements transactions with individuals	22,1	20,8	11,7	11,0
Plastic cards operations	21,7	13,9	11,8	7,5
Cash and settlements transactions with legal entities	21,5	19,4	11,5	10,5
Agent commissions on selling insurance contracts	8,8	6,3	5,0	3,5
Guarantees issued	3,1	1,6	1,7	0,9
Operations with foreign currencies	3,0	3,0	1,7	1,6
Cash collection	2,3	2,2	1,2	1,2
Transactions with securities	1,2	0,5	0,7	0,2
Other	1,6	1,1	0,8	0,6
Total fee and commission income	**85,3**	**68,8**	**46,1**	**37,0**
Fee and commission expense				
Settlement transactions	(4,8)	(3,1)	(2,7)	(1,7)
Operations with foreign currencies	(0,2)	(0,2)	(0,1)	(0,1)
Cash collection	(0,1)	(0,1)	-	(0,1)
Other	(1,9)	(1,3)	(0,8)	(0,6)
Total fee and commission expense	**(7,0)**	**(4,7)**	**(3,6)**	**(2,5)**
Net fee and commission income	**78,3**	**64,1**	**42,5**	**34,5**

17 Net Gains Arising from Trading in Foreign Currencies, Operations with Foreign Currency Derivatives and Foreign Exchange Translation Gains

(Unaudited) *In billions of Russian Roubles*	Six months ended 30 June 2012	Six months ended 30 June 2011	Three months ended 30 June 2012	Three months ended 30 June 2011
Net gains/(losses) arising from trading in foreign currencies	0,5	2,8	(0,1)	1,1
Net foreign exchange translation gains/(losses)	6,0	(25,3)	13,0	(15,3)
Net (losses)/gains from operations with foreign currency derivatives	(5,1)	26,2	(7,9)	17,9
Total net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	**1,4**	**3,7**	**5,0**	**3,7**

18 Operating Expenses

(Unaudited)	**Six months ended 30 June**		**Three months ended 30 June**	
In billions of Russian Roubles	**2012**	**2011**	**2012**	**2011**
Staff costs	118,7	98,6	61,4	51,1
Depreciation of premises and equipment	27,9	19,7	14,3	10,2
Repairs and maintenance of premises and equipment	11,7	9,6	6,8	5,7
Administrative expenses	11,4	8,3	7,4	4,9
Taxes other than on income	7,9	5,0	4,6	3,2
Operating lease expenses for premises and equipment	6,5	4,5	3,5	2,4
Telecommunication expenses	4,9	3,5	3,3	2,2
Advertising and marketing services	3,7	1,3	2,5	0,8
Consulting and assurance services	1,6	0,6	0,9	0,4
Other	11,0	4,2	4,5	3,0
Total operating expenses	**205,3**	**155,3**	**109,2**	**83,9**

19 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares; therefore the diluted earnings per share equals the basic earnings per share.

(Unaudited)	**Six months ended 30 June**		**Three months ended 30 June**	
In billions of Russian Roubles	**2012**	**2011**	**2012**	**2011**
Profit for the reporting period attributable to the shareholders of the Bank	175,6	176,5	83,4	89,7
Less preference dividends declared	(2,6)	(1,2)	(2,6)	(1,2)
Profit attributable to the ordinary shareholders of the Bank	**173,0**	**175,3**	**80,8**	**88,5**
Weighted average number of ordinary shares in issue (billions)	21,5	21,6	21,5	21,6
Earnings per ordinary share, basic and diluted (expressed in RR per share)	**8,03**	**8,12**	**3,75**	**4,10**

20 Dividends

(Unaudited) In billions of Russian Roubles	Six months ended 30 June 2012 Ordinary	Six months ended 30 June 2012 Preference	Six months ended 30 June 2011 Ordinary	Six months ended 30 June 2011 Preference
Dividends payable at 1 January	0,1	-	0,1	-
Dividends declared during the six months ended 30 June	44,9	2,6	19,8	1,2
Dividends paid during the six months ended 30 June	(44,6)	(2,5)	(14,9)	(0,5)
Dividends payable as at 30 June	**0,4**	**0,1**	**5,0**	**0,7**
Dividends per share declared during the reporting period (RR per share)	**2,08**	**2,71**	**0,92**	**1,15**

All dividends were declared and paid in Russian Roubles.

21 Segment Analysis

For the purposes of management the Group is divided into operating segments of activity – central head office, 17 regional head offices and subsidiaries – which are defined on the basis of organizational structure of the Group and geographical areas. The principal activity of all operating segments is banking operations. For the purposes of presentation in these condensed interim consolidated financial statements the operating segments are aggregated in the following reportable segments:

- **Moscow, including:**
  - Central head office of the Group,
  - Regional head office of Moscow,
  - Subsidiaries of the Group located in the region.

- **Central and Northern regions of European part of Russia, including:**

  Regional head offices:
  - Severny – Yaroslavl,
  - Severo-Zapadny – Saint-Petersburg,
  - Tsentralno-Chernozemny – Voronezh,
  - Srednerussky – Moscow;

  Subsidiaries of the Group located in the region.

- **Volga region and South of European part of Russia, including:**

  Regional head offices:
  - Volgo-Vyatsky – Nizhniy Novgorod,
  - Povolzhsky – Samara,
  - Severo-Kavkazsky – Stavropol,
  - Yugo-Zapadny – Rostov-on-Don,

  Subsidiaries of the Group located in the region.

21 Segment Analysis (Continued)

- **Ural, Siberia and Far East of Russia, including:**

  Regional head offices:
  - Zapadno-Uralsky – Perm,
  - Uralsky – Ekaterinburg,
  - Sibirsky – Novosibirsk,
  - Zapadno-Sibirsky – Tumen,
  - Severo-Vostochny – Magadan,
  - Dalnevostochny – Khabarovsk,
  - Vostochno-Sibirsky – Krasnoyarsk,
  - Baikalsky – Irkutsk,

  Subsidiaries of the Group located in the region.

- **Other countries, including:**
  - Subsidiaries located in CIS (Ukraine, Kazakhstan, Belarus),
  - Subsidiaries located in Austria and Switzerland,
  - Subsidiaries of Volksbank International AG ("VBI") located in Central and Eastern Europe,
  - Companies of Troika Dialog Group Ltd. located in the USA, the United Kingdom, Cyprus and certain other jurisdictions,
  - A branch office in India.

The Management of the Group analyses operating results of every segment of activity for the purposes of making decision about allocation of resources and assessment of segments' business results. The segments' reporting and operating results which are provided to the Management of the Group for analysis are prepared under Russian accounting standards, except the segments' reporting of the subsidiaries which is prepared under International Financial Reporting Standards.

Intersegment operations are performed on the basis of internal transfer pricing rates which are established, approved and regularly revised by the Management of the Group.

The subsidiaries' activity is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 30 June 2012 is as follows:

(Unaudited) *In billions of Russian Roubles*	**Moscow**	**Central and Northern regions of European part of Russia**	**Volga region and South of European part of Russia**	**Ural, Siberia and Far East of Russia**	**Other countries**	**Total**
Total assets	5 721,4	1 971,4	1 680,4	2 362,6	739,9	12 475,7
Total liabilities	4 793,0	2 148,2	1 529,9	1 978,7	597,9	11 047,7

21 Segment Analysis (Continued)

Segment reporting of the Group's assets and liabilities as at 31 December 2011 is as follows:

In billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	4 849,0	1 877,8	1 530,8	2 110,4	445,5	10 813,5
Total liabilities	3 825,7	2 045,3	1 434,0	1 876,4	349,5	9 530,9

Reconciliation of total assets and total liabilities as per the reportable segments with the Group's total assets and total liabilities under IFRS as of 30 June 2012 and 31 December 2011 is as follows:

	Total assets		Total liabilities	
In billions of Russian Roubles	30 June 2012 (Unaudited)	31 December 2011	30 June 2012 (Unaudited)	31 December 2011
Total amount per segment information	**12 475,7**	**10 813,5**	**11 047,7**	**9 530,9**
Adjustment of provisions	92,6	73,0	(16,8)	(17,2)
Additional interest accrued on loans	4,0	4,2	-	0,5
Deferred commission income on loans	(24,4)	(25,5)	0,2	0,7
Adjustment of depreciation and cost or revalued amount of premises and equipment including effect of deferred tax	(64,7)	(51,2)	(2,1)	3,4
Loaned repo securities	(55,5)	-	(55,5)	-
Accounting for derivatives at fair value	1,2	17,4	0,6	17,2
Adjustment of income tax	1,2	-	13,8	18,9
Staff expenses accrued related to the reporting period (bonuses, annual leave, pension liabilities)	0,3	0,2	23,0	13,8
Deferred comission income on guarantees	-	-	1,3	1,3
Other adjustments	3,4	3,5	6,2	(2,4)
The Group's total amount under IFRS	**12 433,8**	**10 835,1**	**11 018,4**	**9 567,1**

21 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the six months ended 30 June 2012 is as follows:

(Unaudited) *In billions of Russian Roubles*	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	193,6	96,0	83,4	115,9	24,3	513,2
Interest expense	(84,0)	(35,4)	(24,7)	(31,1)	(9,8)	(185,0)
Inter-segment (expense)/income	(10,2)	13,6	(0,3)	(3,1)	-	-
Fee and commission income	21,2	20,5	17,4	25,6	4,0	88,7
Fee and commission expense	(1,8)	(1,3)	(1,0)	(1,8)	(1,3)	(7,2)
Net gains/(losses) arising from securities	5,1	-	-	-	(3,1)	2,0
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	5,0	1,9	1,1	1,2	1,0	10,2
Net gains arising from operations with other derivatives	0,3	-	-	-	1,4	1,7
Net gains arising from operations with precious metals	0,5	0,2	0,2	0,3	0,2	1,4
Other net operating gains/ (losses)	2,9	(1,4)	(2,7)	5,1	2,1	6,0
Operating income before recovery of provision / provision charge for loan impairment	**132,6**	**94,1**	**73,4**	**112,1**	**18,8**	**431,0**
(Net provision charge) / net recovery of provision for loan impairment	(5,5)	(3,8)	4,7	4,3	(3,0)	(3,3)
Operating income	**127,1**	**90,3**	**78,1**	**116,4**	**15,8**	**427,7**
Operating expenses	(60,5)	(38,7)	(32,4)	(51,3)	(11,6)	(194,5)
Profit before tax (Segment result)	**66,6**	**51,6**	**45,7**	**65,1**	**4,2**	**233,2**
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	8,0	6,8	6,2	9,2	1,1	31,3
Depreciation of premises and equipment	(6,5)	(3,4)	(3,0)	(4,4)	(2,6)	(19,9)

21 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the three months ended 30 June 2012 is as follows:

(Unaudited) *In billions of Russian Roubles*	**Moscow**	**Central and Northern regions of European part of Russia**	**Volga region and South of European part of Russia**	**Ural, Siberia and Far East of Russia**	**Other countries**	**Total**
Interest income	99,7	49,8	43,6	60,3	12,2	265,6
Interest expense	(45,1)	(18,5)	(12,8)	(16,3)	(4,6)	(97,3)
Inter-segment income/ (expense)	-	5,3	(1,6)	(3,7)	-	-
Fee and commission income	11,5	11,0	9,4	14,0	2,2	48,1
Fee and commission expense	(0,9)	(0,7)	(0,6)	(1,0)	(0,5)	(3,7)
Net gains/ (losses) arising from securities	2,1	-	-	-	(4,6)	(2,5)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	8,8	0,9	0,4	0,3	2,3	12,7
Net gains/ (losses) arising from operations with other derivatives	0,7	-	-	-	(1,4)	(0,7)
Net gains arising from operations with precious metals	0,3	0,1	0,1	0,2	0,6	1,3
Other net operating (losses)/ gains	(3,1)	(2,9)	(3,4)	2,1	1,6	(5,7)
Operating income before recovery of provision / provision charge for loan impairment	**74,0**	**45,0**	**35,1**	**55,9**	**7,8**	**217,8**
Net recovery of provision/ (net provision charge) for loan impairment	6,3	3,5	3,7	(0,5)	(2,2)	10,8
Operating income	**80,3**	**48,5**	**38,8**	**55,4**	**5,6**	**228,6**
Operating expenses	(33,8)	(21,9)	(18,3)	(29,1)	(6,0)	(109,1)
Profit/(loss) before tax (Segment result)	**46,5**	**26,6**	**20,5**	**26,3**	**(0,4)**	**119,5**
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	3,3	4,4	4,0	6,0	0,7	18,4
Depreciation of premises and equipment	(3,5)	(1,7)	(1,5)	(2,2)	(2,1)	(11,0)

21 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the six months ended 30 June 2011 is as follows:

(Unaudited) *In billions of Russian Roubles*	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	153,0	76,6	65,9	87,2	10,5	393,2
Interest expense	(53,7)	(29,8)	(20,7)	(24,7)	(4,0)	(132,9)
Inter-segment (expense)/income	(20,9)	12,7	4,0	4,2	-	-
Fee and commission income	11,6	18,0	14,1	20,3	2,3	66,3
Fee and commission expense	(0,9)	(1,0)	(0,9)	(1,5)	(0,5)	(4,8)
Net gains arising from securities	6,7	-	-	-	-	6,7
Net (losses)/gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	(2,5)	1,7	1,0	1,6	5,7	7,5
Net losses arising from operations with other derivatives	(1,1)	-	-	-	-	(1,1)
Net gains/(losses) arising from operations with precious metals	1,4	0,3	0,3	0,4	(0,1)	2,3
Other net operating gains/(losses)	12,3	(0,1)	1,3	0,2	(0,5)	13,2
Operating income before recovery of provision / provision charge for loan impairment	**105,9**	**78,4**	**65,0**	**87,7**	**13,4**	**350,4**
Net recovery of provision/ (net provision charge) for loan impairment	24,2	0,8	(6,9)	1,7	(2,9)	16,9
Operating income	**130,1**	**79,2**	**58,1**	**89,4**	**10,5**	**367,3**
Operating expenses	(41,0)	(33,0)	(28,5)	(40,3)	(4,1)	(146,9)
Profit before tax (Segment result)	**89,1**	**46,2**	**29,6**	**49,1**	**6,4**	**220,4**
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	3,6	4,3	3,9	5,4	2,0	19,2
Depreciation of premises and equipment	(2,4)	(3,1)	(2,8)	(3,9)	(0,5)	(12,7)

21 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the three months ended 30 June 2011 is as follows:

(Unaudited) *In billions of Russian Roubles*	**Moscow**	**Central and Northern regions of European part of Russia**	**Volga region and South of European part of Russia**	**Ural, Siberia and Far East of Russia**	**Other countries**	**Total**
Interest income	77,9	38,6	33,2	44,3	5,5	199,5
Interest expense	(26,9)	(14,2)	(10,0)	(11,9)	(2,0)	(65,0)
Inter-segment (expense)/income	(9,6)	5,8	1,7	2,1	-	-
Fee and commission income	6,8	9,6	7,7	11,1	1,1	36,3
Fee and commission expense	(0,5)	(0,5)	(0,5)	(0,8)	(0,2)	(2,5)
Net gains arising from securities	3,9	-	-	-	-	3,9
Net (losses)/gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	(2,0)	0,9	0,5	0,7	5,6	5,7
Net losses arising from operations with other derivatives	(0,2)	-	-	-	-	(0,2)
Net gains arising from operations with precious metals	0,6	0,2	0,2	0,2	-	1,2
Other net operating gains/(losses)	9,2	0,1	1,3	(0,1)	(0,2)	10,3
Operating income before recovery of provision / provision charge for loan impairment	**59,2**	**40,5**	**34,1**	**45,6**	**9,8**	**189,2**
Net recovery of provision / (net provision charge) for loan impairment	21,9	3,1	(3,2)	(0,3)	(3,3)	18,2
Operating income	**81,1**	**43,6**	**30,9**	**45,3**	**6,5**	**207,4**
Operating expenses	(21,8)	(19,4)	(16,5)	(23,9)	(1,7)	(83,3)
Profit before tax (Segment result)	**59,3**	**24,2**	**14,4**	**21,4**	**4,8**	**124,1**
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	2,6	3,0	2,8	3,9	1,7	14,0
Depreciation of premises and equipment	(1,1)	(1,5)	(1,4)	(1,9)	(0,3)	(6,2)

21 Segment Analysis (Continued)

Reconciliation of profit before tax for the reportable segments with the Group's income statement profit before tax under IFRS for the six months ended and for the three months ended 30 June 2012 and 30 June 2011 is as follows:

(Unaudited)	Six months ended 30 June		Three months ended 30 June	
In billions of Russian Roubles	**2012**	**2011**	**2012**	**2011**
Total amount per segment information	**233,2**	**220,4**	**119,5**	**124,1**
Adjustment of provisions	12,9	8,8	(1,0)	(11,3)
Staff expenses accrued related to the reporting period (bonuses, annual leave, pension liabilities)	(11,9)	(9,6)	0,4	(1,3)
Differencies arising on securities' classification	1,7	1,8	(0,1)	0,9
Accounting for derivatives at fair value	1,5	(1,5)	(1,9)	(0,8)
Additional interest and deferred commission income accrued on loans	1,0	5,2	0,7	2,3
Adjustment of depreciation and cost or revalued amount of premises and equipment	(10,3)	(5,1)	(4,3)	(2,7)
Other adjustments	(0,6)	(1,2)	(0,6)	(0,1)
The Group's total amount under IFRS	**227,5**	**218,8**	**112,7**	**111,1**

The differences shown above arise from classification variances as well as different accounting policies.

Adjustment of provisions is related to the difference between estimation methodology applied in statutory accounting records used as a basis for management reporting and estimation methodology according to IFRS.

Differences arising on securities' classification relate to gains/(losses) on revaluation of securities designated at fair value through profit or loss in IFRS reporting but classified as available for sale in statutory accounting records used as a basis for management reporting.

For the six months ended 30 June 2012 the Group's revenues from customers in the Russian Federation amounted to RR 614,0 billion (for the six months ended 30 June 2011: RR 480,7 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 24,5 billion (for the six months ended 30 June 2011: RR 19,4 billion).

For the three months ended 30 June 2012 the Group's revenues from customers in the Russian Federation amounted to RR 323,8 billion (for the three months ended 30 June 2011: RR 248,2 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 9,1 billion (for the three months ended 30 June 2011: RR 12,0 billion).

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during the six months and the three months ended 30 June 2012 and 30 June 2011.

22 Financial Risk Management

The risk management function within the Group is carried out in respect of major types of risks: credit, market, liquidity and operational risks. Market risk includes interest rate risk, equity risk and currency risk. The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and limits. The operational risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational risk.

The Group's risk management policies and procedures are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2011.

Currency Risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign exchange risk on open positions (mainly US dollar/RUB and EUR/RUB exchange rate fluctuations).

The table below summarizes the Group's exposure to foreign exchange risk in respect of monetary assets, liabilities and notional positions on currency derivatives as at 30 June 2012. Foreign exchange risk on forward and future contracts is represented by their notional positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates.

(Unaudited) *In billions of Russian Roubles*	**Russian Roubles**	**USD**	**Euro**	**Other**	**Total**
Assets					
Cash and cash equivalents	511,9	173,7	147,1	100,6	933,3
Mandatory cash balances with central banks	110,6	1,1	6,8	6,7	125,2
Debt trading securities	34,7	10,5	0,1	3,4	48,7
Debt securities designated at fair value through profit or loss	20,0	-	-	0,6	20,6
Due from other banks	12,4	8,6	22,9	12,9	56,8
Loans and advances to customers	6 786,6	1 567,5	249,6	257,8	8 861,5
Debt securities pledged under repurchase agreements	427,3	85,6	10,9	0,7	524,5
Debt investment securities available for sale	582,2	129,1	33,1	34,3	778,7
Debt investment securities held to maturity	133,3	13,6	0,6	0,3	147,8
Other financial assets (less fair value of derivatives)	77,4	23,1	1,5	1,1	103,1
Total monetary assets	**8 696,4**	**2 012,8**	**472,6**	**418,4**	**11 600,2**
Liabilities					
Due to other banks	685,4	91,5	70,1	26,0	873,0
Due to individuals	5 233,3	450,8	315,7	175,6	6 175,4
Due to corporate customers	1 563,1	740,4	144,9	145,1	2 593,5
Debt securities in issue	156,5	279,5	5,1	42,6	483,7
Other borrowed funds	0,1	253,0	19,0	6,6	278,7
Other financial liabilities (less fair value of derivatives)	135,0	42,3	0,6	3,1	181,0
Subordinated debt	313,0	0,2	1,3	-	314,5
Total monetary liabilities	**8 086,4**	**1 857,7**	**556,7**	**399,0**	**10 899,8**
Net monetary assets/ (liabilities)	**610,0**	**155,1**	**(84,1)**	**19,4**	**700,4**
Net foreign exchange derivatives	**109,3**	**(113,0)**	**32,3**	**(5,4)**	**23,2**
Credit related commitments (Note 23)	**1 558,2**	**549,5**	**214,5**	**60,6**	**2 382,8**

22 Financial Risk Management (Continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of monetary assets, liabilities and notional positions on currency derivatives as at 31 December 2011.

In billions of Russian Roubles	Russian Roubles	USD	Euro	Other	Total
Assets					
Cash and cash equivalents	488,8	58,9	20,9	57,0	625,6
Mandatory cash balances with central banks	99,5	0,6	0,1	1,0	101,2
Debt trading securities	48,0	17,1	2,3	2,6	70,0
Debt securities designated at fair value through profit or loss	30,6	-	-	0,2	30,8
Due from other banks	23,7	8,1	0,1	3,2	35,1
Loans and advances to customers	6 074,4	1 385,5	157,4	102,4	7 719,7
Debt securities pledged under repurchase agreements	178,4	65,8	0,1	0,5	244,8
Debt investment securities available for sale	696,7	73,4	39,4	14,9	824,4
Debt investment securities held to maturity	273,4	12,9	0,1	0,1	286,5
Other financial assets (less fair value of derivatives)	93,1	17,1	1,3	0,5	112,0
Total monetary assets	**8 006,6**	**1 639,4**	**221,7**	**182,4**	**10 050,1**
Liabilities					
Due to other banks	404,6	98,9	21,0	7,9	532,4
Due to individuals	4 959,6	366,6	265,2	134,9	5 726,3
Due to corporate customers	1 517,5	524,6	88,2	75,5	2 205,8
Debt securities in issue	64,4	181,8	1,8	20,7	268,7
Other borrowed funds	0,3	222,3	19,8	1,6	244,0
Other financial liabilities (less fair value of derivatives)	145,5	48,3	0,8	1,5	196,1
Subordinated debt	303,3	0,2	-	-	303,5
Total monetary liabilities	**7 395,2**	**1 442,7**	**396,8**	**242,1**	**9 476,8**
Net monetary assets/ (liabilities)	**611,4**	**196,7**	**(175,1)**	**(59,7)**	**573,3**
Foreign exchange derivatives	**6,0**	**(167,4)**	**167,6**	**16,2**	**22,4**
Credit related commitments (Note 23)	**1 406,2**	**594,1**	**113,4**	**41,8**	**2 155,5**

22 Financial Risk Management (Continued)

Liquidity Risk. Liquidity risk is defined as the risk of mismatch between the maturities of assets and liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, customer's current accounts, term deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivative instruments.

The table below shows assets and liabilities at 30 June 2012 by their remaining expected maturity. Following principles underlying gap analysis presentation and the Group liquidity risk management are based on the mix of CBR initiatives and the Bank's practice:

— Cash and cash equivalents represent highly liquid assets and are classified as "on demand and less than 1 month"

— Trading securities, securities designated at fair value through profit or loss and highly liquid portion of investment securities available for sale, including those pledged under repurchase agreements are considered to be liquid assets as these securities could be easily converted into cash within short period of time. Such financial instruments are disclosed in gap analysis table as "on demand and less than 1 month"

— Investment securities available for sale which are less liquid are disclosed according to remaining contractual maturities (for debt instruments) or as "no stated maturity" (for equities)

— Investment securities held to maturity including those pledged under repurchase agreements are classified based on the remaining maturities

— Loans and advances to customers, amounts due from other banks, other assets, debt securities in issue, amounts due to other banks, other borrowed funds and other liabilities are included into gap analysis table based on remaining contractual maturities

— Customer deposits diversification by number and type of depositors and the past experience of the Group indicate that such accounts and deposits provide a long-term and stable source of funding, and as a result they are allocated per expected time of funds outflow in the gap analysis table on the basis of statistical data accumulated by the Group during the previous periods and assumptions regarding the "permanent" part of current account balances.

22 Financial Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 30 June 2012 is set out below.

(Unaudited) *In billions of Russian Roubles*	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
Assets							
Cash and cash equivalents	933,3	-	-	-	-	-	933,3
Mandatory cash balances with central banks	33,2	17,0	13,0	54,0	8,0	-	125,2
Trading securities	80,8	-	-	-	-	-	80,8
Securities designated at fair value through profit or loss	28,5	-	-	-	-	-	28,5
Due from other banks	30,5	13,6	2,6	5,4	4,7	-	56,8
Loans and advances to customers	378,3	1 114,3	1 349,4	2 841,0	3 178,5	-	8 861,5
Securities pledged under repurchase agreements	296,8	35,5	62,0	103,5	66,5	-	564,3
Investment securities available for sale	782,1	5,2	4,9	9,1	17,3	0,4	819,0
Investment securities held to maturity	0,1	11,8	2,9	49,8	83,2	-	147,8
Deferred income tax asset	-	-	-	-	-	1,2	1,2
Premises and equipment	-	-	-	-	-	393,9	393,9
Other assets	107,4	53,1	29,0	81,2	10,6	140,2	421,5
Total assets	**2 671,0**	**1 250,5**	**1 463,8**	**3 144,0**	**3 368,8**	**535,7**	**12 433,8**
Liabilities							
Due to other banks	554,3	240,7	27,1	23,5	27,4	-	873,0
Due to individuals	1 425,6	926,2	828,0	2 632,7	362,9	-	6 175,4
Due to corporate customers	962,6	257,6	65,2	1 302,4	5,7	-	2 593,5
Debt securities in issue	45,9	60,2	88,8	49,5	239,3	-	483,7
Other borrowed funds	0,7	49,6	44,2	162,7	21,5	-	278,7
Deferred income tax liability	-	-	-	-	-	20,1	20,1
Other liabilities	135,3	39,6	14,2	21,6	21,5	47,3	279,5
Subordinated debt	-	-	-	0,7	313,8	-	314,5
Total liabilities	**3 124,4**	**1 573,9**	**1 067,5**	**4 193,1**	**992,1**	**67,4**	**11 018,4**
Net liquidity (gap)/ surplus	**(453,4)**	**(323,4)**	**396,3**	**(1 049,1)**	**2 376,7**	**468,3**	**1 415,4**
Cumulative liquidity (gap)/surplus at 30 June 2012	**(453,4)**	**(776,8)**	**(380,5)**	**(1 429,6)**	**947,1**	**1 415,4**	**-**

22 Financial Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 31 December 2011 is set out below.

In billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
Assets							
Cash and cash equivalents	625,6	-	-	-	-	-	625,6
Mandatory cash balances with central banks	27,7	10,7	8,9	47,7	6,2	-	101,2
Trading securities	102,0	-	-	-	-	-	102,0
Securities designated at fair value through profit or loss	52,0	-	-	-	-	-	52,0
Due from other banks	19,0	13,8	1,8	0,2	0,3	-	35,1
Loans and advances to customers	253,2	1 043,4	1 243,3	2 477,6	2 702,2	-	7 719,7
Securities pledged under repurchase agreements	163,7	-	39,0	82,1	16,0	-	300,8
Investment securities available for sale	869,3	-	2,8	3,1	8,4	0,9	884,5
Investment securities held to maturity	0,7	11,7	9,0	116,9	148,2	-	286,5
Deferred income tax asset	-	-	-	-	-	7,8	7,8
Premises and equipment	-	-	-	-	-	359,9	359,9
Other assets	138,3	35,7	29,9	39,7	19,1	97,3	360,0
Total assets	**2 251,5**	**1 115,3**	**1 334,7**	**2 767,3**	**2 900,4**	**465,9**	**10 835,1**
Liabilities							
Due to other banks	373,1	118,9	36,7	3,2	0,5	-	532,4
Due to individuals	1 243,7	739,2	654,1	2 726,0	363,3	-	5 726,3
Due to corporate customers	973,9	88,0	50,8	1 081,8	11,3	-	2 205,8
Debt securities in issue	35,3	36,7	17,9	53,5	125,3	-	268,7
Other borrowed funds	0,2	19,7	52,3	152,0	19,8	-	244,0
Deferred income tax liability	-	-	-	-	-	21,2	21,2
Other liabilities	186,0	47,5	9,6	11,9	6,5	3,7	265,2
Subordinated debt	-	-	-	0,2	303,3	-	303,5
Total liabilities	**2 812,2**	**1 050,0**	**821,4**	**4 028,6**	**830,0**	**24,9**	**9 567,1**
Net liquidity (gap)/ surplus	**(560,7)**	**65,3**	**513,3**	**(1 261,3)**	**2 070,4**	**441,0**	**1 268,0**
Cumulative liquidity (gap)/ surplus at 31 December 2011	**(560,7)**	**(495,5)**	**17,9**	**(1 243,5)**	**827,0**	**1 268,0**	**-**

23 Credit Related Commitments

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

Commitments to extend credit represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss equal to the total amount of unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the maturities of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In billions of Russian Roubles	**30 June 2012 (Unaudited)**	**31 December 2011**
Commitments to extend credit	905,8	741,9
Guarantees issued	643,4	490,6
Undrawn credit lines	387,6	378,0
Export letters of credit	262,3	364,5
Import letters of credit and letters of credit for domestic settlements	183,7	180,5
Total credit related commitments	**2 382,8**	**2 155,5**

At 30 June 2012 included in Due to corporate customers are deposits of RR 79,6 billion (31 December 2011: RR 95,0 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 12.

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

24 Related Party Transactions

For the purposes of these condensed interim consolidated financial statements, 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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise key management personal, their close family members, associated companies of the Group. Disclosures are made in Note 25 for significant transactions with state-controlled entities and government bodies.

24 Related Party Transactions (Continued)

As at 30 June 2012 and 31 December 2011, the outstanding balances with the Bank of Russia and other related parties were as follows:

	30 June 2012 (Unaudited)		31 December 2011	
In billions of Russian Roubles	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Assets				
Cash and cash equivalents	112,4	-	51,3	0,9
Mandatory cash balances with the Bank of Russia	110,6	-	99,5	-
Trading securities	-	2,2	-	-
Due from other banks	-	-	-	0,8
Gross amount of loans and advances to customers	-	0,8	-	0,3
Impairment provision for loans and advances to customers	-	(0,3)	-	-
Other assets	0,2	-	-	0,1
Liabilities				
Due to other banks	568,6	-	265,6	-
Due to corporate customers	-	3,4	-	1,5
Subordinated debt	313,0	-	303,3	-
Other liabilities	-	-	-	0,3

The income and expense items with the Bank of Russia and other related parties for the six months ended 30 June 2012 and 30 June 2011 were as follows:

	Six months ended 30 June			
	2012		2011	
(Unaudited) *In billions of Russian Roubles*	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Interest income	-	-	8,4	-
Interest expense on subordinated debt	(9,7)	-	(9,7)	-
Interest expense other than on subordinated debt	(13,3)	(0,1)	-	-
Net provision charge for loan impairment	-	(0,3)	-	-
Operating expenses	(0,6)	-	(0,7)	-

24 Related Party Transactions (Continued)

The income and expense items with the Bank of Russia and other related parties for the three months ended 30 June 2012 and 30 June 2011 were as follows:

(Unaudited) *In billions of Russian Roubles*	Three months ended 30 June 2012 the Bank of Russia	 Other related parties	 2011 the Bank of Russia	 Other related parties
Interest income	-	-	3,1	-
Interest expense on subordinated debt	(4,8)	-	(4,9)	-
Interest expense other than on subordinated debt	(7,6)	(0,1)	-	-
Operating expenses	(0,3)	-	(0,5)	-

For the six months ended 30 June 2012, remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 0,4 billion (for the six months ended 30 June 2011: RR 0,3 billion). For the three months ended 30 June 2012, remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 0,2 billion (for the three months ended 30 June 2011: RR 0,2 billion).

25 Operations with State-Controlled Entities and Government Bodies

In the normal course of business, the Group enters into contractual agreements with the government of the Russian Federation and entities controlled or significantly influenced by it. The Group provides the government-related entities with a full range of banking services including, but not limited to, lending, deposit-taking, issue of guarantees, operations with securities, cash and settlement transactions. Operations with government-related entities are carried out on general market terms and constitute the minority of the Group's operations.

Balances with government-related entities which are significant in terms of the carrying amount as at 30 June 2012 are disclosed below:

(Unaudited)
In billions of Russian Roubles

Client	Sector	30 June 2012 Loans and advances to customers	 Due to corporate customers	 Guarantees issued
Client 1	Oil and gas	-	30,7	-
Client 2	Oil and gas	-	19,6	-
Client 3	Energy	78,3	28,7	-
Client 4	Energy	87,3	17,8	-
Client 5	Energy	59,0	13,4	-
Client 6	Telecommunications	95,7	-	-
Client 7	Telecommunications	-	-	3,6
Client 8	Machine building	66,6	20,6	6,2
Client 9	Machine building	65,0	-	8,9
Client 10	Machine building	-	-	10,5
Client 11	Machine building	-	-	18,0
Client 12	Transport, aviation, space industry	-	15,8	16,4
Client 13	Transport, aviation, space industry	-	-	13,6
Client 14	Food and agriculture	-	-	9,9
Client 15	Government and municipal bodies	-	109,6	-
Client 16	Government and municipal bodies	-	25,5	-
Client 17	Government and municipal bodies	-	-	10,8
Client 18	Services	-	-	100,0
Client 19	Mining	-	-	35,7
Client 20	Other	55,9	25,7	-

25 Operations with State-Controlled Entities and Government Bodies (Continued)

Balances with government-related entities which are significant in terms of the carrying amount as at 31 December 2011 are disclosed below:

In billions of Russian Roubles		31 December 2011		
Client	**Sector**	**Loans and advances to customers**	**Due to corporate customers**	**Guarantees issued**
Client 1	Oil and gas	-	44,2	-
Client 3	Energy	79,3	37,9	-
Client 4	Energy	87,4	12,5	-
Client 5	Energy	52,6	11,6	-
Client 6	Telecommunications	93,4	-	-
Client 7	Telecommunications	-	-	7,6
Client 8	Machine building	65,4	13,5	8,1
Client 9	Machine building	51,1	-	-
Client 10	Machine building	-	-	8,1
Client 11	Machine building	-	-	19,5
Client 12	Transport, aviation, space industry	-	-	16,1
Client 14	Food and agriculture	-	-	9,9
Client 15	Government and municipal bodies	-	11,7	-
Client 16	Government and municipal bodies	-	12,0	-
Client 17	Government and municipal bodies	-	-	20,8
Client 18	Services	-	-	100,0
Client 19	Mining	-	-	35,7
Client 20	Other	-	21,3	-

As at 30 June 2012 and 31 December 2011 the Group's investments in securities issued by government-related corporate entities were as follows:

	30 June 2012 (Unaudited)		31 December 2011	
In billions of Russian Roubles	**Corporate bonds**	**Corporate shares**	**Corporate bonds**	**Corporate shares**
Trading securities	3,4	4,5	8,2	8,1
Securities designated at fair value through profit or loss	-	0,9	-	2,7
Securities pledged under repurchase agreements	51,8	11,0	11,6	40,5
Investment securities available for sale	111,8	8,4	139,2	20,7
Investment securities held to maturity	31,7	-	45,9	-

For disclosures on investments in government debt securities please refer to Notes 5, 6, 8, 9 and 10.

26 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 30 June 2012:

Name	Nature of business	Percentage of ownership	Country of registration
Subsidiaries:			
Volksbank International AG ("VBI")	banking	100.00%	Austria
OJSC Belpromstroy Bank (OAO BPS Bank)	banking	97.91%	Belarus
SB JSC Sberbank	banking	100.00%	Kazakhstan
JSC Sberbank of Russia	banking	100.00%	Ukraine
Sberbank (Switzerland) AG (former SLB Commercial Bank AG)	banking	99.15%	Switzerland
CJSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	finance	100.00%	Russia
Troika Dialog Group Ltd,	finance	100.00%	Cayman islands
CJSC Rublevo-Archangelskoe	construction	100.00%	Russia
LLC Sberbank Investments	finance	100.00%	Russia
Sberbank Asset Management Company	asset management	100.00%	Russia
OJSC Krasnaya Poliana	construction	50.03%	Russia
CJSC NK Dulisma	oil company	100.00%	Russia
LLC Khrustalnye Bashni	construction	50.01%	Russia
Vester Retail N.V.	retail trading	54.00%	Netherlands

In February 2012 following the entering into sale and purchase agreement in September 2011 Sberbank has completed its acquisition of 100% of Volksbank International AG ("VBI"). Consideration paid by the Bank amounted to Euro 505 million.

This transaction represents Sberbank's first major acquisition outside the CIS and is another step in its transformation from a dominant domestic financial institution to a leading international bank. VBI has 295 branches and over 600,000 clients. VBI's subsidiaries are within the top 10 financial institutions (by total assets) in each of Bosnia and Herzegovina, Croatia, the Czech Republic, and Slovakia, and within the top 15 financial institutions (by total assets) in each of Hungary, Serbia and Slovenia. It also has presence in Ukraine and holds a limited banking license in Austria.

The goodwill is primarily attributable to the potential synergies and profitability of the business as well as set up business processes. The goodwill will not be deducted for tax purposes in future periods.

Gross amount of loans and receivables acquired through this business combination amounted to RR 301,2 billion. The amount of cash flows not expected to be received was assessed at RR 18,2 billion.

Loss of VBI since the acquisition date included in the condensed interim consolidated statement of comprehensive income for the reporting period amounted to RR 0,7 billion.

The Group's consolidated net profit would not change if the acquisition occurred on 1 January 2012.

26 Principal Subsidiaries (Continued)

For the purpose of determining goodwill from the business combination fair values of identifiable assets and liabilities of VBI based on the final results of an independent external appraisal at the acquisition date were as follows:

(Unaudited) *In billions of Russian Roubles*	**Fair value**
Cash and cash equivalents	42,8
Mandatory cash balances with central banks	10,5
Trading securities	0,4
Due from other banks	15,9
Loans and advances to customers	251,0
Securities pledged under repurchase agreements	4,9
Investment securities available for sale	14,9
Investment securities held to maturity	1,9
Deferred income tax asset	1,2
Premises and equipment	4,5
Other assets	13,9
Total assets	**361,9**
Due to other banks	(50,5)
Due to individuals	(109,4)
Due to corporate customers	(77,3)
Debt securities in issue	(9,4)
Other borrowed funds	(92,1)
Deferred income tax liability	(0,6)
Other liabilities	(4,4)
Subordinated debt	(3,4)
Total liabilities	**(347,1)**
Fair value of net assets of subsidiary	**14,8**
Calculation of goodwill:	
Total purchase consideration	**20,0**
Non-controlling interest at fair value	0,3
Fair value of net assets of subsidiary	**(14,8)**
Goodwill on acquisition	**5,5**

26 Principal Subsidiaries (Continued)

In June 2012 under the settlement of the loan to its borrower the Group repossessed a 100% share in CJSC Rublevo-Archangelskoe, a construction development company operating in Russia. The details of the fair value of net assets of CJSC Rublevo-Archangelskoe based on the results of the appraisal at the acquisition date were as follows:

(Unaudited) *In billions of Russian Roubles*	**Fair value**
Other non-financial assets	37,5
Total assets	**37,5**
Due to corporate customers	(0,2)
Deferred income tax liability	(0,3)
Total liabilities	**(0,5)**
Fair value of net assets of subsidiary	**37,0**
Calculation of goodwill:	
Total purchase consideration	**37,0**
Fair value of net assets of subsidiary	**(37,0)**
Goodwill on acquisition	**-**

CJSC Rublevo-Archangelskoe did not earn any income/expense since the date of acquisition. The Group's consolidated net profit would not change if the acquisition occurred on 1 January 2012.

26 Principal Subsidiaries (Continued)

During the six months ended 30 June 2012 the Group acquired controlling interests in OJSC Krasnaya Poliana and several other companies. The fair value of net assets of these companies was as follows:

(Unaudited) *In billions of Russian Roubles*	**Fair value**
Cash and cash equivalents	1,5
Due from other banks	0,2
Loans and advances to customers	1,1
Premises and equipment	22,9
Advances to developers	7,4
Other assets	0,5
Total assets	**33,6**
Borrowed funds	(5,3)
Advances received	(1,5)
Other liabilities	(0,8)
Total liabilities	**(7,6)**
Fair value of net assets of subsidiary	**26,0**
Calculation of goodwill:	
Total purchase consideration	**14,9**
Non-controlling interest at fair value	12,7
Fair value of net assets of subsidiary	**(26,0)**
Goodwill on acquisition	**1,6**

The acquired companies did not earn any income/expense since the date of acquisition. The Group's consolidated net profit would not change if the acquisition occurred on 1 January 2012.

In February the Group disposed of the 75.5% share in OJSC Holding company GVSU Center for RR 4,1 billion. The gain from this operation amounted to RR 0,1 billion. From this moment the Group has lost the control over the company.

In April 2012 the Group disposed of a 60.00% share in CJSC GOTEK Group Management Company, a company involved in production and sale of packaging materials, for RR 0,06 billion. The gain from this operation amounted to RR 0,5 billion.

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 30 June 2012 was 9.5% (31 December 2011: 7.1%).

27 Capital Adequacy Ratio

The Group's objectives when managing capital are (i) to comply with the regulatory capital requirements set by the Bank of Russia and (ii) to safeguard the Group's ability to continue as a going concern.

According to requirements set by the Bank of Russia statutory capital ratio has to be maintained above the minimum level of 10%. As at 30 June 2012 the regulatory capital adequacy ratio was 13.7% (31 December 2011: 15.0%). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining the calculation.

The Group also monitors capital adequacy ratio based on Basel Accord to make sure it maintains a level of at least 8%. As at 30 June 2012 and 31 December 2011, Capital Adequacy Ratios calculated by the Group in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel 1 requirements, were as follows:

In billions of Russian Roubles	**30 June 2012 (Unaudited)**	**31 December 2011**
Tier 1 capital		
Share capital	87,7	87,7
Share premium	232,6	232,6
Retained earnings	1 012,6	882,9
Treasury shares	(8,8)	(7,0)
Less goodwill	(20,4)	(15,1)
Total Tier 1 capital	**1 303,7**	**1 181,1**
Tier 2 capital		
Revaluation reserve for premises	80,2	81,5
Fair value reserve for investment securities available for sale	-	(3,4)
Foreign currency translation reserve	(3,0)	(5,7)
Subordinated capital	314,5	303,5
Less investments in associates	(4,2)	(4,7)
Total Tier 2 capital	**387,5**	**371,2**
Total capital	**1 691,2**	**1 552,3**
Risk weighted assets (RWA)		
Credit risk	11 334,6	9 867,8
Market risk	321,3	349,0
Total risk weighted assets (RWA)	**11 655,9**	**10 216,8**
Core capital adequacy ratio (Total Tier 1 capital to Total RWA)	**11.2**	**11.6**
Total capital adequacy ratio (Total capital to Total RWA)	**14.5**	**15.2**

28 Subsequent Events

In July 2012 the Group issued the second tranche of notes for USD 0,75 billion (equivalent to RR 24,3 billion as at the date of issue) which form a single series with the ninth series issue performed in February 2012 and have the same interest rate and maturity. The notes mature in February 2022 and have contractual fixed interest rate of 6.1% p.a. Refer to Note 13.

In August 2012 the Group issued the second tranche of notes for USD 0,3 bilion (equivalent to RR 9,6 billion as at the date of issue) which form a single series with the eighth series issue performed in February 2012 and have the same interest rate and maturity. The notes mature in February 2017 and have contractual fixed interest rate of 5.0% p.a. Refer to Note 13.

Sberbank of Russia

Consolidated Financial Statements and
Independent Auditors' Report

31 December 2011

CONTENTS

ERNST & YOUNG

CJSC Ernst & Young Vneshaudit
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com

ЗАО «Эрнст энд Янг Внешаудит»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 00139790

Independent auditors' report

To the Shareholders and Supervisory Board of Sberbank -

We have audited the accompanying consolidated financial statements of Sberbank and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CJSC Ernst & Young Vneshaudit

27 March 2012

SBERBANK

Consolidated Statement of Financial Position

In millions of Russian Roubles	Note	31 December 2011	31 December 2010
ASSETS			
Cash and cash equivalents	7	625 565	719 601
Mandatory cash balances with central banks		101 205	51 678
Trading securities	8	101 973	66 168
Securities designated at fair value through profit or loss	9	51 993	106 875
Due from other banks		35 097	13 035
Loans and advances to customers	10	7 719 700	5 489 387
Securities pledged under repurchase agreements	11	300 839	81 493
Investment securities available for sale	12	884 529	1 210 921
Investment securities held to maturity	13	286 516	358 191
Deferred income tax asset	27	7 823	7 518
Premises and equipment	14	359 903	283 756
Other financial assets	15	163 120	115 436
Other non-financial assets	15	196 836	124 468
TOTAL ASSETS		**10 835 099**	**8 628 527**
LIABILITIES			
Due to other banks	16	532 385	134 668
Due to individuals	17	5 726 319	4 834 459
Due to corporate customers	17	2 205 814	1 816 672
Debt securities in issue	18	268 707	272 699
Other funds	19	244 020	171 255
Deferred income tax liability	27	21 207	15 921
Other financial liabilities	20	222 785	49 174
Other non-financial liabilities	20	42 373	42 999
Subordinated debt	21	303 518	303 513
TOTAL LIABILITIES		**9 567 128**	**7 641 360**
EQUITY			
Share capital	22	87 742	87 742
Treasury shares	22	(6 962)	-
Share premium		232 553	232 553
Revaluation reserve for office premises		81 527	53 648
Fair value reserve for investment securities available for sale		(7 459)	24 431
Foreign currency translation reserve		(5 692)	(1 136)
Retained earnings		882 766	585 819
Total equity attributable to shareholders of the Bank		**1 264 475**	**983 057**
Non-controlling interest		3 496	4 110
TOTAL EQUITY		**1 267 971**	**987 167**
TOTAL LIABILITIES AND EQUITY		**10 835 099**	**8 628 527**

Approved for issue and signed on behalf of the Management Board on 27 March 2012.

Herman Gref, Chairman of the Management Board and CEO

Andrey Kruzhalov, Chief Accountant

SBERBANK

Consolidated Income Statement

In millions of Russian Roubles	Note	Year ended 31 December 2011	2010
Interest income	23	850 624	795 646
Interest expense	23	(269 521)	(299 825)
Expenses directly attributable to deposit insurance	23	(20 077)	(16 718)
Net interest income		**561 026**	**479 103**
Net recovery of provision/(net provision charge) for loan impairment	10	1 193	(153 809)
Net interest income after recovery of provision/provision charge for loan impairment		**562 219**	**325 294**
Fee and commission income	24	151 876	130 949
Fee and commission expense	24	(11 242)	(7 375)
Net (losses)/gains arising from trading securities		(1 397)	4 770
Net (losses)/gains arising from securities designated at fair value through profit or loss		(2 810)	9 642
Net gains arising from investment securities available for sale		12 109	9 597
Impairment of investment securities available for sale	12	(1 095)	(39)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	25	9 526	14 072
Net gains arising from operations with precious metals and precious metals derivatives		5 072	570
Net gains arising from operations with other derivatives		5 060	1 793
Net losses from revaluation of office premises	14	(11 297)	-
Goodwill impairment	15	(1 209)	(917)
Provision charge for impairment of other assets	15	(1 859)	(6 437)
Other operating income		29 071	14 117
Operating income		**744 024**	**496 036**
Operating expenses	26	(348 343)	(265 901)
Profit before tax		**395 681**	**230 135**
Income tax expense	27	(79 739)	(48 487)
Profit for the year		**315 942**	**181 648**
Attributable to:			
- shareholders of the Bank		316 195	182 131
- non-controlling interest		(253)	(483)
Earnings per ordinary share for profit attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	**28**	**14.61**	**8.42**

Approved for issue and signed on behalf of the Management Board on 27 March 2012.

Herman Gref, Chairman of the Management Board and CEO

Andrey Kruzhalov, Chief Accountant

Consolidated Statement of Comprehensive Income

In millions of Russian Roubles	Note	Year ended 31 December 2011	2010
Profit for the year recognised in the income statement		**315 942**	**181 648**
Components of other comprehensive income:			
Office premises remeasurement:			
- Gains from revaluation of office premises	14	36 874	-
Investment securities available for sale:			
- Net (losses)/gains on revaluation of investment securities available for sale		(28 816)	40 823
- Impairment of investment securities available for sale transferred to Income statement	12	1 095	39
- Accumulated gains transferred to Income statement upon disposal of securities		(12 109)	(9 597)
Net foreign currency translation (losses)/gains		(4 657)	(152)
Deferred income tax relating to components of other comprehensive income:			
- Office premises remeasurement	27	(7 273)	39
- Investment securities available for sale	27	7 947	(6 236)
Total components of other comprehensive income for the year, net of tax		**(6 939)**	**24 916**
Total comprehensive income for the year		**309 003**	**206 564**
Attributable to:			
- shareholders of the Bank		309 350	207 072
- non-controlling interest		(347)	(508)

SBERBANK

Consolidated Statement of Changes in Equity

		Attributable to shareholders of the Bank									
In millions of Russian Roubles	**Note**	**Share capital**	**Treasury shares**	**Share premium**	**Revaluation reserve for office premises**	**Fair value reserve for investment securities available for sale**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2010		**87 742**	**-**	**232 553**	**55 540**	**(598)**	**(1 009)**	**403 934**	**778 162**	**774**	**778 936**
Changes in equity for the year ended 31 December 2010											
Dividends declared	29	-	-	-	-	-	-	(2 177)	(2 177)	-	(2 177)
Amortisation of revaluation reserve for office premises, net of tax		-	-	-	(1 931)	-	-	1 931	-	-	-
Business combinations		-	-	-	-	-	-	-	-	4 211	4 211
Acquisition of non-controlling interests in subsidiaries		-	-	-	-	-	-	-	-	(367)	(367)
Total comprehensive income recognised for the year ended 31 December 2010		-	-	-	39	25 029	(127)	182 131	207 072	(508)	206 564
Balance as at 31 December 2010		**87 742**	**-**	**232 553**	**53 648**	**24 431**	**(1 136)**	**585 819**	**983 057**	**4 110**	**987 167**
Changes in equity for the year ended 31 December 2011											
Dividends declared	29	-	-	-	-	-	-	(21 010)	(21 010)	-	(21 010)
Amortisation of revaluation reserve for office premises, net of tax		-	-	-	(1 722)	-	-	1 722	-	-	-
Business combinations		-	(6 962)	-	-	-	-	-	(6 962)	(167)	(7 129)
Acquisition of non-controlling interests in subsidiaries		-	-	-	-	-	-	40	40	(100)	(60)
Total comprehensive income recognised for the year ended 31 December 2011		-	-	-	29 601	(31 890)	(4 556)	316 195	309 350	(347)	309 003
Balance as at 31 December 2011		**87 742**	**(6 962)**	**232 553**	**81 527**	**(7 459)**	**(5 692)**	**882 766**	**1 264 475**	**3 496**	**1 267 971**

SBERBANK

Consolidated Statement of Cash Flows

In millions of Russian Roubles	Note	2011	2010
Cash flows from operating activities			
Interest received		826 551	809 556
Interest paid		(231 656)	(250 681)
Fees and commissions received		152 177	130 669
Fees and commissions paid		(10 709)	(7 140)
Net gains received from trading securities		431	1 040
Net gains received from securities designated at fair value through profit or loss		217	4 505
Net gains received / (losses incurred) from trading in foreign currencies and from operations with foreign currency derivatives		2 127	(14 516)
Net gains received from operations with other derivatives		1 523	2 944
Net gains received from operations with precious metals and precious metals derivatives		6 979	928
Other operating income received		74 691	12 267
Operating expenses paid		(372 522)	(240 549)
Income tax paid		(71 752)	(48 249)
Cash flows from operating activities before changes in operating assets and liabilities		**378 057**	**400 774**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with central banks		(49 572)	(10 195)
Net decrease in trading securities		14 181	28 436
Net decrease in securities designated at fair value through profit or loss		41 516	24 532
Net increase in due from other banks		(26 631)	(2 948)
Net increase in loans and advances to customers		(2 163 308)	(807 732)
Net increase in other assets		(39 897)	(75 956)
Net increase in due to other banks		384 458	130 062
Net increase in due to individuals		869 840	1 044 458
Net increase in due to corporate customers		337 816	155 431
Net decrease in debt securities in issue		(19 150)	(4 672)
Net increase in other liabilities		28 437	29 597
Net cash (used in) / from operating activities		**(244 253)**	**911 787**
Cash flows from investing activities			
Purchase of investment securities available for sale		(852 637)	(1 835 415)
Proceeds from disposal and redemption of investment securities available for sale		1 122 763	1 178 645
Purchase of investment securities held to maturity		(98 739)	(94 636)
Proceeds from redemption of investment securities held to maturity		40 016	-
Acquisition of premises and equipment	14	(109 352)	(63 082)
Proceeds from disposal of investment property		(208)	-
Proceeds from disposal of premises and equipment including insurance payments		10 918	410
Acquisition of associates		(2)	(2 211)
Acquisition of subsidiaries		27 338	(994)
Proceeds from disposal of subsidiaries		726	-
Dividends received		3 504	1 414
Net cash from / (used in) investing activities		**144 327**	**(815 869)**
Cash flows from financing activities			
Other borrowed funds received		154 372	10 270
Redemption of other borrowed funds		(98 129)	(26 209)
Repayment of interest on other borrowed funds		(2 409)	(586)
Redemption of subordinated debt		-	(214 912)
Repayment of interest on subordinated debt		(19 518)	(28 992)
Funds received from loan participation notes issued under the MTN programme		27 896	167 920
Redemption of loan participation notes issued under the MTN programme		(22 896)	(1 590)
Repayment of interest on loan participation notes issued under the MTN programme		(8 913)	(3 332)
Acquisition of non-controlling interests in subsidiaries	37	(60)	(367)
Dividends paid	29	(20 951)	(2 205)
Net cash from / (used in) financing activities		**9 392**	**(100 003)**
Effect of exchange rate changes on cash and cash equivalents		**5 435**	**(1 835)**
Effect of inflation on cash and cash equivalents		**(8 937)**	**-**
Net decrease in cash and cash equivalents		**(94 036)**	**(5 920)**
Cash and cash equivalents at the beginning of the year		719 601	725 521
Cash and cash equivalents as at the end of the year	**7**	**625 565**	**719 601**

1 Introduction

These consolidated financial statements of Sberbank of Russia (Sberbank, “the Bank”) and its subsidiaries (together referred to as “the Group” or “Sberbank Group”) have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2011. Principal subsidiaries include foreign commercial banks and other Russian and foreign companies controlled by the Group. A list of principal subsidiaries included in these consolidated financial statements is disclosed in Note 37.

The Bank is an open joint stock commercial bank established in 1841 and operating in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank’s principal shareholder, the Central Bank of the Russian Federation (“Bank of Russia”), owns 60.3% of ordinary shares or 57.6% of the issued and outstanding shares as at 31 December 2011 (31 December 2010: 60.3% of ordinary shares or 57.6% of the issued and outstanding shares).

As at 31 December 2011 the Supervisory Board of the Bank is headed by the Chairman of the Bank of Russia. The Supervisory Board also includes representatives from the Bank’s other shareholders and independent directors. Two First Deputy Chairmen of the Bank of Russia are Deputy Chairmen of the Supervisory Board.

The Bank operates under a full banking license issued by the Bank of Russia since 1991. In addition, the Bank holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer, a custodian, and provision of asset management services. The Bank is regulated and supervised by the Bank of Russia and by the Federal Service for Financial Markets. The Group’s foreign banks and companies operate under the regulatory regimes of their respective countries.

The Group’s principal business activity is corporate and retail banking. This includes, but is not limited to, deposit taking and commercial lending in freely convertible currencies, local currencies of countries where the subsidiary banks operate and in Russian Roubles, support of clients’ export/import transactions, foreign exchange and securities trading. In December 2011 the Group obtained the control over the financial and operating policies of Troika Dialog Group Ltd. which will enable for the Group to develop further range of services provided to clients. Refer to Note 37. The Group’s operations are conducted in both Russian and international markets. As at 31 December 2011 the Group conducts its business in Russia through Sberbank with its network of 17 (31 December 2010: 17) regional head offices, 505 (31 December 2010: 522) branches and 18 727 (31 December 2010: 18 883) sub-branches, and through principal subsidiaries located in Russia such as CJSC Sberbank Leasing, LLC Sberbank Capital and some companies of Troika Dialog Group Ltd. The Group operates outside Russia through 4 banking subsidiaries, located in the Ukraine, Belarus, Kazakhstan and Switzerland, a branch office in India, representative offices in Germany and China and companies of Troika Dialog Group Ltd. located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions.

The actual headcount of the Group’s employees as at 31 December 2011 was 266 187 (31 December 2010: 262 779).

Registered address and place of business. The Bank’s registered address is: Vavilova str., 19, Moscow, Russian Federation.

Presentation currency. These consolidated financial statements are presented in millions of Russian Roubles ("RR millions") unless otherwise stated.

2 Operating Environment of the Group

The Group primarily conducts its business in the Russian Federation. The Russian Federation continues economic reforms and development of its legal, tax and regulatory frameworks. The recent developments of the Russian government are focused on modernization of the Russian economy in order to improve its productivity and quality, increase the proportion of industries producing high-value-added products and services. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

During 2011 the development of the Russian economy was constrained by unstable economic environment in Europe and USA. Low or negative growth rates of developed economies characterised by substantial amounts of internal and external borrowings were the main global trends on international financial markets in 2011. As a result volatility on the Russian stock and currency market grew significantly during the year. Thus, in the second half of 2011 on the back of worsened economic conditions in Eurozone RUR/USD exchange rates grew from RR 28.1 per US Dollar in July 2011 to RR 32.2 per US Dollar as at the end of the year.

At the same time Russian economy recovery trend continued during 2011; GDP rate grew by 4.3% according to preliminary report of Federal government statistic service. Internal consumer and investment demand was the main driver for the growth. External demand decreased slightly due to global instability which led to decrease in export industries of the Russian economy. Real income of population stayed at almost the same level as in 2010.

Higher loan growth rate over deposit growth rate was the distinctive feature of the Russian economy in 2011 which led to lack of liquidity in the financial sector in the second part of the year.

Despite economic recovery trends there continues to be uncertainty regarding further economic growth in Russia, access to capital markets and cost of capital, which could negatively affect the Group’s future financial position, results of its operations and its business prospects. As the Russian economy is vulnerable to global economic slowdowns, there still remain the risks of fluctuations on the Russian financial markets.

While the management of the Group believes it is taking appropriate measures to support the sustainability of the Group’s business in the current circumstances, unexpected deterioration in the areas described above could negatively affect the Group’s results and financial position in a manner not currently determinable.

3 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the revaluation of office premises, investment property, available for sale financial assets and financial instruments at fair value through profit or loss.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are readily exercisable and convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date when control ceases.

Business combinations are accounted for using the acquisition method. For each business combination, the acquirer measures the non-controlling interest in the acquiree that are present ownership interests either at fair value or at the proportionate share of the acquiree’s identifiable net assets and other components of non-controlling interests at their acquisition date fair value.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Non-controlling interest is the interest in subsidiaries not held by the Group. Acquisition costs incurred are expensed. Non-controlling interest is presented within equity.

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is lower than the fair value of the net assets of the subsidiary acquired, the difference ("gain from bargain purchase") is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Key measurement terms. Depending on their classification financial instruments are carried at cost, fair value, or amortised cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, derivatives that are linked to and must be settled by delivery of such unquoted equity instruments and fixed assets except for office premises.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets, current ask price for financial liabilities and the average of current bid and ask prices when the Group is both in short and long position for the financial instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques are used to fair value certain financial instruments for which external market pricing information is not available. Such valuation techniques include discounted cash flows models, generally accepted option pricing models, models based on recent arm's length transactions or consideration of financial data of the investees. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount and premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related statement of financial position items.

3 Basis of Preparation and Significant Accounting Policies (Continued)

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. Premiums and discounts on variable interest instruments are amortised to the next interest repricing date except for premiums and discounts which reflect the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

The present value calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Initial recognition of financial instruments. Trading securities, other securities at fair value through profit or loss and derivatives are initially recorded at fair value. All other financial assets are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include interbank deposits and reverse sale and repurchase agreements with original maturity up to 30 days. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Mandatory cash balances with Central Banks. Mandatory cash balances with Central Banks are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Group’s day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Precious metals. Physical precious metals and deposits in precious metals are recorded at the lower of cost and net realizable value on the reporting date.

Plastic cards settlements. Plastic cards settlements are accounted for on the accruals basis and are carried at amortised cost. Plastic cards settlements are recorded when the legal right to receive the payment or legal obligation to execute payment arise under the agreement.

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

3 Basis of Preparation and Significant Accounting Policies (Continued)

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest rate method is accounted for in the consolidated income statement as interest income. Dividends are included in dividend income within other operating income when the Group's right to receive the dividend payment is established. Translation differences are included in Net foreign exchange translation gains. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in the consolidated income statement as gains less losses arising from trading securities in the period in which they arise.

Securities designated at fair value through profit or loss. Securities designated at fair value through profit or loss are securities designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if a group of financial assets is managed and its performance is evaluated on a fair value basis and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses on financial assets carried at amortised cost are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers when deciding whether a financial asset is impaired or not are (i) past due status of financial asset, (ii) financial position of underlying borrower, (iii) unsatisfactory debt servicing and (iv) realisability of related collateral, if any.

A loan is considered past due when the borrower fails to make any payment due under the loan at the reporting date. In this case a past due amount is recognized as the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions. As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Reversals of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Write-off of assets at amortised cost. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Impairment of loans and advances to legal entities. Estimating loan portfolio impairment provision for corporate loans involves the following steps:

- Identification of loans that are individually significant and contain signs of impairment, i.e., those loans, that, if fully impaired, would have a material impact on the Group's expected average level of operating income.
- Determination of whether an individually significant loan shows objective evidence of impairment. This requires estimating the expected timing and amount of cash flows from interest and principal payments and other cash flows, including amounts recoverable from guarantees and collateral, and discounting them at the loan's original effective interest rate. The loan is considered impaired if its carrying amount materially exceeds its estimated recoverable amount. A separate impairment loss is recorded on an individually significant impaired loan.
- All remaining loans and individually significant loans without objective evidence of impairment are assessed on a portfolio basis.

The Group applies the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and creates portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the reporting date. Total impairment provisions may exceed the gross amount of individually impaired loans as a result of this methodology.

For the purposes of credit risk measurement and analysis the Group internally classifies loans depending on their quality. The quality of a corporate loan is monitored regularly on the basis of a comprehensive analysis of the borrower's financial position and includes analysis of liquidity, profitability and sufficiency of own funds. The capital structure, organisational structure, credit history and business reputation of the borrower are also taken into consideration. The Group takes into account the customer's position in the industry and the region, production equipment and level of the technology used as well as the general efficiency of management. Upon analysis corporate borrowers are assigned internal ratings and classes. For the purpose of collective assessment of not past due loans and advances the Group analyses loans of each class in terms of its historical loss and recovery rate separately for renegotiated and non-renegotiated loans. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently. For the purpose of collective assessment of past due loans and advances Group analyses ageing of past due debts.

Impairment of loans and advances to individuals. For the purpose of credit quality analysis, loans to individuals are grouped by type of credit product into homogeneous sub-portfolios with similar risk characteristics. The Group analyses each portfolio by the ageing of past due debts.

Retail loans are deemed fully impaired when the principal and/or interest payment becomes more than 180 days overdue.

Investment securities available for sale. This classification includes investment securities, which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available for sale at the time of purchase.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Investment securities available for sale are carried at fair value. Interest income on available for sale securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss in other operating income when the Group's right to receive payment is established and inflow of economic benefits is probable. Exchange differences arising on the settlement of debt investment securities available for sale or on translating of debt investment securities available for sale at rates different from those at which they were translated on initial recognition during the period or in previous financial statements is recognised in profit or loss in the period in which they arise. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss. The unrealised gains/(losses) on revaluation of investment securities available for sale other than impairment losses are presented in other comprehensive income as losses or gains on investment securities available for sale.

If the Group has both the intention and ability to hold investment securities available for sale to maturity, they may be reclassified as investment securities held to maturity. In this case the fair value of securities as at the date of reclassification becomes their new amortised cost. For instruments with a fixed maturity the revaluation reserve as at the date of reclassification is amortised to profit or loss during the period until maturity using the effective interest rate method.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as securities pledged under repurchase agreements. The corresponding liability is presented within amounts due to other banks or due to corporate customers.

Securities purchased under agreements to resell ("reverse repo agreements") are recorded as cash and cash equivalents, due from other banks or loans and advances to customers, in accordance with the nature of the counterparty and the term of the deal.

The difference between the sale and repurchase price is treated as interest income/expense and accrued over the life of repo agreements using the effective interest rate method.

Securities lent to counterparties are retained in the consolidated financial statements in their original statement of financial position category unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the sale proceeds are recorded as a liability held for trading representing the obligation to repurchase and return the securities. The liability is carried at fair value with effects of remeasurement presented as gains less losses arising from trading securities in the consolidated income statement.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition or upon reclassification from available for sale category when the Group changes its expectations and has the ability to hold investment securities which were previously classified as available for sale to maturity. The Investment securities held to maturity are carried at amortised cost.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. Refer to paragraph below on treatment of renegotiations which lead to derecognition of financial assets.

Renegotiated financial assets. From time to time in the normal course of business the Group performs restructuring of financial assets, mostly of loans.

Accounting treatment of renegotiations which do not lead to derecognition of financial assets. If terms of an agreement are not materially modified, restructuring of financial instruments leads to reassessment of effective interest rate based on current carrying amount and modified future cash flows.

Accounting treatment of renegotiations which lead to derecognition of financial assets. Material modifications of agreement terms lead to derecognition of a financial asset and a recognition of a new asset at fair value. The following principal modifications in terms are considered to be material:

- Change of currency in which cash flows are denominated;
- Consolidation or separation of several financial instruments;
- Present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In both cases if the restructuring of financial assets is due to financial difficulties of a borrower, financial assets are assessed for impairment before recognition of a renegotiation.

Goodwill. Goodwill represents the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisitions of subsidiaries is included in other assets or separately disclosed on the face of the statement of financial position if material. Goodwill on acquisitions of associates is included as part of investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment before aggregation. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Premises and equipment. Equipment and premises other than office premises are stated at cost less accumulated depreciation. Office premises of the Group are held at revalued amount subject to revaluation to market value on a regular basis. The revaluation gains are recognised in other comprehensive income. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation reserve for office premises included in equity is transferred directly to retained earnings on a straight-line basis as the asset is used by the Group. On the retirement or disposal of the asset the remaining revaluation reserve is immediately transferred to the retained earnings.

Construction in progress is carried at cost, less provision for impairment where required. Upon completion, assets are transferred to office premises, other premises or equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

If impaired premises are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in other comprehensive income.

Positive revaluation shall be recognised in profit or loss to the extent that it reverses a negative revaluation of the same asset previously recognised in profit or loss. The amount that exceeds negative revaluation previously charged to profit or loss shall be recognised in other comprehensive income.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The following annual rates are applied for the main categories of premises and equipment:

Office premises	2.5-3.3%;
Other premises	2.5%;
Office and computer equipment	25%; and
Vehicles and other equipment	18%.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment property is stated at fair value which reflects current market value and represents potential price between knowledgeable, willing parties in an arm's length transaction. Revaluation of investment property is held on each reporting date and recognised in consolidated income statement as gains/losses on investment property revaluation. Earned rental income is recorded in consolidated income statement within other operating income.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Subsequent expenditure on investment property is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes owner-occupied, it is reclassified to premises and equipment, and its carrying value at the date of reclassification becomes its deemed cost to be subsequently revalued and depreciated.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Finance leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Where the Group is a lessor lease receivables are recognised at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables. The net investment in finance lease is recorded within loans and advances to customers.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost.

Due to individuals and corporate customers. Amounts due to individuals and corporate customers are non-derivative liabilities to individuals and corporate customers (including state agencies) and are carried at amortised cost.

Debt securities in issue. Debt securities in issue include promissory notes, certificates of deposit, savings certificates and other debt securities issued by the Group. Debt securities in issue except structured notes which are described below are stated at amortised cost. If the Group repurchases its debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other operating income.

Structured notes. Structured notes are issued by the Group and are stated at fair value. The underlying assets of structured notes are securities issued by Russian companies which cannot be purchased by the Group’s foreign clients directly from the market. Structured notes are included in Debt securities in issue.

Other borrowed funds*.* Other borrowed funds represent syndicated loans attracted by the Group on financial markets and trade finance deals. Other borrowed funds are carried at amortised cost.

Securities sold, not yet purchased. Securities sold, not yet purchased are transactions in which the Group sells securities which it does not own, and which it is obligated to deliver at a future date. Such transactions are initially recorded at cost as liabilities and then are carried at fair value. Any unrealized gain or loss is recorded in the consolidated income statement in net gains from trading securities for the difference between the proceeds receivable from the sale and the value of the open short position. The Group realizes a gain or loss when the short position is closed. Valuation of securities sold, not yet purchased is consistent with the accounting policy of the Group for trading securities.

Subordinated debt. Subordinated debt represents long-term funds attracted by the Group on the international financial markets or domestic market. The holders of subordinated debt would be subordinate to all other creditors to receive repayment on debt in case of the Bank liquidation. Subordinated debt is carried at amortised cost.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Derivative financial instruments. Derivative financial instruments, including forward and future contracts, option contracts on financial instruments and SWAP contracts are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of foreign exchange derivative financial instruments are included in the Consolidated income statement in net gains/(losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation; changes in the fair value of derivative financial instruments on precious metals are included in net gains/(losses) arising from operations with precious metals and precious metals derivatives; changes in the fair value of derivatives on securities, interest rates and other derivatives – in net gains/(losses) arising from operations with other derivatives. The Group does not apply "hedge accounting" according to IAS 39.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation and legislation of other jurisdictions in which the Group performs business enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the profit or loss except if it is recognised in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is recognised for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recognised for temporary differences on initial recognition of goodwill or any other asset or liability if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded in the statement of financial position only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Provision for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

Share premium. Share premium represents the excess of contributions over the nominal value of the shares issued.

Preference shares. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders' meeting. Preference shares are classified as a part of equity.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Treasury shares. Where the Bank or its subsidiaries purchase the Bank's equity instruments, the consideration paid including any attributable incremental external costs net of income taxes is deducted from equity until they are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations.

Income and expense recognition. Interest income and expense are recorded in profit or loss for interest-bearing instruments on an accrual basis using the effective interest rate method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded based on the asset's original effective interest rate which was used to measure the impairment loss and net exposure.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Trust and custody services fees related to investment funds are recorded proportionally over the period the service is provided.

Credit related commitments. The Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

3 Basis of Preparation and Significant Accounting Policies (Continued)

Monetary assets and liabilities are translated into each entity's functional currency at the applicable exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency are recognised in profit or loss. Effects of exchange rate changes on the fair value of equity instruments are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (except for subsidiary bank in Belarus which economy is considered hyperinflationary) are translated into the presentation currency as follows:

(I) assets and liabilities for each statement of financial position presented are translated at the applicable closing rate at the respective reporting date;

(II) income and expenses for each statement of comprehensive income are translated either at the rates prevailing at the dates of the transactions or at average exchange rates (in case this average is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

The results and financial position of subsidiary bank in Belarus which economy is considered hyperinflationary are translated into the presentation currency using the same methodology as for other subsidiaries except for the following:

(I) assets and liabilities of the statement of financial position as at 31 December 2011 are restated according to IAS 29 and IAS 22 (see below "Accounting for the effects of hyperinflation") and translated at the applicable closing rate for the year;

(II) income and expenses for the statement of comprehensive income for the year ended 31 December 2011 are translated at closing rate.

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in other components of comprehensive income and taken to a separate component of equity.

The cumulative balance of currency translation differences presented in equity at 31 December 2011 amounted to a loss of RR 5 692 million (31 December 2010: a loss of RR 1 136 million).

At 31 December 2011 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RUR	/UAH	/BYR	/KZT
RUR/	1	0.250	259.348	4.611
USD/	32.196	8.038	8 350.001	148.455
EUR/	41.671	10.404	10 807.403	192.146

At 31 December 2010 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RUR	/UAH	/BYR	/KZT
RUR/	1	0.261	98.039	4.836
USD/	30.477	7.961	2 987.941	147.387
EUR/	40.333	10.535	3 954.215	195.050

Accounting for the effects of hyperinflation. With the effect from 1 January 2011, the Belorussian economy is considered to be hyperinflationary in accordance with the criteria in IAS 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date.

3 Basis of Preparation and Significant Accounting Policies (Continued)

In applying IAS 29, the Group has used conversion factors derived from the Belorussian consumer price index ("CPI"), published by the State Committee on Statistics of the Republic of Belarus. The CPIs for the six year period and respective conversion factors after Belarus previously ceased to be considered hyperinflationary on 1 January 2006 were as follows:

Year	Index, %	Conversion factors
2006	106.6	320.8
2007	112.1	286.2
2008	113.3	252.6
2009	110.1	229.4
2010	109.9	208.7
2011	208.7	100.0

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as of 31 December 2011. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as of 31 December 2011) are restated by applying the relevant index. The effect of inflation on the Group's net monetary position is included in profit or loss.

Fiduciary assets. Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported on the consolidated statement of financial position. The extent of such balances and transactions is indicated in Note 32. For the purposes of disclosure, fiduciary activities do not encompass safe custody functions. Commissions received from fiduciary activities are shown in fee and commission income.

Assets under management. The Group has set up mutual investment funds and acts as the manager of their assets. The assets of these funds do not represent assets of the Group and therefore are not reported on the consolidated statement of financial position. The management fee income is recorded in the consolidated income statement within fee and commission income.

Contingent assets. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised by the Group in its consolidated statement of financial position, but disclosed in the notes to the consolidated financial statements if inflow of economic benefits is probable.

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

Earnings per share. Preference shares are not redeemable and are not considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, pensions, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

Segment reporting. The Group determined its operating segments on the basis of organizational structure of the Group and geographical areas. Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board. Segments whose revenue, result or assets are 10% or more of all the segments are reported separately.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. 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 in the process of applying the accounting policies. 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 year include:

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 profit or loss, 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 is 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.

Also, the Group's management accounting system in some cases does not allow collecting all necessary information on incurred losses for certain groups of loans. Management uses estimates and incurred loss models for groups of loans with similar credit risk profile. 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.

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular (a) its intention and ability to hold the assets to maturity and (b) whether the assets are quoted in an active market. If the Group fails to keep these investments to maturity other than in certain specific circumstances – for example, selling an insignificant amount or settle a position 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. For the estimated fair value of investment securities held to maturity as at 31 December 2011 refer to Note 34.

An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 32.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on management expectations that are believed to be reasonable under the circumstances.

Fair value of financial instruments. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data, however certain areas require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore sometimes not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

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

Related party transactions. The Group's principal shareholder is the Bank of Russia (refer to Note 1). Disclosures are made in these consolidated financial statements for transactions with state-controlled entities and government bodies. 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 determining the scope of operations with related parties to be disclosed in the consolidated financial statements. Refer to Notes 35 and 36.

Revaluation of office premises. The Group regularly reviews the value of its office premises for compliance with fair value and performs revaluation to ensure that the current carrying amount of office premises does not materially differ from its fair value. Office premises have been revalued to market value at 31 December 2011. The revaluation was performed based on the reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value. Revalued premises are depreciated in accordance with their remaining useful life since 1 January 2012.

Impairment of available-for-sale equity investments. The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of the investment below its cost. Determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of changes in technology or deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows.

Changes in presentation and reclassifications. For an aggregate disclosure of mandatory reserves with central banks of foreign countries in which the Group operates, the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the consolidated statement of financial position as at 31 December 2010 is as follows:

In millions of Russian Roubles	**As previously reported**	**Reclassification**	**As reclassified**
Assets			
Mandatory cash balances with central banks	-	51 678	51 678
Other financial assets	116 582	(1 146)	115 436
Mandatory cash balances with the Bank of Russia	50 532	(50 532)	-

The effect of corresponding reclassifications on the consolidated statement of cash flows for the year ended 31 December 2010 is as follows:

In millions of Russian Roubles	**As previously reported**	**Reclassification**	**As reclassified**
Net increase in mandatory cash balances with central banks	-	(10 195)	(10 195)
Net increase in other assets	(76 191)	235	(75 956)
Net increase in mandatory cash balances with the Bank of Russia	(9 960)	9 960	-

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

For a more detailed disclosure of loan participation notes issued under the MTN-programme and trade finance deals, the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the consolidated statement of financial position as at 31 December 2010 is as follows:

In millions of Russian Roubles	As previously reported	Reclassification	As reclassified
Liabilities			
Due to other banks	188 431	(53 763)	134 668
Debt securities in issue	119 426	153 273	272 699
Other borrowed funds	270 765	(99 510)	171 255

For a more detailed disclosure of interest expenses on loan participation notes and trade finance deals, the presentation of comparative figures have been adjusted to conform to the presentation of the current period amounts. The effect of reclassifications for the year ended 31 December 2010 is as follows:

In millions of Russian Roubles	As previously reported	Reclassification	As reclassified
Interest expense			
Debt securities in issue	(8 776)	(4 568)	(13 344)
Other borrowed funds	(5 950)	4 310	(1 640)
Term placements of other banks	(1 640)	258	(1 382)

The effect of corresponding reclassifications on the consolidated statement of cash flows for the year ended 31 December 2010 is as follows:

In millions of Russian Roubles	As previously reported	Reclassification	As reclassified
Other borrowed funds received	178 190	(167 920)	10 270
Redemption of other borrowed funds	(27 799)	1 590	(26 209)
Repayment of interest on other borrowed funds	(3 918)	3 332	(586)
Funds received from loan participation notes issued under the MTN programme	-	167 920	167 920
Redemption of loan participation notes issued under the MTN programme	-	(1 590)	(1 590)
Repayment of interest on loan participation notes issued under the MTN programme	-	(3 332)	(3 332)

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

The Group has changed disclosure of expenses directly attributable to deposit insurance according to the substance of such expenses. The presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the consolidated income statement as at 31 December 2010 is as follows:

In millions of Russian Roubles	As previously reported	Reclassification	As reclassified
Operating expenses			
State deposit insurance system membership fee	16 718	(16 718)	-
Consolidated Income Statement			
Expenses directly attributable to deposit insurance	-	16 718	16 718

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2011:

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.

Related Party Disclosures – Amendment to IAS 24 (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. Due to the amendment the Group changed the disclosure of operations with government-related entities. Refer to Note 36.

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.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

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

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

- IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3;
- IFRS 7 was amended to clarify certain disclosure requirements, in particular (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 was amended to clarify that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements;
- IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008);
- and IFRIC 13 was amended to clarify measurement of fair value of award credits.

The above mentioned new or revised standards and interpretations effective from 1 January 2011 did not have a material impact on the accounting policies, financial position or performance of the Group unless otherwise stated.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not early adopted:

IFRS 9 Financial Instruments. In November 2009 and 2010 the IASB issued the first phase of IFRS 9 *Financial Instruments*. This Standard will eventually replace IAS 39 *Financial Instrument: Recognition and Measurement*. IFRS 9 becomes effective for financial years beginning on or after 1 January 2015. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial instruments. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. For financial liabilities designated at fair value through profit or loss using fair value option IFRS 9 requires the amount of change in fair value attributable to changes in credit risk to be presented in other comprehensive income.

6 New Accounting Pronouncements (Continued)

IFRS 10 Consolidated Financial Statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In addition IFRS 10 introduces specific application guidance for agency relationships. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. It is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IFRS 11 Joint Arrangements. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Adoption of the standard will require new disclosures to be made in the financial statements of the Group but will have no impact on its financial position or performance.

IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The adoption of the IFRS 13 may have effect on the measurement of the Group's assets and liabilities accounted for at fair value.

IAS 27 Separate Financial Statements (as revised in 2011). As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011). IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

6 New Accounting Pronouncements (Continued)

Amendments to IAS 19 Employee Benefits. The IASB has published amendments to IAS 19 *Employee Benefits*, effective for annual periods beginning on or after 1 January 2013, which proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs.

Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income. The amendments to IAS 1 *Presentation of Financial Statements*, effective for annual periods beginning on or after 1 July 2012, change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. These amendments will change presentation in the statement of comprehensive income but will have no effect on the financial position and performance.

Deferred tax: Recovery of underlying assets – Amendment to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). IAS 12 has been updated to include a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

Offsetting Financial Assets and Financial liabilities – Amendments to IAS 32 Financial Instruments: Presentation (issued in December 2011; effective for annual periods beginning on or after 1 January 2014, with retrospective application). These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Disclosures — Offsetting Financial Assets and Financial liabilities – Amendments to IFRS 7 Financial instruments: Disclosures (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods, with retrospective application). These disclosures, which are similar to the new US GAAP requirements, would provide users with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and US GAAP.

The Group is considering the implications of the new standards, the impact on the Group and the timing of their adoption by the Group.

7 Cash and Cash Equivalents

In millions of Russian Roubles	2011	2010
Cash on hand	438 699	297 956
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	51 254	77 447
Correspondent accounts and placements with other banks with original maturities up to 30 days:	-	
- Russian Federation	25 247	142 417
- Other countries	88 618	167 287
Reverse-repo agreements with original maturities up to 30 days	21 747	34 494
Total cash and cash equivalents	**625 565**	**719 601**

At 31 December 2011 cash and cash equivalents of RR 21 747 million (2010: RR 34 494 million) are effectively collateralised by securities received under reverse sale and repurchase agreements at a fair value of RR 27 013 million (2010: RR 39 988 million), which the Group has a right to sell or repledge. None of these securities have been sold or repledged (2010: nil).

Correspondent accounts and placements with other banks and reverse-repo agreements with original maturities up to 30 days mostly represent balances with the largest and well-known foreign banks, top rated Russian banks and financial companies. Analysis by credit quality of the balances with counterparty banks and financial companies at 31 December 2011 made on the basis of ratings of international rating agencies is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Russian Federation	7 058	3 728	14 461	25 247
- Other countries	69 581	18 162	875	88 618
Reverse-repo agreements with original maturities up to 30 days	1 727	16 139	3 881	21 747
Total correspondent accounts and placements with other banks and reverse-repo agreements with original maturity up to 30 days	**78 366**	**38 029**	**19 217**	**135 612**

Analysis by credit quality of the balances with counterparty banks and financial companies at 31 December 2010 made on the basis of ratings of international rating agencies is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Russian Federation	137 890	1 478	3 049	142 417
- Other countries	142 242	19 991	5 054	167 287
Reverse-repo agreements with original maturities up to 30 days	-	1 461	33 033	34 494
Total correspondent accounts and placements with other banks and reverse-repo agreements with original maturity up to 30 days	**280 132**	**22 930**	**41 136**	**344 198**

7 Cash and Cash Equivalents (Continued)

Rating definitions in the tables above represent the rating scale developed by the international rating agencies.

As at 31 December 2011 and 31 December 2010 all cash and cash equivalents are neither past due nor impaired.

Currency and maturity analyses of cash and cash equivalents are disclosed in Note 31. The information on related party balances is disclosed in Notes 35 and 36.

8 Trading securities

In millions of Russian Roubles	2011	2010
Corporate bonds	26 564	14 931
Federal loan bonds (OFZ bonds)	25 980	32 037
Municipal and subfederal bonds	7 224	11 484
Russian Federation Eurobonds	6 277	2 935
Foreign government bonds	3 915	1 994
State domestic loan bonds (OVGVZ)	-	16
Total debt trading securities	**69 960**	**63 397**
Corporate shares	29 687	2 771
Investments in mutual funds	2 326	-
Total trading securities	**101 973**	**66 168**

Corporate bonds are interest-bearing securities denominated in Russian Roubles and foreign currencies, issued by large Russian and foreign companies. These bonds have maturity dates from January 2012 to April 2034 (2010: from February 2011 to September 2028), coupon rates from 4% to 19% p.a. (2010: from 5% to 18% p.a.) and yield to maturity from 2% to 36% p.a. (2010: from 3% to 18% p.a.), depending on the type of bond issue. As at 31 December 2011 corporate bonds are mostly represented by debt securities issued by banks, metallurgy, telecommunication and oil and gas companies. As at 31 December 2010 corporate bonds are mostly represented by debt securities issued by banks, metallurgy, oil and gas, telecommunication, energy and mining companies.

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from January 2012 to February 2036 (2010: from January 2011 to February 2036), coupon rates from 6% to 12% p.a. (2010: from 3% to 12% p.a.) and yield to maturity from 5% to 9% p.a. (2010: from 2% to 9% p.a.), depending on the type of bond issue.

Municipal and subfederal bonds are interest-bearing securities denominated in Russian Roubles and Euro and issued by municipal and subfederal bodies of the Russian Federation. These bonds have maturity dates from June 2012 to June 2017 (2010: from April 2011 to June 2022), coupon rates from 5% to 13% p.a. (2010: from 5% to 18% p.a.) and yield to maturity from 5% to 24% p.a. (2010: from 5% to 9% p.a.), depending on the type of bond issue.

Russian Federation Eurobonds are interest-bearing securities denominated in US Dollars, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. These bonds have maturity dates from April 2015 to March 2030 (2010: from July 2018 to March 2030), coupon rates from 4% to 13% p.a. (2010: from 5% to 13% p.a.) and yield to maturity from 3% to 8% p.a. (2010: from 5% to 6% p.a.), depending on the type of bond issue.

8 Trading Securities (Continued)

Foreign government bonds are interest-bearing securities denominated in Russian Roubles and foreign currencies, issued by foreign governments, and are freely tradable internationally. These bonds have maturity dates from December 2012 to March 2022 (2010: from December 2012 to March 2021), coupon rates from 5% to 11% p.a. (2010: from 6% to 9% p.a.) and yield to maturity from 6% to 23% p.a. (2010: from 4% to 19% p.a.), depending on the type of bond issue.

State domestic loan bonds (OVGVZ) are interest-bearing securities denominated in US Dollars and issued by the Ministry of Finance of the Russian Federation. As at 31 December 2010 the bonds had maturity date in May 2011 and carried an annual coupon of 3% p.a. and yield to maturity 2% p.a.

Investments in mutual funds are investments in mutual funds specialising in operations with property, shares, venture capital funds and stock market index fund, nominated in Russian Roubles and Ukranian Hryvnas.

As at 31 December 2011 corporate shares are mostly represented by quoted shares of large Russian oil and gas, chemical and metallurgy companies and banks. As at 31 December 2010 corporate shares are mostly represented by quoted shares of large Russian metallurgy and oil and gas companies.

Fair value of trading securities is based on their market quotations and valuation models with use of data both observable and not observable on the open market and reflects credit risk related write downs.

As trading securities are carried at fair value the Group does not analyse or monitor impairment indicators separately for these securities.

Analysis by credit quality of debt trading securities outstanding at 31 December 2011 is as follows:

In millions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Corporate bonds	8 975	9 231	8 358	26 564
Federal loan bonds (OFZ bonds)	25 980	-	-	25 980
Municipal and subfederal bonds	947	6 114	163	7 224
Russian Federation Eurobonds	6 277	-	-	6 277
Foreign government bonds	406	3 476	33	3 915
Total debt trading securities	**42 585**	**18 821**	**8 554**	**69 960**

Analysis by credit quality of debt trading securities outstanding at 31 December 2010 is as follows:

In millions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Federal loan bonds (OFZ bonds)	32 037	-	-	32 037
Corporate bonds	5 255	7 369	2 307	14 931
Municipal and subfederal bonds	1 042	10 309	133	11 484
Russian Federation Eurobonds	2 935	-	-	2 935
Foreign government bonds	347	1 647	-	1 994
State domestic loan bonds (OVGVZ)	16	-	-	16
Total debt trading securities	**41 632**	**19 325**	**2 440**	**63 397**

8 Trading Securities (Continued)

As at 31 December 2010 included in not rated corporate bonds are bonds with fair value of RR 152 million with default rating.

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

As at 31 December 2011 included in trading securities are federal loan bonds (OFZ bonds) with fair value of RR 15 746 million (2010: RR 14 715 million) pledged on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. Refer to Notes 32 and 35.

At 31 December 2011 and 31 December 2010 there were no renegotiated trading debt securities that would otherwise be past due. Trading debt securities are not collateralised. All trading debt securities are not past due.

Currency and maturity analyses of trading securities are disclosed in Note 31. The information on trading securities issued by related parties is disclosed in Note 36.

9 Securities Designated at Fair Value through Profit or Loss

In millions of Russian Roubles	**2011**	**2010**
Federal loan bonds (OFZ bonds)	30 470	76 698
Foreign government bonds	203	-
Municipal and subfederal bonds	145	1 625
Corporate bonds	-	4 648
Total debt securities designated at fair value through profit or loss	**30 818**	**82 971**
Corporate shares	21 175	23 904
Total securities designated at fair value through profit or loss	**51 993**	**106 875**

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from July 2012 to November 2021 (2010: from January 2011 to November 2021), coupon rates from 0% to 8% p.a. (2010: from 0% to 8% p.a.) and yield to maturity from 6% to 9% p.a. (2010: from 2% to 7% p.a.), depending on the type of bond issue.

Foreign government bonds included in the portfolio of securities designated at fair value through profit or loss are interest-bearing securities denominated in foreign currencies, issued by foreign governments, and are freely tradable internationally. These bonds have maturity in November 2014, coupon rate 8% p.a. and yield to maturity 8% p.a.

Municipal and subfederal bonds are interest-bearing securities denominated in Russian Roubles and issued by municipal and subfederal bodies of the Russian Federation. These bonds have maturity dates from November 2013 to December 2014 (2010: from August 2011 to June 2015), coupon rates from 8% to 12% p.a. (2010: from 8% to 12% p.a.) and yield to maturity from 8% to 10% p.a. (2010: from 7% to 8% p.a.), depending on the type of bond issue.

9 Securities Designated at Fair Value through Profit or Loss (Continued)

Corporate bonds are interest-bearing securities denominated in Russian Roubles and foreign currencies, issued by large Russian companies. As at 31 December 2010 these bonds had maturity dates from February 2011 to December 2011, coupon rates from 5% to 9% p.a. and yield to maturity from 1% to 6% p.a., depending on the type of bond issue.

Corporate shares are quoted and non-quoted shares of large Russian companies valuation of which was performed using professional judgement of Management of the Group and valuation models with use of available market data. As at 31 December 2011 and 31 December 2010 corporate shares are mostly represented by oil and gas and construction companies.

The Group irrevocably designated the above securities that are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Management of the Group assesses performance of these investments based on their fair values in accordance with the Policy of the Group for securities portfolios classification. Fair value of securities designated at fair value through profit or loss is based on their market quotations and valuation models with use of data both observable and not observable on the open market.

Securities designated at fair value through profit or loss are carried at fair value, which also reflects credit risk related write downs. Analysis by credit quality of debt securities designated at fair value through profit or loss outstanding at 31 December 2011 is as follows:

In millions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Federal loan bonds (OFZ bonds)	30 470	-	-	30 470
Foreign government bonds	-	203	-	203
Municipal and subfederal bonds	-	145	-	145
Total debt securities designated at fair value through profit or loss	**30 470**	**348**	**-**	**30 818**

Analysis by credit quality of debt securities at fair value through profit or loss outstanding at 31 December 2010 is as follows:

In millions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Federal loan bonds (OFZ bonds)	76 698	-	-	76 698
Corporate bonds	4 233	-	415	4 648
Municipal and subfederal bonds	1 386	239	-	1 625
Total debt securities designated at fair value through profit or loss	**82 317**	**239**	**415**	**82 971**

9 Securities Designated at Fair Value through Profit or Loss (Continued)

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

As at 31 December 2011 included in securities designated at fair value through profit or loss are federal loan bonds (OFZ bonds) with fair value of RR 28 608 million (2010: RR 31 520 million) pledged on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. Refer to Notes 32 and 35.

At 31 December 2011 and 31 December 2010 there are no renegotiated balances that would otherwise be past due. Debt securities designated at fair value through profit or loss are not collateralised. All debt securities designated at fair value through profit or loss are not past due.

Currency and maturity analyses of securities designated at fair value through profit or loss are disclosed in Note 31. The information on securities designated at fair value through profit or loss issued by related parties is disclosed in Note 36.

10 Loans and Advances to Customers

The tables below show credit quality of the Group's loan portfolio by loan classes as at 31 December 2011 and 31 December 2010.

For the purposes of these consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions is recognised as past due.

31 December 2011:

In millions of Russian Roubles	Not past due loans	Past due loans	Total
Commercial loans to legal entities	3 828 772	184 113	4 012 885
Specialised loans to legal entities	2 347 859	215 836	2 563 695
Consumer and other loans to individuals	898 662	45 302	943 964
Mortgage loans to individuals	741 567	35 790	777 357
Car loans to individuals	80 714	3 492	84 206
Total loans and advances to customers before provision for loan impairment	**7 897 574**	**484 533**	**8 382 107**
Less: Provision for loan impairment	(281 523)	(380 884)	(662 407)
Total loans and advances to customers net of provision for loan impairment	**7 616 051**	**103 649**	**7 719 700**

10 Loans and Advances to Customers (Continued)

31 December 2010:

In millions of Russian Roubles	**Not past due loans**	**Past due loans**	**Total**
Commercial loans to legal entities	2 519 062	189 630	2 708 692
Specialised loans to legal entities	1 900 813	262 673	2 163 486
Consumer and other loans to individuals	598 304	37 385	635 689
Mortgage loans to individuals	572 339	31 439	603 778
Car loans to individuals	76 792	3 473	80 265
Total loans and advances to customers before provision for loan impairment	**5 667 310**	**524 600**	**6 191 910**
Less: Provision for loan impairment	(276 906)	(425 617)	(702 523)
Total loans and advances to customers net of provision for loan impairment	**5 390 404**	**98 983**	**5 489 387**

Commercial lending to legal entities comprises corporate loans, loans to individual entrepreneurs, federal bodies and municipal authorities of the Russian Federation. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property, portfolio investments, expansion and consolidation of business, etc.). Majority of commercial loans are provided for periods up to 5 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and lending for export-import transactions. The repayment source is cash flow from current production and financial activities of the borrower.

Specialised lending to legal entities includes investment and construction project financing and also developers' financing. As a rule, loan terms are linked to payback periods of investment and construction projects, contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid from cash flows generated by the investment project at the stage of its commercial operation.

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans. These loans include loans for current needs and overdrafts.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term and are collateralized by real estate.

Car loans to individuals include loans for purchasing a car or other vehicle. Car loans are provided for periods of up to 5 years.

10 Loans and Advances to Customers (Continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2011:

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	3 795 522	(117 384)	3 678 138	3.1%
Loans up to 30 days overdue	11 319	(3 072)	8 247	27.1%
Loans 31 to 60 days overdue	4 741	(2 160)	2 581	45.6%
Loans 61 to 90 days overdue	3 416	(1 779)	1 637	52.1%
Loans 91 to 180 days overdue	7 389	(4 787)	2 602	64.8%
Loans over 180 days overdue	115 586	(111 787)	3 799	96.7%
Total collectively assessed loans	**3 937 973**	**(240 969)**	**3 697 004**	**6.1%**
Individually impaired				
Not past due	33 250	(22 251)	10 999	66.9%
Loans up to 30 days overdue	7 005	(6 951)	54	99.2%
Loans 31 to 60 days overdue	497	(236)	261	47.5%
Loans 61 to 90 days overdue	4 138	(321)	3 817	7.8%
Loans 91 to 180 days overdue	67	(6)	61	9.0%
Loans over 180 days overdue	29 955	(28 667)	1 288	95.7%
Total individually impaired loans	**74 912**	**(58 432)**	**16 480**	**78.0%**
Total commercial loans to legal entities	**4 012 885**	**(299 401)**	**3 713 484**	**7.5%**
Specialised loans to legal entities				
Collectively assessed				
Not past due	2 276 063	(86 675)	2 189 388	3.8%
Loans up to 30 days overdue	5 239	(806)	4 433	15.4%
Loans 31 to 60 days overdue	3 279	(1 236)	2 043	37.7%
Loans 61 to 90 days overdue	1 630	(711)	919	43.6%
Loans 91 to 180 days overdue	2 123	(1 315)	808	61.9%
Loans over 180 days overdue	59 315	(52 776)	6 539	89.0%
Total collectively assessed loans	**2 347 649**	**(143 519)**	**2 204 130**	**6.1%**
Individually impaired				
Not past due	71 796	(38 721)	33 075	53.9%
Loans up to 30 days overdue	3 997	(2 794)	1 203	69.9%
Loans 31 to 60 days overdue	2 193	(1 586)	607	72.3%
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 to 180 days overdue	427	(347)	80	81.3%
Loans over 180 days overdue	137 633	(106 806)	30 827	77.6%
Total individually impaired loans	**216 046**	**(150 254)**	**65 792**	**69.5%**
Total specialised loans to legal entities	**2 563 695**	**(293 773)**	**2 269 922**	**11.5%**
Total loans to legal entities	**6 576 580**	**(593 174)**	**5 983 406**	**9.0%**

10 Loans and Advances to Customers (Continued)

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Consumer and other loans to individuals				
Collectively assessed				
Not past due	898 662	(10 929)	887 733	1.2%
Loans up to 30 days overdue	12 585	(212)	12 373	1.7%
Loans 31 to 60 days overdue	3 108	(183)	2 925	5.9%
Loans 61 to 90 days overdue	1 652	(195)	1 457	11.8%
Loans 91 to 180 days overdue	2 753	(586)	2 167	21.3%
Loans over 180 days overdue	25 204	(25 204)	-	100.0%
Total consumer and other loans to individuals	**943 964**	**(37 309)**	**906 655**	**4.0%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	741 567	(4 602)	736 965	0.6%
Loans up to 30 days overdue	8 176	(240)	7 936	2.9%
Loans 31 to 60 days overdue	1 962	(169)	1 793	8.6%
Loans 61 to 90 days overdue	940	(99)	841	10.5%
Loans 91 to 180 days overdue	1 280	(309)	971	24.1%
Loans over 180 days overdue	23 432	(23 432)	-	100.0%
Total mortgage loans to individuals	**777 357**	**(28 851)**	**748 506**	**3.7%**
Car loans to individuals				
Collectively assessed				
Not past due	80 714	(961)	79 753	1.2%
Loans up to 30 days overdue	969	(7)	962	0.7%
Loans 31 to 60 days overdue	181	(5)	176	2.8%
Loans 61 to 90 days overdue	107	(4)	103	3.7%
Loans 91 to 180 days overdue	150	(11)	139	7.3%
Loans over 180 days overdue	2 085	(2 085)	-	100.0%
Total car loans to individuals	**84 206**	**(3 073)**	**81 133**	**3.6%**
Total loans to individuals	**1 805 527**	**(69 233)**	**1 736 294**	**3.8%**
Total loans and advances to customers as at 31 December 2011	**8 382 107**	**(662 407)**	**7 719 700**	**7.9%**

10 Loans and Advances to Customers (Continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2010:

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	2 457 676	(106 849)	2 350 827	4.3%
Loans up to 30 days overdue	6 895	(2 234)	4 661	32.4%
Loans 31 to 60 days overdue	4 480	(2 261)	2 219	50.5%
Loans 61 to 90 days overdue	7 058	(4 552)	2 506	64.5%
Loans 91 to 180 days overdue	10 398	(6 910)	3 488	66.5%
Loans over 180 days overdue	124 081	(117 807)	6 274	94.9%
Total collectively assessed loans	**2 610 588**	**(240 613)**	**2 369 975**	**9.2%**
Individually impaired				
Not past due	61 386	(39 929)	21 457	65.0%
Loans up to 30 days overdue	1 616	(1 378)	238	85.3%
Loans 31 to 60 days overdue	-	-	-	-
Loans 61 to 90 days overdue	3 896	(2 688)	1 208	69.0%
Loans 91 to 180 days overdue	2 861	(2 423)	438	84.7%
Loans over 180 days overdue	28 345	(25 898)	2 447	91.4%
Total individually impaired loans	**98 104**	**(72 316)**	**25 788**	**73.7%**
Total commercial loans to legal entities	**2 708 692**	**(312 929)**	**2 395 763**	**11.6%**
Specialised loans to legal entities				
Collectively assessed				
Not past due	1 835 754	(77 060)	1 758 694	4.2%
Loans up to 30 days overdue	16 715	(3 805)	12 910	22.8%
Loans 31 to 60 days overdue	2 043	(897)	1 146	43.9%
Loans 61 to 90 days overdue	5 827	(3 330)	2 497	57.1%
Loans 91 to 180 days overdue	3 927	(2 867)	1 060	73.0%
Loans over 180 days overdue	63 018	(57 148)	5 870	90.7%
Total collectively assessed loans	**1 927 284**	**(145 107)**	**1 782 177**	**7.5%**
Individually impaired				
Not past due	65 059	(36 916)	28 143	56.7%
Loans up to 30 days overdue	5 086	(5 072)	14	99.7%
Loans 31 to 60 days overdue	208	(200)	8	96.2%
Loans 61 to 90 days overdue	689	(689)	0	100.0%
Loans 91 to 180 days overdue	1 575	(1 453)	122	92.3%
Loans over 180 days overdue	163 585	(131 345)	32 240	80.3%
Total individually impaired loans	**236 202**	**(175 675)**	**60 527**	**74.4%**
Total specialised loans to legal entities	**2 163 486**	**(320 782)**	**1 842 704**	**14.8%**
Total loans to legal entities	**4 872 178**	**(633 711)**	**4 238 467**	**13.0%**

10 Loans and Advances to Customers (Continued)

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Consumer and other loans to individuals				
Collectively assessed				
Not past due	598 304	(9 776)	588 528	1.6%
Loans up to 30 days overdue	6 521	(159)	6 362	2.4%
Loans 31 to 60 days overdue	2 014	(141)	1 873	7.0%
Loans 61 to 90 days overdue	1 324	(170)	1 154	12.8%
Loans 91 to 180 days overdue	2 177	(490)	1 687	22.5%
Loans over 180 days overdue	25 349	(25 349)	-	100.0%
Total consumer and other loans to individuals	**635 689**	**(36 085)**	**599 604**	**5.7%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	572 339	(5 139)	567 200	0.9%
Loans up to 30 days overdue	3 979	(242)	3 737	6.1%
Loans 31 to 60 days overdue	1 669	(236)	1 433	14.1%
Loans 61 to 90 days overdue	1 206	(246)	960	20.4%
Loans 91 to 180 days overdue	2 060	(891)	1 169	43.3%
Loans over 180 days overdue	22 525	(22 525)	-	100.0%
Total mortgage loans to individuals	**603 778**	**(29 279)**	**574 499**	**4.8%**
Car loans to individuals				
Collectively assessed				
Not past due	76 792	(1 237)	75 555	1.6%
Loans up to 30 days overdue	682	(20)	662	2.9%
Loans 31 to 60 days overdue	248	(17)	231	6.9%
Loans 61 to 90 days overdue	152	(18)	134	11.8%
Loans 91 to 180 days overdue	300	(65)	235	21.7%
Loans over 180 days overdue	2 091	(2 091)	-	100.0%
Total car loans to individuals	**80 265**	**(3 448)**	**76 817**	**4.3%**
Total loans to individuals	**1 319 732**	**(68 812)**	**1 250 920**	**5.2%**
Total loans and advances to customers as at 31 December 2010	**6 191 910**	**(702 523)**	**5 489 387**	**11.3%**

10 Loans and Advances to Customers (Continued)

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2011:

In millions of Russian Roubles	**1 group**	**2 group**	**3 group**	**Total**
Commercial loans to legal entities	159 123	2 125 219	1 511 180	3 795 522
Specialised loans to legal entities	98 620	1 141 737	1 035 706	2 276 063
Consumer and other loans to individuals	5 556	892 604	502	898 662
Mortgage loans to individuals	4 997	735 408	1 162	741 567
Car loans to individuals	455	80 179	80	80 714
Total	**268 751**	**4 975 147**	**2 548 630**	**7 792 528**

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2010:

In millions of Russian Roubles	**1 group**	**2 group**	**3 group**	**Total**
Commercial loans to legal entities	161 500	1 273 414	1 022 762	2 457 676
Specialised loans to legal entities	80 026	793 995	961 733	1 835 754
Consumer and other loans to individuals	5 685	590 441	2 178	598 304
Mortgage loans to individuals	7 214	563 935	1 190	572 339
Car loans to individuals	425	76 258	109	76 792
Total	**254 850**	**3 298 043**	**1 987 972**	**5 540 865**

For the purpose of these consolidated financial statements, all not past due collectively assessed loans to legal entities are classified in three quality groups presented in the tables above with group 1 loans being of the highest quality. The 1-st group includes borrowers with sound level of liquidity and profitability as well as high capital adequacy ratio. The probability of breach of loan agreement terms is assessed as low. The 2-nd group includes borrowers with average level of liquidity and profitability as well as average capital adequacy ratio. The probability of breach of loan agreement terms is assessed as moderate. The 3-rd group includes borrowers with satisfactory level of liquidity and profitability as well as moderate capital adequacy ratio. The probability of breach of loan agreement terms is assessed as above moderate.

For the purpose of these consolidated financial statements, all not past due loans to individuals are combined into three groups presented in the tables above. The 1-st group of these loans to individuals is represented by loans with good debt servicing and excellent financial position of a borrower. The 2-nd group is represented by loans with good/average debt servicing and excellent/moderate financial position of a borrower. The 3-rd group is represented by loans with average debt servicing and moderate financial position of a borrower.

As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

10 Loans and Advances to Customers (Continued)

As at 31 December 2011 the outstanding non-performing loans were as follows:

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	152 997	(145 247)	7 750	94.9%
Specialised loans to legal entities	199 498	(161 244)	38 254	80.8%
Consumer and other loans to individuals	27 957	(25 790)	2 167	92.2%
Mortgage loans to individuals	24 712	(23 741)	971	96.1%
Car loans to individuals	2 235	(2 096)	139	93.8%
Total non-performing loans and advances to customers as at 31 December 2011	**407 399**	**(358 118)**	**49 281**	**87.9%**

As at 31 December 2010 the outstanding non-performing loans were as follows:

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	165 685	(153 038)	12 647	92.4%
Specialised loans to legal entities	232 105	(192 813)	39 292	83.1%
Consumer and other loans to individuals	27 526	(25 839)	1 687	93.9%
Mortgage loans to individuals	24 585	(23 416)	1 169	95.2%
Car loans to individuals	2 391	(2 156)	235	90.2%
Total non-performing loans and advances to customers as at 31 December 2010	**452 292**	**(397 262)**	**55 030**	**87.8%**

Provisions for Loan Impairment. The analysis of changes in provisions for loan impairment for the year ended 31 December 2011 is presented in the table below:

In millions of Russian Roubles	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Provision for loan impairment as at 1 January 2011	**312 929**	**320 782**	**36 085**	**29 279**	**3 448**	**702 523**
Net provision charge / (net recovery of provision) for loan impairment during the reporting period	10 665	(15 780)	3 001	1 163	(242)	(1 193)
Foreign currencies translation	(680)	(933)	(126)	7	(9)	(1 741)
Loans and advances written off during the reporting period	(23 513)	(10 296)	(1 651)	(1 598)	(124)	(37 182)
Provision for loan impairment as at 31 December 2011	**299 401**	**293 773**	**37 309**	**28 851**	**3 073**	**662 407**

10 Loans and Advances to Customers (Continued)

The analysis of changes in provisions for loan impairment for the year ended 31 December 2010 is presented in the table below:

In millions of Russian Roubles	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Provision for loan impairment as at 1 January 2010	**221 488**	**287 059**	**38 238**	**28 775**	**4 254**	**579 814**
Net provision charge / (net recovery of provision) for loan impairment during the reporting period	118 880	35 863	(1 041)	832	(725)	153 809
Loans and advances written off during the reporting period	(27 439)	(2 140)	(1 112)	(328)	(81)	(31 100)
Provision for loan impairment as at 31 December 2010	**312 929**	**320 782**	**36 085**	**29 279**	**3 448**	**702 523**

Renegotiated loans. Information on loans whose terms have been renegotiated, as at 31 December 2011 and 31 December 2010 is presented in the table below. It shows the amount for renegotiated loans before provision for loan impairment by class.

In millions of Russian Roubles	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
31 December 2011:						
Not past due collectively assessed loans	551 959	329 492	7 010	5 393	456	894 310
Other renegotiated loans	85 129	42 067	3 332	6 032	708	137 268
Total renegotiated loans before provision for loan impairment	**637 088**	**371 559**	**10 342**	**11 425**	**1 164**	**1 031 578**
31 December 2010:						
Not past due collectively assessed loans	402 606	171 884	6 824	1 958	38	583 310
Other renegotiated loans	96 571	54 160	3 299	10 197	184	164 411
Total renegotiated loans before provision for loan impairment	**499 177**	**226 044**	**10 123**	**12 155**	**222**	**747 721**

10 Loans and Advances to Customers (Continued)

Investments in finance lease. Included in specialised loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 31 December 2011 and as at 31 December 2010 is as follows:

in millions of Russian Roubles	**2011**	**2010**
Gross investment in finance lease	134 866	72 717
Unearned future finance income on finance lease	(46 593)	(21 274)
Net investment in finance lease before provision for impairment	**88 273**	**51 443**
Less provision for impairment	(2 275)	(1 033)
Net investment in finance lease after provision for impairment	**85 998**	**50 410**

The contractual maturity analysis of net investments in finance lease as at 31 December 2011 is as follows:

in millions of Russian Roubles	**Net investment in finance lease before provision for impairment**	**Provision for impairment**	**Net investment in finance lease after provision for impairment**
Not later than 1 year	26 561	(694)	25 867
Later than 1 year but not later than 5 years	48 864	(1 254)	47 610
Later than 5 years	12 848	(327)	12 521
Total as at 31 December 2011	**88 273**	**(2 275)**	**85 998**

The contractual maturity analysis of net investments in finance lease as at 31 December 2010 is as follows:

In millions of Russian Roubles	**Net investment in finance lease before provision for impairment**	**Provision for impairment**	**Net investment in finance lease after provision for impairment**
Not later than 1 year	18 567	(325)	18 242
Later than 1 year but not later than 5 years	29 303	(657)	28 646
Later than 5 years	3 573	(51)	3 522
Total as at 31 December 2010	**51 443**	**(1 033)**	**50 410**

The analysis of minimal finance lease receivables as at 31 December 2011 and as at 31 December 2010 per contractual maturity is as follows:

In millions of Russian Roubles	**31 December 2011**	**31 December 2010**
Not later than 1 year	28 422	19 662
Later than 1 year but not later than 5 years	71 999	41 593
Later than 5 years	34 445	11 462
Total	**134 866**	**72 717**

10 Loans and Advances to Customers (Continued)

Economic sector concentration risk. Economic sector concentration risk within the customer loan portfolio as at 31 December 2011 and as at 31 December 2010 are as follows:

	2011		2010	
In millions of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	1 805 527	21.5	1 319 732	21.3
Services	1 658 527	19.8	1 001 330	16.2
Trade	1 134 763	13.5	1 008 025	16.3
Food and agriculture	703 863	8.4	585 394	9.5
Construction	451 261	5.4	404 601	6.5
Energy	379 891	4.5	208 797	3.4
Machine building	355 574	4.2	317 588	5.1
Chemical industry	340 211	4.1	216 833	3.5
Telecommunications	331 954	4.0	168 042	2.7
Metallurgy	299 424	3.6	300 806	4.9
Transport, aviation, space industry	285 364	3.4	147 540	2.4
Government and municipal bodies	268 087	3.2	153 280	2.5
Oil and gas	164 663	2.0	177 495	2.9
Timber industry	50 388	0.6	49 609	0.8
Other	152 610	1.8	132 838	2.0
Total loans and advances to customers before provision for loan impairment	**8 382 107**	**100.0**	**6 191 910**	**100.0**

"Services" category includes financial, insurance and other service companies, as well as loans granted to holding and multi-industry companies.

As at 31 December 2011 the Group had 20 largest corporate borrowers with aggregated loan amounts due from each of these borrowers exceeding RR 47 900 million (31 December 2010: 20 largest borrowers with loan amounts due from each of these borrowers exceeding RR 29 300 million). The total aggregate amount of these loans was RR 1 956 233 million or 23.3% of the total gross loan portfolio of the Group (31 December 2010: RR 1 401 637 million or 22.6%).

As at 31 December 2011 several commercial loans are collateralized by highly liquid securities with fair value of RR 295 143 million which the Group has the right to dispose (2010: RR 83 042 million).

Interest income accrued on loans, for which individual impairment has been recognised, for the year ended 31 December 2011, comprised RR 8 946 million (31 December 2010: RR 8 322 million).

In interest income on loans and advances to customers in the consolidated income statement are included fines and penalties received from borrowers in the amount of RR 8 741 million (31 December 2010: RR 10 759 million).

The estimated fair value of loans and advances to customers is disclosed in Note 34. Currency and maturity analyses of loans and advances to customers are disclosed in Note 31. The information on related party balances is disclosed in Note 35 and 36.

11 Securities Pledged under Repurchase Agreements

In millions of Russian Roubles	**2011**	**2010**
Trading securities pledged under repurchase agreements		
Corporate shares	34 311	-
Russian Federation Eurobonds	7 045	12 150
Corporate bonds	6 102	-
Federal loan bonds (OFZ bonds)	440	-
Investments in mutual funds	312	-
Total trading securities pledged under repurchase agreements	**48 210**	**12 150**
Securities designated at fair value through profit or loss pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	8 060	-
Corporate shares	1 282	-
Total securities designated at fair value through profit or loss pledged under repurchase agreements	**9 342**	**-**
Investment securities available for sale pledged under repurchase agreements		
Corporate bonds	30 773	13 484
Russian Federation Eurobonds	29 384	47 027
Federal loan bonds (OFZ bonds)	25 551	-
Corporate shares	20 126	8 276
Foreign government bonds	275	556
Total investment securities available for sale pledged under repurchase agreements	**106 109**	**69 343**
Investment securities held to maturity pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	136 425	-
Corporate bonds	753	-
Total investment securities held to maturity pledged under repurchase agreements	**137 178**	**-**
Total securities pledged under repurchase agreements	**300 839**	**81 493**

Securities pledged under repurchase agreements represent securities pledged under sale and repurchase agreements, which the counterparty has the right, by contract or custom, to sell or repledge. As at 31 December 2011 included in Due to corporate customers are deposits in the amount of RR 38 090 million (31 December 2010: RR 5 968 million) received under sale and repurchase agreements with legal entities. Refer to Note 17. Deposits in the amount of RR 220 863 million (31 December 2010: RR 61 803 million) received under sale and repurchase agreements with other banks are included in Due to other banks. Refer to Note 16.

OFZ bonds included in the portfolio of trading securities, securities designated at fair value through profit or loss, investment securities available for sale and investment securities held to maturity pledged under repurchase agreements are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from August 2012 to January 2019, coupon rates from 0% to 12% p.a. and yield to maturity from 6% to 9% p.a., depending on the type of bond issue.

Corporate bonds included in the portfolio of trading securities, investment securities available for sale and investment securities held to maturity pledged under repurchase agreements have maturity dates from March 2012 to March 2031 (2010: from January 2012 to November 2019), coupon rates from 5% to 13% p.a. (2010: from 6% to 10% p.a.) and yield to maturity from 2% to 16% p.a. (2010: from 2% to 8% p.a.), depending on the type of bond issue. As at 31 December 2011 corporate bonds pledged under repurchase agreements are mostly represented by debt securities issued by oil and gas and telecommunication companies and banks. As at 31 December 2010 corporate bonds pledged under repurchase agreements are mostly represented by debt securities issued by a bank, oil and gas and metallurgy companies.

11 Securities Pledged under Repurchase Agreements (Continued)

Russian Federation Eurobonds included in the portfolio of trading securities and investment securities available for sale pledged under repurchase agreements have maturity dates from July 2018 to March 2030 (2010: from July 2018 to March 2030), coupon rates from 7% to 13% p.a. (2010: from 8% to 13% p.a.) and yield to maturity from 4% to 6% p.a. (2010: from 5% to 6% p.a.), depending on the type of bond issue.

Foreign government bonds included in the portfolio of investment securities available for sale pledged under repurchase agreements are interest-bearing securities denominated in foreign currencies, issued by foreign governments, and are freely tradable internationally. These bonds have maturity from February 2012 to December 2012 (2010: in October 2012), coupon rate from 10% to 20% p.a. (2010: 20% p.a.) and yield to maturity from 15% p.a. to 24% p.a. (2010: 14% p.a.).

As at 31 December 2011 corporate shares included in the portfolio of trading securities, securities designated at fair value through profit or loss and investment securities available for sale pledged under repurchase agreements pledged under repurchase agreements are mostly represented by quoted shares of Russian oil and gas companies. As at 31 December 2010 corporate shares pledged under repurchase agreements are mostly represented by quoted shares of Russian oil and gas and metallurgy companies.

Investments in mutual funds included in the portfolio of trading securities pledged under repurchase agreements are on-demand investments in a stock market index fund nominated in Russian Roubles.

Analysis by credit quality of debt securities pledged under repurchase agreements outstanding at 31 December 2011 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	170 476	-	-	170 476
Corporate bonds	24 902	11 500	1 226	37 628
Russian Federation Eurobonds	36 429	-	-	36 429
Foreign government bonds	-	275	-	275
Total debt securities pledged under repurchase agreements	**231 807**	**11 775**	**1 226**	**244 808**

Analysis by credit quality of debt securities pledged under repurchase agreements outstanding at 31 December 2010 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Russian Federation Eurobonds	59 177	-	-	59 177
Corporate bonds	7 620	5 864	-	13 484
Foreign government bonds	-	556	-	556
Total debt securities pledged under repurchase agreements	**66 797**	**6 420**	**-**	**73 217**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

All corporate bonds pledged under repurchase agreements are not past due. None of the securities pledged under repurchase agreements were renegotiated.

Currency and maturity analyses of securities pledged under repurchase agreements are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

12 Investment Securities Available for Sale

In millions of Russian Roubles	2011	2010
Federal loan bonds (OFZ bonds)	410 978	348 353
Corporate bonds	320 307	275 563
Municipal and subfederal bonds	47 558	50 219
Russian Federation Eurobonds	23 599	4 950
Foreign government bonds	21 956	17 899
Bonds of the Bank of Russia	-	433 585
Total debt investment securities available for sale	**824 398**	**1 130 569**
Corporate shares	60 131	80 352
Total investment securities available for sale	**884 529**	**1 210 921**

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from January 2012 to February 2036 (2010: from January 2011 to February 2036), coupon rates from 0% to 12% p.a. (2010: from 0% to 12% p.a.) and yield to maturity from 3% to 9% p.a. (2010: from 2% to 10% p.a.), depending on the type of bond issue.

Corporate bonds are interest-bearing and non-interest bearing securities denominated in Russian Roubles and foreign currencies, issued by large Russian and CIS companies. These bonds have maturity dates from February 2012 to November 2025 (2010: from February 2011 to November 2025), coupon rates from 0% to 16% p.a. (2010: from 1% to 18% p.a.) and yield to maturity from 1% to 33% p.a. (2010: from 2% to 34% p.a.), depending on the type of bond issue. As at 31 December 2011 corporate bonds are mostly represented by debt securities issued by oil and gas, transportation, telecommunication, metallurgy, energy, service companies and banks. As at 31 December 2010 corporate bonds are mostly represented by debt securities issued by banks, oil and gas, metallurgy, mining, transportation and telecommunication companies.

Municipal and subfederal bonds are interest-bearing securities denominated in Russian Roubles and Euro and issued by municipal and subfederal bodies of the Russian Federation. These bonds have maturity dates from May 2012 to June 2022 (2010: from April 2011 to June 2022), coupon rate from 5% to 18% p.a. (2010: from 5% to 18% p.a.) and yield to maturity from 5% to 17% p.a. (2010: from 2% to 9% p.a.), depending on the type of bond issue.

Russian Federation Eurobonds are interest-bearing securities denominated in US Dollars, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. These bonds have maturity dates from July 2018 to March 2030 (2010: from July 2018 to March 2030), coupon rates from 7% to 13% p.a. (2010: from 8% to 13% p.a.) and yield to maturity from 4% to 6% p.a. (2010: from 5% to 6% p.a.).

Foreign government bonds are interest-bearing and non-interest-bearing securities denominated in Russian Roubles and foreign currencies, issued by foreign governments. These bonds have maturity dates from February 2012 to October 2027 (2010: from February 2011 to October 2020), coupon rates from 0% to 20% p.a. (2010: from 4% to 20% p.a.) and yield to maturity from 4% to 22% p.a. (2010: from 2% to 20% p.a.), depending on the type of bond issue.

Bonds of the Bank of Russia are zero-coupon securities denominated in Russian Roubles, issued by the Central Bank of the Russian Federation, and are freely tradable on the domestic market. As at 31 December 2010 these bonds had maturity date in March 2011 and yield to maturity of 4% p.a.

12 Investment Securities Available for Sale (Continued)

Corporate shares are quoted and non-quoted shares of large Russian and CIS companies. As at 31 December 2011 corporate shares are mostly represented by oil and gas and finance companies. As at 31 December 2010 corporate shares are mostly represented by oil and gas, energy, communication, transport, finance and metallurgy companies.

As at 31 December 2011 investment securities available for sale in the amount of RR 1 320 million (2010: 0) represent securities collateralised under sale and repurchase agreements with other banks which the counterparty has no right to sell or repledge. Deposits in the amount of RR 1 154 million (2010: 0) received under these sale and repurchase agreements are included in Due to other banks. Refer to Note 16.

Investment securities available for sale are carried at fair value which also reflects credit risk related write downs. Fair value of investment securities available for sale is based on their market quotations and valuation models with use of data both observable and not observable on the open market. According to the assessment of the Group as at 31 December 2011 impairment of investment securities available for sale comprised RR 1 095 million (2010: RR 39 million) and was recognised in profit or loss. The unrealised gains/(losses) on revaluation of investment securities available for sale other than impairment loss are recognised in other comprehensive income and presented in equity as fair value reserve for investment securities available for sale as at 31 December 2011 in the cumulative loss of RR 7 459 million (2010: gain of RR 24 431 million). As at 31 December 2011 included in investment securities available for sale are past due fully impaired corporate bonds with nominal value of RR 96 million (2010: 91 million). None of the investment securities available for sale were renegotiated.

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2011 is as follows:

In millions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Federal loan bonds (OFZ bonds)	410 978	-	-	410 978
Corporate bonds	163 944	139 989	16 374	320 307
Municipal and subfederal bonds	28 776	18 475	307	47 558
Russian Federation Eurobonds	23 599	-	-	23 599
Foreign government bonds	8 218	13 738	-	21 956
Total debt investment securities available for sale	**635 515**	**172 202**	**16 681**	**824 398**

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2010 is as follows:

In millions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Bonds of the Bank of Russia	433 585	-	-	433 585
Federal loan bonds (OFZ bonds)	348 353	-	-	348 353
Corporate bonds	140 463	100 485	34 615	275 563
Municipal and subfederal bonds	32 769	17 314	136	50 219
Foreign government bonds	6 377	11 448	74	17 899
Russian Federation Eurobonds	4 950	-	-	4 950
Total debt investment securities available for sale	**966 497**	**129 247**	**34 825**	**1 130 569**

12 Investment Securities Available for Sale (Continued)

As at 31 December 2010 included in not rated corporate bonds are bonds with fair value of RR 287 million with default rating.

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

As at 31 December 2011 included in investment securities available for sale are federal loan bonds (OFZ bonds) with fair value of RR 203 920 million (2010: RR 42 498 million) and Eurobonds of the Russian Federation with fair value of RR 5 million (2010: RR 5 million) pledged on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. Refer to Notes 32 and 35.

Currency and maturity analyses of investment securities available for sale are disclosed in Note 31. The information on related party balances is disclosed in Notes 35 and 36.

13 Investment Securities Held to Maturity

In millions of Russian Roubles	**2011**	**2010**
Corporate bonds	130 123	44 512
Federal loan bonds (OFZ bonds)	74 644	227 328
Municipal and subfederal bonds	79 613	86 052
Promissory notes	2 003	-
Foreign government bonds	133	299
Total investment securities held to maturity	**286 516**	**358 191**

Corporate bonds are interest bearing securities denominated in Russian Roubles and foreign currencies, issued by large Russian and CIS companies. These bonds have maturity dates from February 2012 to October 2023 (2010: from February 2011 to November 2017), coupon rates from 5% to 12% p.a. (2010: from 5% to 15% p.a.) and yield to maturity from 2% to 16% p.a. (2010: from 2% to 15% p.a.), depending on the type of bond issue. As at 31 December 2011 corporate bonds are mostly represented by debt securities issued by machine building, energy, oil and gas, metallurgy and telecommunication companies. As at 31 December 2010 corporate bonds are mostly represented by debt securities issued by energy and telecommunication companies.

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from August 2012 to January 2019 (2010: from June 2011 to January 2019), coupon rates from 0% to 12% p.a. (2010: from 0% to 12% p.a.) and yield to maturity from 6% to 9% p.a. (2010: from 4% to 7% p.a.), depending on the type of bond issue.

Municipal and subfederal bonds are interest-bearing securities denominated in Russian Roubles and issued by municipal and subfederal bodies of the Russian Federation. These bonds have maturity dates from March 2012 to December 2016 (2010: from December 2011 to September 2016), coupon rate from 8% to 18% p.a. (2010: from 8% to 18% p.a.) and yield to maturity from 6% to 10% p.a. (2010: from 6% to 8% p.a.), depending on the type of bond issue.

Promissory notes are interest-bearing securities denominated in Russian Roubles, issued by a Russian bank. The maturity dates are from January 2012 to March 2012; yield to maturity is 8% p.a.

13 Investment Securities Held to Maturity (Continued)

Foreign government bonds are interest-bearing securities denominated in foreign currencies, issued by foreign governments. These bonds have maturity date from September 2014 to July 2020 (2010: from September 2014 to July 2020), coupon rate 2% p.a. (2010: from 2% to 11% p.a.), depending on the type of bond issue, and yield to maturity – 11% p.a. (2010: 11% p.a.).

Analysis by credit quality of debt investment securities held to maturity outstanding at 31 December 2011 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	27 355	48 172	54 596	130 123
Federal loan bonds (OFZ bonds)	74 644	-	-	74 644
Municipal and subfederal bonds	63 351	16 262	-	79 613
Promissory notes	-	-	2 003	2 003
Foreign government bonds	-	133	-	133
Total investment securities held to maturity	**165 350**	**64 567**	**56 599**	**286 516**

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2010 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	227 328	-	-	227 328
Municipal and subfederal bonds	70 629	15 423	-	86 052
Corporate bonds	14 478	24 514	5 520	44 512
Foreign government bonds	-	225	74	299
Total investment securities held to maturity	**312 435**	**40 162**	**5 594**	**358 191**

Credit quality in the table above is based on the rating scale developed by the international rating agencies.

As at 31 December 2011 included in investment securities held to maturity are federal loan bonds (OFZ bonds) with carrying value of RR 36 721 million (2010: 37 044 million) pledged on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. Refer to Notes 32 and 35.

At 31 December 2011 and at 31 December 2010 there are no renegotiated debt investment securities held to maturity that would otherwise be past due. All debt investment securities held to maturity are not past due.

The estimated fair value of investment securities held to maturity is disclosed in Note 34. Currency and maturity analyses of investment securities held to maturity are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

14 Premises and Equipment

In millions of Russian Roubles	Note	Office premises	Other premises	Office and computer equipment	Vehicles and other equipment	Construction in progress	Total
Cost or revalued amount at 1 January 2010		181 065	2 462	111 216	20 442	13 768	328 953
Accumulated depreciation		(588)	(34)	(71 115)	(7 335)	-	(79 072)
Carrying amount at 1 January 2010		**180 477**	**2 428**	**40 101**	**13 107**	**13 768**	**249 881**
Additions		12 191	1 585	29 613	2 798	16 895	63 082
Acquisitions through business combinations		979	3 531	78	4 147	2 137	10 872
Transfers		7 965	-	-	-	(7 965)	-
Disposals – at cost or revalued amount		(2 300)	(54)	(4 159)	(5 407)	(1 705)	(13 625)
Disposals – accumulated depreciation		18	2	4 060	1 825	-	5 905
Depreciation charge	26	(5 694)	(34)	(22 852)	(3 779)	-	(32 359)
Carrying amount at 31 December 2010		**193 636**	**7 458**	**46 841**	**12 691**	**23 130**	**283 756**
Cost or revalued amount at 31 December 2010		199 900	7 524	136 748	21 980	23 130	389 282
Accumulated depreciation		(6 264)	(66)	(89 907)	(9 289)	-	(105 526)
Additions		10 536	1 153	49 392	5 817	42 454	109 352
Acquisitions through business combinations		827	91	648	22	279	1 867
Transfers		26 877	7 740	64	1 674	(36 355)	-
Disposals – at cost or revalued amount		(4 914)	(4 413)	(6 196)	(5 940)	(2 672)	(24 135)
Disposals – accumulated depreciation		204	240	5 816	1 914	-	8 174
Depreciation charge	26	(6 708)	(788)	(32 746)	(3 355)	-	(43 597)
Impairment of construction in progress recognised in profit or loss		-	-	-	-	(125)	(125)
Revaluation of office premises recognised in profit or loss		(11 297)	-	-	-	-	(11 297)
Revaluation of premises recognised in other comprehensive income		36 874	-	-	-	-	36 874
Foreign currencies translation		(972)	-	9	14	(17)	(966)
Carrying amount at 31 December 2011		**245 063**	**11 481**	**63 828**	**12 837**	**26 694**	**359 903**
Cost or revalued amount at 31 December 2011		245 063	12 095	180 665	23 567	26 694	488 084
Accumulated depreciation		-	(614)	(116 837)	(10 730)	-	(128 181)

Construction in progress consists of construction or refurbishment of the Group's premises and equipment. Upon completion, assets are transferred to office premises, other premises or equipment categories.

14 Premises and Equipment (Continued)

Office premises have been revalued to market value at 31 December 2011. At 31 December 2011 the carrying amount of office premises would have been RR 156 510 million (2010: RR 126 885 million) had the premises been carried at cost less depreciation. The amount reconciles to the carrying value of the office premises as follows:

In millions of Russian Roubles	2011	2010
Office premises at revalued amount in the statement of financial position	245 063	193 636
Revaluation reserve presented in equity before tax and amortisation	(112 870)	(75 823)
Negative revaluation of office premises presented in income statement	29 771	18 474
Difference between accumulated depreciation based on cost and based on revalued amount	(5 454)	(9 402)
Office premises at cost less accumulated depreciation	**156 510**	**126 885**

At 31 December 2011 included in office and computer equipment were fully depreciated items in the amount of RR 22 111 million (2010: RR 27 741 million). There were no fully depreciated items in vehicles and other equipment as at 31 December 2011 (2010: RR 1 120 million).

15 Other Assets

In millions of Russian Roubles	2011	2010
Other financial assets		
Receivables on plastic cards settlements	78 805	91 219
Derivative financial instruments	51 204	9 257
Settlements on operations with securities	15 214	-
Settlements on currency conversion operations	6 497	6 196
Accrued fees and commissions	3 884	2 758
Trade receivables	2 653	5 259
Funds in settlement	157	118
Other financial assets	6 920	2 791
Provision for impairment of other financial assets	(2 214)	(2 162)
Total other financial assets	**163 120**	**115 436**
Other non-financial assets		
Precious metals	65 964	34 767
Prepayments for premises and other assets	29 933	39 258
Goodwill	15 050	8 251
Non-current assets held for sale and assets of the disposal group	14 355	402
Inventory of non-banking subsidiaries	12 709	11 589
Intangible assets acquired through business combinations	12 239	4 170
Investment property	11 758	5 414
Tax settlements (other than on income)	9 821	4 230
Non-exclusive licences	8 909	4 091
Investments in associates	4 677	2 479
Prepaid expenses	3 845	2 840
Prepayment on income tax	1 458	929
Other non-financial assets	10 038	8 658
Provision for impairment of other non-financial assets	(3 920)	(2 610)
Total other non-financial assets	**196 836**	**124 468**
Total other assets	**359 956**	**239 904**

15 Other Assets (Continued)

In December 2011 the Group signed a preliminary agreement on a stage-by-stage disposal of 100% share of OJSC Holding company GVSU Center in a period of less than twelve months after the reporting date as a result of which assets of GVSU were classified as assets of the disposal group as at 31 December 2011. Refer to Notes 20 and 39.

As at 31 December 2011 receivables on plastic cards settlements of RR 78 805 million (2010: RR 91 219 million) represent receivables due within 30 days on operations of the Group`s customers with plastic cards.

As at 31 December 2011 and 31 December 2010 intangible assets acquired through business combinations are as follows:

In millions of Russian Roubles	**2011**	**2010**
Licenses for oil exploitation	2 381	2 598
Core deposit intangible	5 355	1 483
Other	4 503	89
Total intangible assets acquired through business combinations	**12 239**	**4 170**

Movements in the provision for impairment of other assets during 2011 are as follows:

In millions of Russian Roubles	**Funds in settlement**	**Other financial assets**	**Prepayments for premises and other assets**	**Other non-financial assets**	**Total**
Provision for impairment at 1 January 2011	**77**	**2 085**	**1 083**	**1 527**	**4 772**
Net provision charge for impairment during the year	13	259	(82)	1 669	1 859
Other assets written off during the year as uncollectible	-	(220)	-	(277)	(497)
Provision for impairment at 31 December 2011	**90**	**2 124**	**1 001**	**2 919**	**6 134**

Movements in the provision for impairment of other assets during 2010 are as follows:

In millions of Russian Roubles	**Funds in settlement**	**Other financial assets**	**Prepayments for premises and other assets**	**Other non-financial assets**	**Total**
Provision for impairment at 1 January 2010	**385**	**3 623**	**1 111**	**335**	**5 454**
Net provision charge for impairment during the year	(308)	5 458	(26)	1 313	6 437
Other assets written off during the year as uncollectible	-	(6 996)	(2)	(121)	(7 119)
Provision for impairment at 31 December 2010	**77**	**2 085**	**1 083**	**1 527**	**4 772**

15 Other Assets (Continued)

Provision for impairment of other assets is recognised by the Group on operations conducted in the normal course of the Group's business. Provision is accessed on the basis of the Group's best estimates of recoverability of other assets.

Movements in goodwill arising on the acquisition of subsidiaries are:

In millions of Russian Roubles	Note	2011	2010
Carrying amount at 1 January		**8 251**	**469**
Acquisition of subsidiaries	37	8 028	8 699
Impairment loss		(1 209)	(917)
Transfer of goodwill to non-current assets held for sale		(20)	-
Carrying amount at 31 December		**15 050**	**8 251**

The estimated fair value of other financial assets is disclosed in Note 34. Currency and maturity analyses of other assets are disclosed in Note 31.

16 Due to Other Banks

In millions of Russian Roubles	2011	2010
Term placements of other banks	240 445	34 149
Sale and repurchase agreements with other banks	232 870	61 803
Correspondent accounts and overnight placements of other banks	59 070	38 716
Total due to other banks	**532 385**	**134 668**

Term placements of other banks represent funds received on interbank market.

At 31 December 2011, included in amounts due to other banks are liabilities of RR 222 017 million (2010: RR 61 803 million) received under sale and repurchase agreements with other banks. Fair value of securities collateralised under these agreements with other banks was included in securities pledged under repurchase agreements in the amount of RR 254 947 million (2010: RR 74 550 million) and in investment securities available for sale in the amount of RR 1 320 million (2010: nil). Refer to Notes 11 and 32.

Included in due to other banks are liabilities in the amount of RR 10 853 million under sale and repurchase agreements which are collateralised with securities of clients. Fair value of such securities totalled RR 11 936 million.

The estimated fair value of due to other banks is disclosed in Note 34. Currency and maturity analyses of due to other banks are disclosed in Note 31. The information on related party balances is disclosed in Notes 35 and 36.

17 Due to Individuals and Corporate Customers

In millions of Russian Roubles	**2011**	**2010**
Individuals:		
- Current/demand accounts	1 077 039	785 750
- Term deposits	4 649 280	4 048 709
Total due to individuals	**5 726 319**	**4 834 459**
State and public organisations:		
- Current/settlement accounts	142 182	116 827
- Term deposits	39 560	40 475
Total due to state and public organisations	**181 742**	**157 302**
Other corporate customers:		
- Current/settlement accounts	1 230 174	1 082 754
- Term deposits	793 898	576 616
Total due to other corporate customers	**2 024 072**	**1 659 370**
Total due to corporate customers	**2 205 814**	**1 816 672**
Total due to individuals and corporate customers	**7 932 133**	**6 651 131**

Economic sector concentrations within customer accounts are as follows:

	2011		**2010**	
In millions of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	5 726 319	72.2	4 834 459	72.7
Services	450 186	5.7	254 117	3.8
Oil and gas	311 902	3.9	266 889	4.0
Trade	305 636	3.9	260 559	3.9
Construction	182 704	2.3	166 905	2.5
Machine building	132 237	1.7	110 165	1.7
Energy	122 241	1.5	104 246	1.6
Transport, aviation, space industry	79 736	1.0	57 687	0.9
Food and agriculture	78 601	1.0	79 381	1.2
Municipal bodies and state organisations	58 320	0.7	82 717	1.2
Chemical	56 349	0.7	44 269	0.7
Telecommunications	48 703	0.6	39 465	0.6
Metallurgy	43 306	0.5	87 854	1.3
Other	335 893	4.3	262 418	3.9
Total due to individuals and corporate customers	**7 932 133**	**100.0**	**6 651 131**	**100.0**

17 Due to Individuals and Corporate Customers (Continued)

As at 31 December 2011 included in term deposits of corporate customers are deposits in the amount of RR 38 090 million (2010: RR 5 968 million) received under sale and repurchase agreements with legal entities. Fair value of securities collateralised under these agreements amounted to RR 46 054 million and was included in securities pledged under repurchase agreements (2010: RR 6 943 million). Refer to Notes 11 and 32.

Included in term deposits of corporate customers are deposits in the amount of RR 3 883 million under sale and repurchase agreements which are collateralised with securities of clients. Fair value of such securities totalled RR 5 142 million.

As at 31 December 2011 included in Due to corporate customers are deposits of RR 95 001 million (2010: RR 78 749 million) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 32.

As at 31 December 2011 the Group had 20 largest customers with balances above RR 11 500 million (2010: 20 customers with balances above RR 7 450 million). The aggregate balance of these customers was RR 621 086 million (2010: RR 561 760 million) or 7.8% (2010: 8.4%) of total due to individuals and corporate customers.

The estimated fair value of due to individuals and corporate customers is disclosed in Note 34. Currency and maturity analyses of due to individuals and corporate customers are disclosed in Note 31. The information on related party balances is disclosed in Notes 35 and 36.

18 Debt Securities in Issue

In millions of Russian Roubles	**31 December 2011**	**31 December 2010**
Loan participation notes issued under the MTN programme	169 623	153 273
Promissory notes	77 214	96 505
Savings certificates	9 798	13 102
Structured notes	1 498	-
Deposits certificates	700	1 889
Other debt securities	9 874	7 930
Total debt securities in issue	**268 707**	**272 699**

At 31 December 2011 included in loan participation notes issued under the MTN programme are notes issued by the Group under USD 10 000 million loan participation notes MTN issuance programme launched in 2006. In May 2006 the Group issued the first series of notes under this programme in the amount of USD 500 million equivalent to RR 13 472 million as at the date of issue. As at 31 December 2011 these notes were accounted for at amortised cost of RR 16 360 million (2010: RR 15 539 million). The notes mature in May 2013 and have contractual fixed interest rate of 6.5% p.a. As at 31 December 2011 the effective interest rate on the notes was 6.6% p.a. (2010: 6.6% p.a.).

In July 2008 the Group issue the third series of notes under the MTN issuance programme in the amount of USD 500 million equivalent to RR 11 734 million as at the date of issue. As at 31 December 2011 these notes were accounted for at amortised cost of RR 16 689 million (2010: RR 15 843 million). These notes mature in July 2013 and have contractual fixed interest rate of 6.5% p.a. As at 31 December 2011 the effective interest rate on the notes was 6.6% p.a. (2010: 6.6% p.a.).

18 Debt Securities in Issue (Continued)

In July 2010 the Group issued the fourth series of loan participation notes under the MTN issuance programme in the amount of USD 1 000 million equivalent to RR 31 112 million as at the date of issue. The notes mature in July 2015 and have contractual fixed interest rate of 5.5% p.a. Additional notes of USD 500 million (equivalent to RR 15 093 million as at the date of issue) were issued In August 2010 with a premium and form a single series with the fourth series issue. Additional notes have the same interest rate and maturity date. As at 31 December 2011 the notes were accounted for at amortised cost of RR 49 737 million (2010: RR 47 124 million); the effective interest rate on the notes was 5.4% p.a. (2010: 5.4% p.a.).

In September 2010 the Group issued the fifth series of loan participation notes under the MTN issuance programme in the amount of USD 1 000 million equivalent to RR 31 003 million as at the date of issue. The notes mature in March 2017 and have contractual fixed interest rate of 5.4% p.a. In October 2010 the Group issued additional notes for USD 250 million (equivalent to RR 7 631 million as at the date of issue) with a premium which form a single series with the fifth series issue and have the same interest rate and maturity. As at 31 December 2011 the notes were accounted for at amortised cost of RR 40 882 million (2010: RR 38 681 million); the effective interest rate was 5.4% p.a. (2010: 5.4% p.a.).

In November 2010 the Group issued the sixth series of loan participation notes under the MTN issuance programme in the amount of CHF 400 million equivalent to RR 12 577 million as at the date of issue. The notes mature in November 2014 and have contractual fixed interest rate of 3.5% p.a. As at 31 December 2011 the notes were accounted for at amortised cost of RR 13 738 million (2010: RR 12 988 million); the effective interest rate was 3.6% p.a. (2010: 3.6% p.a.).

In June 2011 the Group issued the seventh series of loan participation notes under the MTN issuance programme in the amount of USD 1 000 million equivalent to RR 27 896 million as at the date of issue. The notes mature in June 2021 and have contractual fixed interest rate of 5.7% p.a. As at 31 December 2011 the notes were accounted for at amortised cost of RR 32 217 million; the effective interest rate on the notes was 5.8% p.a.

During the year ended 31 December 2010 the Group partly repurchased loan participation notes, recognised at amortised cost of RR 2 123 million. The transaction was organised as a buy-out of the notes from the market. As a result of this transaction the Group has received a net loss in the amount of RR 87 million included in the consolidated income statement. In 2010 the Group partly disposed of the loan participation notes which were previously bought back from the market. The sale was conducted in several tranches. Amortised cost of the newly recognised liabilities comprised RR 7 116 as at 31 December 2011 (2010: RR 9 392 million, RR 2 569 million of which were redeemed in 2011). Effective interest rates varied from 2.5% to 4.3 % p.a.

In November 2011 the Group repaid the second series of loan participation notes under the MTN issuance programme in the amount of USD 750 million equivalent to RR 22 896 million as at the date of redemption. The notes were issued in November 2006 and had contractual fixed interest rate of 5.9% p.a.

Promissory notes are interest-bearing or discount securities issued by the Group. They are denominated in Russian roubles, US Dollars and Euro and have maturity dates from ”on demand” to September 2014 (2010: from ”on demand” to December 2013). Interest or discount rates on promissory notes issued by the Group vary from 0.1% to 6.5% p.a. (2010: from 0.3% to 10.4% p.a.). Promissory notes are freely tradable on the Russian financial market.

Savings and deposits certificates are interest-bearing securities issued by the Group. They are denominated in Russian Roubles and Belorussian Roubles and have maturity dates from ”on demand” to December 2014 (2010: from “on demand” to December 2013). Interest rates on these securities vary from 4.1% to 7.2% p.a. (2010: from 0.03% to 18.0% p.a.).

Structured notes represent interest-bearing and non-interest-bearing securities issued by the Group. They are denominated in Russian Roubles and have maturity dates from ”on demand” to August 2018. Interest rates on these securities vary from 0% to 17% p.a.

18 Debt Securities in Issue (Continued)

Other debt securities represent interest-bearing securities issued by the Group. They are denominated in Belorussian Roubles, Kazakh Tenge, US Dollars and Euro and have maturity dates from "on demand" to 2019 (2010: from "on demand" to 2019). Interest rates on these securities vary from 5.5% to 12.8% p.a. (2010: from 4.0% p.a. to 16.5% p.a.).

The estimated fair value of debt securities in issue is disclosed in Note 34. Currency and maturity analyses of debt securities in issue are disclosed in Note 31.

19 Other Borrowed Funds

In millions of Russian Roubles	**2011**	**2010**
Syndicated loans received	102 115	96 904
Trade finance deals	141 905	74 351
Total other borrowed funds	**244 020**	**171 255**

In December 2010 the Group received a syndicated loan in the amount of USD 2 000 million from a consortium of foreign banks equivalent to RR 61 506 million as at the date of issue. As at 31 December 2011 the loan was accounted for at amortised cost of RR 64 016 million (2010: RR 60 391 million). This loan matures in December 2013 and had contractual floating interest rate of 6 months LIBOR + 1.5% p.a. As at 31 December 2011 the effective interest rate on the loan was 2.7% p.a. (2010: 2.3% p.a.).

In November 2011 the Group received a multicurrency syndicated loan in the total amount of USD 1 197 million from a consortium of foreign banks equivalent to RR 37 638 million as at the date of issue. The loan was received in two tranches in two different currencies: c. 90% of the above sum was received in USD dollars and the remaining part in Euro. The loan matures in November 2014 and has contractual floating interest rates of 3 months LIBOR + 1.5% p.a. for the tranche in USD dollars and 3 months EURIBOR + 1.1% p.a. for the tranche in Euro. As at 31 December 2011 the loan was accounted for at amortised cost of RR 38 099 million; the effective interest rate on the tranche in USD dollars was 2.4% p.a., on the tranche in Euro – 2.9% p.a.

In October 2011 the Group repaid a syndicated loan in the amount of USD 1 200 million equivalent to RR 37 603 million as at the date of redemption. The loan was received by the Group in October 2008 from a consortium of foreign banks; the contractual floating interest rate was 3 months LIBOR + 0.85% p.a.

Other long-term borrowings represent trade finance deals performed by the Group. As at 31 December 2011 these borrowings were accounted for at amortised cost of RR 141 905 million (2010: RR 74 351 million), had interest rates varying from 0.9% to 8.3% p.a. (2010: from 0.1% to 9.1% p.a.) and maturity dates from January 2012 to December 2021 (2010: from January 2011 to June 2019).

The estimated fair value of other borrowed funds is disclosed in Note 34. Currency and maturity analyses of other borrowed funds are disclosed in Note 31.

20 Other Liabilities

In millions of Russian Roubles	Note	2011	2010
Other financial liabilities			
Securities sold, not yet purchased		67 492	-
Payable for acquisition of Troika Dialog Group Ltd.	37	36 133	-
Payables on plastic card settlements		45 777	25 425
Derivative financial instruments		26 665	1 553
Trade payables		13 097	9 318
Settlements on operations with securities		10 497	-
Funds in settlement		10 091	5 071
Deposit insurance system fees payable		5 184	4 476
Deferred commissions received on guarantees issued		1 373	1 222
Other		6 476	2 109
Total other financial liabilities		**222 785**	**49 174**
Other non-financial liabilities			
Accrued employee benefit costs		17 898	15 709
Taxes payable other than on income		9 508	8 573
Liabilities of the disposal group		8 459	-
Advances received		1 801	5 648
Income tax payable		1 492	7 761
Deferred gains on initial recognition of financial instruments		819	4 108
Other		2 396	1 200
Total other non-financial liabilities		**42 373**	**42 999**
Total other liabilities		**265 158**	**92 173**

In December 2011 the Group signed a preliminary agreement on a stage-by-stage disposal of 100% share of OJSC Holding company GVSU Center in a period of less than twelve months after the reporting date as a result of which liabilities of GVSU were classified as liabilities of the disposal group as at 31 December 2011. Refer to Notes 15 and 39.

As at 31 December 2011 and 31 December 2010 the movements in deferred gains on initial recognition of financial instruments were as follows:

In millions of Russian Roubles	**Deferred gains on initial recognition of financial instruments**
Carrying amount at 1 January 2010	**3 863**
Additions	1 104
Amortisation transferred to Income statement	(859)
Carrying amount at 31 December 2010	**4 108**
Additions	143
Gains transferred to Income statement upon disposal	(2 862)
Amortisation transferred to Income statement	(570)
Carrying amount at 31 December 2011	**819**

20 Other Liabilities (Continued)

Defined benefit plans of the Group. The Group applies IAS 19 *Employee Benefits* for accounting for its pension liabilities. As at 31 December 2011 the Group operates two benefit plans – benefit plan with defined pension payments and benefit plan with defined pension contributions. The Group takes direct liability to provide pension payments and contributions defined according to the Group's pension programmes.

All the employees of the Bank (including retired) who are entitled for state pension payments or have five years or less to retirement as at 1 January 2011 participate in the benefit plan with defined pension payments. The amount of payments is determined based on employee staying with the Bank at the date of retirement. As at 31 December 2011 the Bank operates 18 separate pension programmes with defined payments, for Central Head Office and each Regional Head Office. The programmes covered 93 058 participants (2010: 296 315 participants).

All the employees of the Bank with three years of continuous employment with the Bank except the Management Board members, those employees who have five years or less to retirement as at 1 January 2011 or those who are already entitled for state pension payments participate in the benefit plan with defined pension contributions (which are calculated as a percent of wage). According to the programme employees whose continuous employment with the Bank reaches seven years become unconditionally entitled for these contributions upon retirement. The programme covered 169 982 participants.

As at 31 December 2011 pension liabilities of the Group comprised RR 4 650 million (2010: RR 7 842 million). Pension expenses for 2011 amounted to RR 685 million (2010: RR 1 898 million) and were included in staff costs within operating expenses.

The estimated fair value of other financial liabilities is disclosed in Note 34. Currency and maturity analyses of other liabilities are disclosed in Note 31.

21 Subordinated Debt

In millions of Russian Roubles	**2011**	**2010**
Subordinated debt received from the Bank of Russia	303 294	303 299
Other subordinated debts	224	214
Total subordinated debt	**303 518**	**303 513**

In December 2008 the Group received a subordinated loan of RR 500 000 million from the Bank of Russia with a contractual fixed interest rate of 8.0% p.a. The transaction was structured in three tranches. In May 2010 the Group paid back RR 200 000 million of the loan. The remaining part of the loan matures in December 2019. On 30 July 2010 under the additional agreement with the Bank of Russia the interest rate was changed to 6.5% p.a. As at 31 December 2011 the loan was accounted for at amortised cost of RR 303 294 million (2010: RR 303 299 million); the effective interest rate on the loan was 6.5% p.a. (2010: 6.5% p.a.).

In the event of the Bank's liquidation the holders of these debts would be subordinated to all other creditors.

The estimated fair value of subordinated debt is disclosed in Note 34. Currency and maturity analyses of subordinated debt are disclosed in Note 31. The information on related party balances is disclosed in Note 35.

22 Share Capital and Treasury Shares

In millions of Russian Roubles, except for number of shares	2011 Number of shares, in thousands	2011 Nominal amount	2011 Inflation adjusted amount	2010 Number of shares, in thousands	2010 Nominal amount	2010 Inflation adjusted amount
Ordinary shares	21 586 948	64 761	83 337	21 586 948	64 761	83 337
Preference shares	1 000 000	3 000	4 405	1 000 000	3 000	4 405
Total share capital	**22 586 948**	**67 761**	**87 742**	**22 586 948**	**67 761**	**87 742**

As at 31 December 2011 all ordinary shares have a nominal value of RR 3 per share and rank equally. Each ordinary share carries one vote. All issued ordinary shares are fully paid. Preference shares have a nominal value of RR 3 per share and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders meeting. If preference dividends are not declared, the preference shareholders obtain the right to vote as ordinary shareholders, but lose this right when the next dividend is paid. Preference share dividends are set at 38.3% of nominal value in 2011 for the year ended 31 December 2010 (2010: 15.0% of nominal value for the year ended 31 December 2009). Preference share dividends rank above ordinary dividends.

On 26 June 2009 by the Annual Shareholders' Meeting a decision was passed to increase the Bank's authorized capital through a placement of ordinary shares by open subscription within the limit of authorized shares (15 billion shares). As at 31 December 2011 the issue has not yet been performed.

The treasury shares as at 31 December 2011 and 31 December 2010 were as follows:

In millions of Russian Roubles, except for number of shares	2011 Number of shares, in thousands	2011 Inflation adjusted amount	2011 Fair value	2010 Number of shares, in thousands	2010 Inflation adjusted amount	2010 Fair value
Ordinary shares	32 199	124	4 313	5	-	-
Preference shares	44 783	197	2 649	-	-	-
Total treasury shares	**76 982**	**321**	**6 962**	**5**	**-**	**-**

23 Interest Income and Expense

In millions of Russian Roubles	2011	2010
Interest income		
Interest income on financial assets carried at amortised cost and on financial assets available for sale:		
- Loans and advances to customers	741 796	682 010
- Debt investment securities available for sale	67 424	83 219
- Debt investment securities held to maturity	26 799	9 101
- Due from other banks	6 861	7 955
- Correspondent accounts with other banks	121	118
	843 001	**782 403**
Interest income on financial assets carried at fair value through profit or loss:		
- Debt trading securities	4 035	7 503
- Debt securities designated at fair value through profit or loss	3 588	5 740
	7 623	**13 243**
Total interest income	**850 624**	**795 646**
Interest expense		
Term deposits of individuals	(186 214)	(213 384)
Term deposits of legal entities	(26 040)	(29 747)
Subordinated debt	(19 512)	(28 219)
Debt securities in issue	(12 746)	(13 344)
Current/settlement accounts of legal entities	(10 540)	(9 089)
Term placements of other banks	(4 977)	(1 382)
Current/demand accounts of individuals	(4 702)	(2 628)
Other borrowed funds	(4 226)	(1 640)
Correspondent accounts of other banks	(564)	(392)
Total interest expense	**(269 521)**	**(299 825)**
Expenses directly attributable to deposit insurance	(20 077)	(16 718)
Net interest income	**561 026**	**479 103**

24 Fee and Commission Income and Expense

In millions of Russian Roubles	2011	2010
Fee and commission income		
Cash and settlements transactions with individuals	41 476	41 845
Cash and settlements transactions with legal entities	42 500	40 623
Plastic cards operations	35 084	23 639
Agent commissions on selling insurance contracts	13 973	9 448
Operations with foreign currencies	6 551	5 858
Cash collection	4 733	4 445
Guarantees issued	4 364	2 717
Transactions with securities	1 120	1 116
Other	2 075	1 258
Total fee and commission income	**151 876**	**130 949**
Fee and commission expense		
Settlement transactions	(7 554)	(5 373)
Operations with foreign currencies	(372)	(101)
Cash collection	(326)	(254)
Other	(2 990)	(1 647)
Total fee and commission expense	**(11 242)**	**(7 375)**
Net fee and commission income	**140 634**	**123 574**

25 Net Gains Arising from Trading in Foreign Currencies, Operations with Foreign Currency Derivatives and Foreign Exchange Translation Gains

In millions of Russian Roubles	2011	2010
Net gains arising from trading in foreign currencies	5 503	8 081
Net foreign exchange translation gains	1 411	15 166
Net gains/(losses) from operations with foreign currency derivatives	2 612	(9 175)
Total net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	**9 526**	**14 072**

Net foreign exchange translation gains include net foreign exchange translation gains arising on operations with securities at fair value through profit or loss in the amount of RR 147 million (2010: a gain of RR 287 million).

26 Operating Expenses

In millions of Russian Roubles	Note	2011	2010
Staff costs		203 802	161 180
Depreciation of premises and equipment	14	43 597	32 359
Repairs and maintenance of premises and equipment		24 845	19 789
Administrative expenses		22 519	14 227
Taxes other than on income		11 712	12 586
Telecommunication expenses		10 752	8 187
Operating lease expenses for premises and equipment		10 407	8 644
Advertising and marketing services		5 137	2 867
Consulting and assurance services		3 502	1 760
Other		12 070	4 302
Total operating expenses		**348 343**	**265 901**

Included in staff costs are compulsory statutory social security and pension contributions of RR 32 651 million (2010: RR 21 758 million).

27 Income Taxes

Income tax expense comprises the following:

In millions of Russian Roubles	2011	2010
Current tax	75 734	50 622
Deferred tax	3 331	4 062
Less: Deferred tax recognised in other comprehensive income	674	(6 197)
Income tax expense for the year	**79 739**	**48 487**

The income tax rate applicable to the major part of the Group's income for 2011 is 20% (2010: 20%).

Reconciliation between the expected and the actual taxation charge is provided below:

In millions of Russian Roubles	2011	2010
IFRS profit before tax	**395 681**	**230 135**
Theoretical tax charge at statutory rate	79 136	46 027
Tax effect on income on government securities taxed at different rates	(3 259)	(2 367)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible staff costs	2 578	790
- Unrecognised tax assets of subsidiaries	609	1 300
- Non-deductible losses on cessions	568	1 184
- Other non-temporary differences	107	1 553
Income tax expense for the year	**79 739**	**48 487**

27 Income Taxes (Continued)

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2010: 20%), except for income on state, municipal and certain other types of securities that is taxed at 15%, 9% and 0% (2010: 15%, 9% and 0%) and on dividends that is taxed at a standard rate of 9% (2010: 9%).

In millions of Russian Roubles	31 December 2010	Business combinations	Credited/ (charged) to profit or loss	Recognised in other comprehensive income	31 December 2011
Tax effect of deductible temporary differences					
Deferred fees and commissions income	5 751	-	(649)	-	5 102
Accrued employee benefit costs	40	-	60	-	100
Low value items write-off	1 330	-	532	-	1 862
Accrued interest on loans	6 638	-	(1 404)	-	5 234
Fair valuation of trading securities and securities designated at fair value through profit or loss	4 163	-	5 160	-	9 323
Other	-	-	(8 575)	-	(8 575)
Gross deferred tax asset	**17 922**	**-**	**(4 876)**	**-**	**13 046**
Tax effect of taxable temporary differences					
Loan impairment provision	(2 897)	-	(1 598)	-	(4 495)
Premises and equipment	(17 850)	-	2 773	(7 273)	(22 350)
Fair valuation of investment securities available for sale	(5 521)	-	10	7 947	2 436
Other	(57)	(1 650)	(314)	-	(2 021)
Gross deferred tax liability	**(26 325)**	**(1 650)**	**871**	**674**	**(26 430)**
Total net deferred tax asset/ (liability)	**(8 403)**	**(1 650)**	**(4 005)**	**674**	**(13 384)**

27 Income Taxes (Continued)

In millions of Russian Roubles	31 December 2009	Business combinations	Credited/ (charged) to profit or loss	Recognised in other comprehensive income	31 December 2010
Tax effect of deductible temporary differences					
Deferred fees and commissions income	6 298	-	(547)	-	5 751
Accrued employee benefit costs	2 446	-	(2 406)	-	40
Low value items write-off	1 163	-	167	-	1 330
Accrued interest on loans	3 978	-	2 660	-	6 638
Fair valuation of investment securities available for sale	(2 980)	-	7 143	-	4 163
Gross deferred tax asset	**10 905**	**-**	**7 017**	**-**	**17 922**
Tax effect of taxable temporary differences					
Loan impairment provision	3 361	-	(464)	-	2 897
Premises and equipment	15 611	335	1 943	(39)	17 850
Fair valuation of trading securities and securities designated at fair value through profit or loss	(1 869)	-	1 154	6 236	5 521
Other	(1 600)	(592)	2 249	-	57
Gross deferred tax liability	**15 503**	**(257)**	**4 882**	**6 197**	**26 325**
Total net deferred tax asset/ (liability)	**(4 598)**	**257**	**2 135**	**(6 197)**	**(8 403)**

As at 31 December 2011, the temporary difference associated with investments in subsidiaries in the statement of financial position of the parent company amounted to RR 20 509 million (2010: RR 27 037 million). In accordance with IAS 12 Income Taxes respective deferred tax asset of RR 4 102 million (2010: respective deferred tax asset of RR 5 407 million) was not recognized in the financial statements.

28 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares; therefore the diluted earnings per share equals the basic earnings per share.

In millions of Russian Roubles	2011	2010
Profit for the reporting period attributable to the shareholders of the Bank	316 195	182 131
Less preference dividends declared	(1 150)	(450)
Profit attributable to the ordinary shareholders of the Bank	**315 045**	**181 681**
Weighted average number of ordinary shares in issue (millions)	21 571	21 587
Earnings per ordinary share, basic and diluted (expressed in RR per share)	**14.61**	**8.42**

29 Dividends

	2011		2010	
In millions of Russian Roubles	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January	65	29	92	30
Dividends declared during the year ended 31 December	19 860	1 150	1 727	450
Dividends paid during the year ended 31 December	(19 816)	(1 135)	(1 754)	(451)
Dividends payable as at 31 December	**109**	**44**	**65**	**29**
Dividends per share declared during the year (RR per share)	**0.92**	**1.15**	**0.08**	**0.45**

All dividends were declared and paid in Russian Roubles.

In accordance with the new Dividend policy of the Bank approved in August 2011 and as part of initiatives to optimize its capital structure and build long-term relationships with its shareholders, during 2011-2013 the Bank intends to increase dividend payments to up to 20% of the net profit determined based on annual consolidated financial statements of the Bank prepared in accordance with IFRS. Consequently, the Bank intends to ensure consistency of its Dividend policy. In accordance with the new Dividend policy, on 16 March 2012 the Supervisory Board recommended to the General Shareholders Meeting to distribute RR 47 491 million to shareholders as dividends.

30 Segment Analysis

For the purposes of management the Group is divided into operating segments of activity – central head office, 17 regional head offices and subsidiaries – which are defined on the basis of organizational structure of the Group and geographical areas. The principal activity of all operating segments is banking operations. For the purposes of presentation in these consolidated financial statements the operating segments are aggregated in the following reportable segments:

- **Moscow, including:**
  - Central head office of the Group,
  - Regional head office of Moscow,
  - Subsidiaries of the Group located in the region.
- **Central and Northern regions of European part of Russia, including:**
  Regional head offices:
  - Severny – Yaroslavl,
  - Severo-Zapadny – Saint-Petersburg,
  - Tsentralno-Chernozemny – Voronezh,
  - Srednerussky – Moscow;

  Subsidiaries of the Group located in the region.
- **Volga region and South of European part of Russia, including:**
  Regional head offices:
  - Volgo-Vyatsky – Nizhniy Novgorod,
  - Povolzhsky – Samara,
  - Severo-Kavkazsky – Stavropol,
  - Yugo-Zapadny – Rostov-on-Don,

  Subsidiaries of the Group located in the region.
- **Ural, Siberia and Far East of Russia, including:**
  Regional head offices:
  - Zapadno-Uralsky – Perm,
  - Uralsky – Ekaterinburg,
  - Sibirsky – Novosibirsk,
  - Zapadno-Sibirsky – Tumen,
  - Severo-Vostochny – Magadan,
  - Dalnevostochny – Khabarovsk,
  - Vostochno-Sibirsky – Krasnoyarsk,
  - Baikalsky – Irkutsk,

  Subsidiaries of the Group located in the region.
- **Other countries, including:**
  - Subsidiaries located in CIS (Ukraine, Kazakhstan, Belarus),
  - Subsidiaries located in Switzerland,
  - A branch office in India,
  - Companies of Troika Dialog Group Ltd. located in the USA, the United Kingdom, Cyprus and certain other jurisdictions.

30 Segment Analysis (Continued)

The Management of the Group analyses operating results of every segment of activity for the purposes of making decision about allocation of resources and assessment of segments' business results. The segments' reporting and operating results which are provided to the Management of the Group for analysis are prepared under Russian accounting standards, except the segments' reporting of the subsidiaries which is prepared under International Financial Reporting Standards.

Intersegment operations are performed on the basis of internal transfer pricing rates which are established, approved and regularly revised by the Management of the Group.

The subsidiaries' activity is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 31 December 2011 is as follows:

In millions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	**4 848 994**	**1 877 776**	**1 530 792**	**2 110 444**	**445 511**	**10 813 517**
Total liabilities	**3 825 699**	**2 045 324**	**1 433 959**	**1 876 422**	**349 521**	**9 530 925**

Segment reporting of the Group's assets and liabilities as at 31 December 2010 is as follows:

In millions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	**4 318 256**	**1 445 164**	**1 163 282**	**1 548 746**	**185 817**	**8 661 265**
Total liabilities	**2 885 376**	**1 776 676**	**1 270 092**	**1 549 502**	**146 145**	**7 627 791**

Reconciliation of total assets and total liabilities as per the reportable segments with the Group's total assets and total liabilities under IFRS as of 31 December 2011 and 31 December 2010 is as follows:

	Total assets		Total liabilities	
In millions of Russian Roubles	2011	2010	2011	2010
Total amount per segment information	**10 813 517**	**8 661 265**	**9 530 925**	**7 627 791**
Adjustment of provisions	72 995	55 642	(17 205)	(19 765)
Additional interest accrued on loans	4 152	1 889	453	(924)
Deferred commission income on loans	(25 506)	(28 753)	650	388
Deferred comission income on guarantees	-	-	1 342	1 135
Accounting for derivatives at fair value	17 442	4 749	17 224	3 867
Adjustment of depreciation and cost or revalued amount of premises and equipment including effect of deferred tax	(51 200)	(68 145)	3 377	(952)
Staff expenses accrued related to the reporting period (bonuses, annual leave, pension liabilities)	218	184	13 795	14 831
Adjustment of income tax	-	-	18 886	7 018
Other adjustments	3 481	1 696	(2 319)	7 971
The Group's total amount under IFRS	**10 835 099**	**8 628 527**	**9 567 128**	**7 641 360**

30 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2011 is as follows:

In millions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	323 557	160 164	138 752	186 221	23 262	831 956
Interest expense	(113 647)	(58 118)	(40 252)	(48 786)	(8 558)	(269 361)
Inter-segment (expense)/ income	(35 492)	24 510	5 806	5 176	-	-
Fee and commission income	29 640	39 427	31 678	45 035	4 501	150 281
Fee and commission expense	(2 849)	(2 178)	(1 984)	(3 385)	(973)	(11 369)
Net gains/(losses) arising from securities	7 450	-	-	-	(134)	7 316
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	12 619	3 706	2 299	2 800	2 227	23 651
Net gains arising from operations with other derivatives	675	-	-	-	-	675
Net gains/(losses) arising from operations with precious metals	3 122	1 041	916	1 352	(95)	6 336
Other net operating gains/ (losses)	15 770	(1 510)	(483)	827	1 432	16 036
Operating income before recovery of provision/ provision charge for loan impairment	**240 845**	**167 042**	**136 732**	**189 240**	**21 662**	**755 521**
Net recovery of provision/ (net provision charge) for loan impairment	25 321	(13 628)	(8 486)	7 589	(3 702)	7 094
Operating income	**266 166**	**153 414**	**128 246**	**196 829**	**17 960**	**762 615**
Operating expenses	(93 523)	(80 599)	(70 410)	(101 806)	(8 820)	(355 158)
Profit before tax (Segment result)	**172 643**	**72 815**	**57 836**	**95 023**	**9 140**	**407 457**
Other disclosures						
Capital expenditure incurred (additions of premises and equipment)	19 686	18 733	17 073	24 727	2 571	82 790
Depreciation of premises and equipment	(6 926)	(6 233)	(5 631)	(7 873)	(1 250)	(27 913)

30 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2010 is as follows:

In millions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	296 580	153 262	132 496	179 334	14 935	776 607
Interest expense	(117 168)	(69 627)	(48 327)	(58 576)	(6 706)	(300 404)
Inter-segment (expense)/income	(46 536)	31 180	9 875	5 481	-	-
Fee and commission income	23 975	35 992	27 727	38 840	3 927	130 461
Fee and commission expense	(2 584)	(1 404)	(1 027)	(2 160)	(680)	(7 855)
Net gains arising from securities	21 553	6	-	-	84	21 643
Net (losses)/gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	(780)	3 237	1 858	2 464	1 847	8 626
Net (losses)/gains arising from operations with precious metals	(1 767)	624	524	901	(314)	(32)
Other net operating (losses)/ gains	6 162	256	(7 551)	(1 604)	282	(2 455)
Operating income before provision charge for loan impairment	**179 435**	**153 526**	**115 575**	**164 680**	**13 375**	**626 591**
Net provision charge for loan impairment	(36 570)	(43 466)	(42 907)	(32 413)	(3 709)	(159 065)
Operating income	**142 865**	**110 060**	**72 668**	**132 267**	**9 666**	**467 526**
Operating expenses	(63 996)	(64 780)	(56 640)	(78 154)	(6 596)	(270 166)
Profit before tax (Segment result)	**78 869**	**45 280**	**16 028**	**54 113**	**3 070**	**197 360**
Other disclosures						
Capital expenditure incurred (additions of premises and equipment)	9 884	17 133	11 010	14 970	1 588	54 585
Depreciation of premises and equipment	(3 809)	(6 384)	(4 944)	(7 234)	(474)	(22 845)

30 Segment Analysis (Continued)

Reconciliation of profit before tax, interest income and expense, fee and commission income, gains from operations with securities and gains from operations with foreign currencies for the reportable segments with the Group's income statement items under IFRS for the year ended 31 December 2011 as follows:

In millions of Russian Roubles	**Profit before tax**	**Interest income**	**Interest expense**	**Fee and commission income**	**Net gains/(losses) arising from operations with securities**	**Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains**
Total amount per reportable segment	**407 457**	**831 956**	**(269 361)**	**150 281**	**7 316**	**23 651**
Adjustment of provisions	11 201	(2 797)	-	-	-	-
Staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	2 095	-	-	-	-	-
Differences arising on reporting of fee and commission income and expense	3 250	18 543	-	1 262	-	(6 015)
Differencies arising on securities classification	969	(348)	-	-	1 430	(113)
Accounting for derivatives at fair value	(4 219)	-	-	-	-	(6 557)
Additional interest accrued on loans	2 265	2 265	-	-	-	-
Adjustment of depreciation and cost or revalued amount of premises and equipment	(19 180)	-	-	-	-	-
Adjustment of amortised cost and partial repurchase of other borrowed funds	-	(5)	(144)	-	(1 001)	45
Other adjustments	(8 157)	1 010	(16)	333	(938)	(1 485)
The Group's total amount under IFRS	**395 681**	**850 624**	**(269 521)**	**151 876**	**6 807**	**9 526**

30 Segment Analysis (Continued)

Reconciliation of profit before tax, interest income and expense, fee and commission income, gains from operations with securities and gains from operations with foreign currencies for the reportable segments with the Group's income statement items under IFRS for the year ended 31 December 2010 as follows:

In millions of Russian Roubles	Profit before tax	Interest income	Interest expense	Fee and commission income	Net gains/(losses) arising from operations with securities	Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains
Total amount per reportable segment	**197 360**	**776 607**	**(300 404)**	**130 461**	**21 643**	**8 626**
Adjustment of provisions	28 789	-	-	-	-	-
Staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	(3 024)	-	-	-	-	-
Differences arising on reporting of fee and commission income and expense	1 516	17 589	-	347	-	(5 536)
Differences arising on securities classification	3 413	1 202	-	-	2 176	35
Accounting for derivatives at fair value	13 549	-	-	-	-	11 224
Additional interest accrued on loans	(4 620)	1 094	-	-	-	-
Adjustment of depreciation and cost or revalued amount of premises and equipment	(4 434)	-	-	-	-	-
Adjustment of amortised cost and partial repurchase of other borrowed funds	(456)	(675)	482	(378)	218	49
Other adjustments	(1 958)	(171)	97	519	(67)	(326)
The Group's total amount under IFRS	**230 135**	**795 646**	**(299 825)**	**130 949**	**23 970**	**14 072**

The differences shown above arise from classification variances as well as different accounting policies.

Adjustment of provisions is related to the difference between estimation methodology applied in statutory accounting records used as a basis for management reporting and estimation methodology according to IFRS.

Differences arising on securities' classification relate to gains/(losses) on revaluation of securities designated at fair value through profit or loss in IFRS reporting but classified as available for sale in statutory accounting records used as a basis for management reporting.

For the year ended 31 December 2011 the Group's revenues from customers in the Russian Federation amounted to RR 1 027 366 million (for the year ended 31 December 2010: RR 960 441 million); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 34 210 million (for the year ended 31 December 2010: RR 20 954 million).

30 Segment Analysis (Continued)

As at 31 December 2011 the carrying value of premises and equipment located in the Russian Federation amounted to RR 350 705 million (2010: RR 276 827 million). Carrying value of premises and equipment of the Group located in foreign countries amounted to RR 9 198 million (2010: RR 6 929 million).

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during the year ended 31 December 2011, and during the year ended 31 December 2010.

31 Financial Risk Management

The risk management function within the Group is carried out in respect of major types of risks: credit, country, market, liquidity and operational risks. Market risk includes interest rate risk, equity risk and currency risk. The Group's risk management policies are designed to identify risk carrying operations and allocate key functions within the risk management system of the Group.

The Bank's Management Board under authority delegated by the Shareholders Meeting sets the Group's general risk policy as well as specific policies for managing each type of major risk. The Bank's Assets and Liabilities Management Committee (ALMC) and Credit and Investment Committee (CIC) in Head Office set limits for operations that create risk exposure according to principles determined by risk policies of the Group and initiated by the departments responsible for risk monitoring and control. The risk-controlling departments operate separately from the business departments involved in developing operations with clients.

The Group performs stress-testing for all major types of risk at least once a year. Test results are reviewed and discussed by Group Management.

The Supervisory Board is informed about all main types of risk on a quarterly basis.

In 2011 the Group launched a project on implementing integrated risk management system which comprises the following key components:

- Management of aggregated risks of the Group using economic capital concept and scenarios methodology, including stress scenarios;
- Defining risk appetite through a set of parameters for the level of risk the Group is capable and/or willing to accept to provide a target return to the shareholders in line with the strategic plans, as well as maintaining the risk of the Group at the level approved;
- Developing and using risk models compliant with the Basel committee requirements and their validation by the departments independent from the model developers;
- Risk identification system ensuring the timely identification and proper measurement of all risks of the Group.

The Group plans to implement this system in full by 2014.

Credit Risk. The Group is exposed to credit risk, which is a risk of a counterparty being unable to meet its credit obligations in whole or in part when due. The Group's risk management policy aims at increasing competitive advantage of the Group by expanding the list of counterparties and the range of credit products, implementing systemic approach to credit risk to maintain or bring down the level of credit risk losses, optimization of credit portfolio structure by industry, region and product.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 32.

31 Financial Risk Management (Continued)

The Group applies the following basic methods of credit risk management:

- prevention of credit risk by identifying, analysing and assessing potential risks before entering the transaction creating risk exposure;
- limiting credit risk by setting exposure or risk limits;
- structuring of transactions;
- monitoring and control of credit risk level.

Assessment of the Group's credit risk is made in aggregate, by individual portfolios of credit risk bearing assets, by individual counterparties, transactions and groups, by country, geographic region and by industry.

The Group operates a system of internal ratings based on economic-mathematical models for estimating the probability of default of counterparties and transactions. Assessment of individual credit risks of the Group's counterparties in transactions which carry credit risks depends on the counterparty category:

- corporate customers, credit institutions, financial companies, individual entrepreneurs, sovereigns, subjects of the Russian Federation and municipal entities, insurance and leasing companies are assessed on the basis of the system of credit ratings and expected cash flow models or other important indicators;
- individuals are assessed based on their creditworthiness in accordance with the Bank's internal regulatory documents and express assessment.

The Group's system of credit ratings provides a differentiated assessment of probability of default/non-execution by the counterparties of their obligations by analyzing quantitative (financial) and qualitative factors of credit risk, materiality of their impact on the ability of the counterparty to serve and repay their obligations.

The Group's internal procedures provide for a multi-factor approach, the factor list being standardized depending on the counterparty category.

Risk factors related to counterparty's creditworthiness and its volatility, ownership structure, business reputation, credit history, cash flow and financial risks control, transparency, position of the client in the industry and the region, strength of support from local administration and parent companies (in case of a holding) as well as the so-called early warning factors are subject to mandatory monitoring and control. Based on the analysis of these risk factors the probability of default is assessed and graded by counterparty/transaction with their subsequent classification ratings.

The Group closely monitors its credit risk concentration and compliance with prudential regulations of the Bank of Russia, making analysis and forecast of credit risk level. In analysis, monitoring and management of credit risk concentration the following methods are used:

- a distributed criteria mechanism for identifying legally and economically related borrowers, followed by the centralized maintenance of a uniform hierarchical list of groups of related borrowers;
- control of large loans per borrower in groups of related borrowers,
- identifying groups of borrowers by industry, country and region.

The system of controlling and monitoring credit risk level is based on the principles stipulated by the Group's internal regulatory documents that provide for a preliminary, current and follow-up control of transactions creating exposure to credit risk, of keeping within set risk limits and their timely update.

31 Financial Risk Management (Continued)

The Group developed a multi-tier system of limits to separate credit risk of lending business and operations on financial markets. At the same time, the Group operates a multi-dimensional system of authority limits to determine the level of decision-making for each loan application. Each territorial unit is assigned a risk profile, which defines the discretionary powers of the unit to take independent decisions, depending on the risk category of the requested loan. In its turn, the risk category of the requested loan depends on the aggregate risk limit and the risk category of the borrower/group of related borrowers. Thus, the system of differentiated risk levels decision-making authority allows to optimize the lending process. Despite the fact that the existing system of limits provides for proper management of credit risk, the Group is further developing its limits methodology.

In 2011, the Bank expanded its new individual lending "Credit Factory" technology to individual housing loans, the last of the major groups of individual loan products. This technology provides for a comprehensive analysis of the borrower using information from various sources and data bases, centralization of analytical and decision-making functions and high level of pre-loan processing automatisation.

During 2010-2011, the Bank progressed towards an intra-bank automated lending system to achieve end-to-end automation of the lending process comprising:

- capture and maintenance of customer data (contact information, financial statements for different periods, etc.);
- initiation of the loan;
- making a team of representatives from various departments of the Bank to work with the loan;
- identification of the group of related borrowers using a set of relevant criteria;
- automatic rating of the borrowing client/project and determining the level of expected loss given default using appropriate economic and mathematical models;
- automated determination of the appropriate decision-making level for the transaction;
- automated request for, allocation and maintaining limits on the product/client/group of related borrowers;
- automated processes of loan approval with the record of all resolutions and approvals;
- automated on-going monitoring of the client (financial state of the client, intra-group relationship etc.);
- report generation.

This automated system has optimized loan process improving control over credit risk.

Currently, the Group starts implementing an automated system of integrated corporate credit risk control to monitor the current state and change dynamics and to make projections of credit risk, meeting the Basel Committee requirements.

Using the macroeconomic scenarios, the Group conducts sensitivity analyses of credit risk level by both counterparty and corporate portfolio to identify macro factors of maximum correlation with the counterparties' probability of default. Statistics on radical changes of macro factors is used in stress scenario for ratings models for the purpose of stress testing.

The Group monitors debt recovery at all phases of debt collection. Identification of problem areas/phases in the process of debt recovery, drop in debt recovery ratio and non-performing loans growth in territorial units, customer or product segments, contributes to optimization of lending/collection process.

In 2011 the "Tallyman" system was implemented making the base for automated debt collection process for individual loans at an early stage of delays in loan repayments.

31 Financial Risk Management (Continued)

Credit risk for financial instruments not recognised in the statement of financial position is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in making conditional obligations as it does for financial instruments recognised in the statement of financial position through established credit approvals, risk control limits and monitoring procedures.

Country risk is the risk of losses due to the default by sovereign and other counterparties in a particular country for reasons other than the standard risks (caused by the Government actions but beyond the control of the counterparties).

Risk exposure of the Group when financing non-residents or foreign Governments is minimized by assessment of the country related risk and setting country risk limits. Assessment of country risks is based on the ratings by international rating agencies (Fitch, Moody's, S&P), the nominal GDP, the level of economic development of the country and its strategic relevance for the group. Countries without international ratings are assessed in accordance with internal procedures, which include the analysis of risk factors related to sovereign solvency, current development trends, efficiency of external debt management, offshore status and international reputation, public policy and domestic political situation. To reduce the country risk, transactions with counterparties are conducted within the risk limits on the countries concerned.

Market Risk. Market risk is the possibility of the Group's financial losses as a result of unfavorable movements in exchange rates, equity prices, interest rates, precious metal prices. The Group manages its market risk in accordance with the Policy of the Bank on Market Risk Management. The main goal of Market Risk Management is to optimize risk/return ratio, minimize loss given unfavorable developments and to reduce the deviation of actual financial result from the expected result.

The Group categorises market risk into:

- interest rate risk,
- equity risk and
- currency risk.

The Group manages its market risks through securities portfolios management and control over positions in currencies, interest rates and derivatives. For this purpose the ALMC sets limits on securities portfolios, open positions, stop-loss and other limits. Market risk limits are updated at least once a year and controlled constantly. The ALMC determines market risk management methodologies and sets limits on particular operations. The Regional Head Offices have their own assets and liabilities management committees that set limits for operations of the Regional Head Offices on the basis of the methodologies and limits set by ALMC of the Bank.

Market risk limits are set on the basis of the value-at-risk analysis, scenario analysis and stress testing as well as regulatory requirements of the Bank of Russia.

The Group makes market risk assessment both by components and in aggregate, determining the diversification effect.

Market risks are controlled by monitoring of operations on foreign exchange and securities market by departments independent of trading divisions. Monitoring of market risks implies continual control over trading deals.

Interest Rate Risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on the value of debt securities and cash flows.

31 Financial Risk Management (Continued)

The Group defines two types of interest rate risk:

1. *Interest rate risk on debt securities at fair value through profit or loss or other comprehensive income*

The Group is exposed to interest rate risk of its investments in debt securities portfolio, when changing interest rates impact the fair value of bonds. Trading operations with bonds are performed only by the Bank's Head Office.

For managing and limiting interest rate risk across the debt securities portfolio, the ALMC guided by the market risk policy sets the following limits and controls: aggregate limits for bond categories and currencies; limits on investing in one issue of the issuer, loss limits on trading operations, limits on the maturities structure of investments in bonds, minimum return of investments, limits on repo and reverse repo agreements.

This type of interest rate risk is assessed using Value-at-Risk (hereinafter – VaR) methodology.

The Group also assesses interest rate risk by bonds type: aggregate for the securities at fair value through profit or loss and for the securities available for sale.

2. *Interest rate risk resulting from maturities mismatch (interest rates repricing) across assets and liabilities that are interest rate sensitive (interest rate risk of non-trading positions)*

The Group accepts risk of market interest rate fluctuations effect on cash flows. Interest rate risk of non-trading positions is a result of unfavourable interest rate movement and includes:

- the risk of a parallel shift, change in the slope and shape of the yield curve resulting from the maturities (repricing) mismatch of assets and liabilities sensitive to interest rate changes;
- basis risk, which results from a mismatch in the degree of interest rate sensitivity, of assets and liabilities with similar maturity (repricing term); and
- risk of early repayment (repricing) of interest rate sensitive assets and liabilities.

Increasing interest rates can drive the cost of borrowed funds up faster and at a higher growth rate than return on investments, thus worsening financial results and interest rate margin, whereas decreasing interest rates can decrease return on working assets faster than the cost of borrowed funds.

The objective of managing this type of market risk is to reduce the impact of market interest rates on net interest income. To manage interest rate risk the ALMC sets maximum interest rates on corporate deposits/ current accounts and minimum rates on corporate loans, minimum rate of return on investments into securities and limits on investments into long-term assets bearing inherently the maximum interest rate risk. The Bank's Management Board approves fixed interest rates on deposits from individuals and individual loans for the Bank's Head Office and Regional Head Offices, which require preliminary approval from the ALMC. As a rule interest rates on retail loans and deposits depend on loan and deposit maturity date, amount and the client's category.

ALMC of each regional bank approves interest rates for corporate clients taking into account the regional market situation and the efficiency of the regional bank's transactions on the assets and liabilities side as well as the limits on interest rates set by the ALMC of the Bank's Head Office for corporate funds and placements.

This type of interest rate risk is assessed using the scenario analysis. Forecasting of possible changes in interest rates is carried out separately for Russian Rouble positions and positions in foreign currency. The indicative rate for 3 month-term loans at the Moscow interbank market (MOSPRIME 3M) is used as the base rate for an estimation of rates volatility on rouble positions and LIBOR 3M and EURIBOR 3M – for positions in foreign currency.

31 Financial Risk Management (Continued)

The table below shows the impact of bps interest rates increase and decrease on profit before tax as at 31 December 2011:

Change in profit before tax as at 31 December 2011 *(in millions of Russian Roubles)*	**RR positions**	**Foreign currency position**	**Total**
Decrease in interest rates by 290 bps	22 200	-	22 200
Increase in interest rates by 412 bps	(31 529)	-	(31 529)
Decrease in interest rates by 31 bps	-	968	968
Increase in interest rates by 83 bps	-	(2 608)	(2 608)

The table below shows the impact of bps interest rates increase and decrease on profit before tax as at 31 December 2010:

Change in profit before tax as at 31 December 2010 *(in millions of Russian Roubles)*	**RR positions**	**Foreign currency position**	**Total**
Decrease in interest rates by 173 bps	4 943	-	4 943
Increase in interest rates by 311 bps	(8 887)	-	(8 887)
Decrease in interest rates by 25 bps	-	299	299
Increase in interest rates by 55 bps	-	(672)	(672)

The sensitivity analysis above shows changes in profit before tax given a parallel shift of the yield curve across all interest rate sensitive positions, i.e. when interest rates move by the same value for all maturities. In addition, interest rate risk is assessed considering the following simplifications: the calculation disregards possible early repayment or call of instruments.

Equity Price Risk. The Group is exposed to equity price risk through investments in corporate shares that may lose value when their market quotations change. In order to limit equity price risk the ALMC shortlists the issuers eligible for investing, sets limits for the aggregate investments in equities, limits on investment into a single issuer, stop-loss limits for the aggregate trading portfolio. The regional offices do not perform trading operations with shares.

Equity price risk analysis is based on the VaR methodology.

Currency Risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign exchange risk on open positions (mainly US dollar/RUB and EUR/RUB exchange rate fluctuations).

As part of managing foreign exchange risk the Group sets sublimits for open foreign exchange positions for Regional Head Offices. Besides, limits and control system are in place for arbitrage operations which sets open position limits for foreign currencies, limits on operations on the international and domestic markets, and stop-loss limits.

The Bank's Department for managing operations with currency and precious metals undertakes daily aggregation of the currency position of the Group and takes measures for maintaining of the Group's currency risk exposure at a minimum level. The Group uses swaps, forwards and USD futures contracts tradable on MICEX as the main instruments for risk management.

31 Financial Risk Management (Continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of monetary assets, liabilities and notional positions on currency derivatives as at 31 December 2011. Foreign exchange risk on forward and future contracts is represented by their notional positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates.

In millions of Russian Roubles	Russian Roubles	USD	Euro	Other	Total
Assets					
Cash and cash equivalents	488 731	58 934	20 889	57 011	625 565
Mandatory cash balances with central banks	99 515	562	113	1 015	101 205
Debt trading securities	47 918	17 085	2 348	2 609	69 960
Debt securities designated at fair value through profit or loss	30 615	-	-	203	30 818
Due from other banks	23 667	8 122	70	3 238	35 097
Loans and advances to customers	6 074 370	1 385 518	157 379	102 433	7 719 700
Debt securities pledged under repurchase agreements	178 440	65 840	44	484	244 808
Debt investment securities available for sale	696 631	73 415	39 445	14 907	824 398
Debt investment securities held to maturity	273 376	12 917	84	139	286 516
Other financial assets (less fair value of derivatives)	93 081	17 053	1 265	517	111 916
Total monetary assets	**8 006 344**	**1 639 446**	**221 637**	**182 556**	**10 049 983**
Liabilities					
Due to other banks	404 596	98 860	21 032	7 897	532 385
Due to individuals	4 959 608	366 553	265 212	134 946	5 726 319
Due to corporate customers	1 517 442	524 619	88 236	75 517	2 205 814
Debt securities in issue	64 427	181 824	1 789	20 667	268 707
Other borrowed funds	339	222 268	19 803	1 610	244 020
Other financial liabilities (less fair value of derivatives)	145 480	48 289	830	1 521	196 120
Subordinated debt	303 293	225	-	-	303 518
Total monetary liabilities	**7 395 185**	**1 442 638**	**396 902**	**242 158**	**9 476 883**
Net monetary assets/(liabilities)	**611 159**	**196 808**	**(175 265)**	**(59 602)**	**573 100**
Foreign exchange derivatives	**6 003**	**(167 429)**	**167 550**	**16 214**	**22 338**
Credit related commitments (Note 32)	**1 406 337**	**594 064**	**113 353**	**41 792**	**2 155 546**

31 Financial Risk Management (Continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of monetary assets, liabilities and notional positions on currency derivatives as at 31 December 2010.

In millions of Russian Roubles	Russian Roubles	USD	Euro	Other	Total
Assets					
Cash and cash equivalents	519 447	111 079	41 781	47 294	719 601
Mandatory cash balances with central banks	50 532	792	93	261	51 678
Debt trading securities	52 516	9 354	1 510	17	63 397
Debt securities designated at fair value through profit or loss	78 738	-	4 233	-	82 971
Due from other banks	2 086	8 452	2 484	13	13 035
Loans and advances to customers	4 322 771	954 172	123 606	88 838	5 489 387
Debt securities pledged under repurchase agreements	15	72 646	-	556	73 217
Debt investment securities available for sale	1 020 150	55 075	38 179	17 165	1 130 569
Debt investment securities held to maturity	352 996	4 478	298	419	358 191
Other financial assets (less fair value of derivatives)	98 217	6 657	1 195	110	106 179
Total monetary assets	**6 497 468**	**1 222 705**	**213 379**	**154 673**	**8 088 225**
Liabilities					
Due to other banks	63 932	64 811	2 053	3 872	134 668
Due to individuals	4 214 842	262 845	267 768	89 004	4 834 459
Due to corporate customers	1 265 948	407 369	88 167	55 188	1 816 672
Debt securities in issue	110 350	141 627	2 236	18 486	272 699
Other borrowed funds	-	163 883	7 332	40	171 255
Other financial liabilities (less fair value of derivatives)	44 018	1 752	720	1 131	47 621
Subordinated debt	303 299	214	-	-	303 513
Total monetary liabilities	**6 002 389**	**1 042 501**	**368 276**	**167 721**	**7 580 887**
Net monetary assets/(liabilities)	**495 079**	**180 204**	**(154 897)**	**(13 048)**	**507 338**
Foreign exchange derivatives	**63 914**	**(215 079)**	**128 121**	**13 573**	**(9 471)**
Credit related commitments (Note 32)	**621 754**	**561 599**	**107 667**	**35 122**	**1 326 142**

The Group provides loans and advances to customers in foreign currency. Fluctuations of foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss.

31 Financial Risk Management (Continued)

The Group's analysis of currency risk is based on the VaR methodology described below.

Value-at-Risk, VaR. The VaR methodology is one of the main instruments of assessing market risk of the Group. VaR allows to estimate the maximum financial loss with a defined confidence level of probability and time horizon. The Group calculates VaR using the historical modeling methodology. This method allows to evaluate probability scenarios of future price fluctuations on the basis of past changes taking into account market indicators correlations (e.g. interest rates and foreign exchange rates).

VaR is calculated using the following assumptions:

- historical data on changes in financial market indicators comprise 500 trading days preceding the reporting date;
- the market indicators used include currency exchange rates, bond, equity and precious metal prices;
- movements in financial market indicators are calculated over a 10-day period, i.e. an average period when the Group is able to close or hedge its positions exposed to market risk; and
- a 99% one-way confidence level is used, which means that losses in the amount exceeding VaR are expected by the Group maximum once every 100 trading days or not more than 5 times within 2 years.

For evaluating the adequacy of the applied VaR calculation model the Group regularly back-tests the model by comparing the modeled losses with actual losses.

Despite the fact that VaR allows to measure risk, its shortcomings must be taken into account such as:

- past price fluctuations are not sufficient to assess accurately future price fluctuations;
- calculation of financial market price indicators over a 10-day period is based on the assumption that the Group will be able to close (or hedge) all positions within this period. This assessment may be far from accurate in measuring risk exposure at the time of reduced market liquidity, when the period of closing (or hedging) the Group's positions may increase;
- using 99% one-way confidence level of probability does not provide for estimating losses with a probability below 1%; and
- VaR is calculated based on end-of-day position and misses the intra-day risks accepted by the Group.

Taking into account the shortcomings of the VaR methodology the Group applies scenario analysis and stress-testing to have a better understanding of market risk exposure.

To measure interest rate risk for non-trading positions, the Group applies scenario analysis rather than the VaR methodology.

The table below shows the interest rate, equity and currency risk calculation using the VaR methodology as at 31 December 2011:

In millions of Russian Roubles	**Value as at 31 December 2011**	**Average value for 2011**	**Maximum value for 2011**	**Minimum value for 2011**	**Impact on equity**	**Impact on profit**
Interest rate risk on debt securities	41 706	35 289	63 479	21 780	2.8%	13.4%
Equity price risk	9 872	9 304	10 724	7 386	0.7%	3.2%
Currency risk	5 379	5 359	6 911	2 447	0.4%	1.7%
Market risk including diversification effect	42 962	37 558	64 633	28 781	2.8%	13.8%
Diversification effect	13 995	-	-	-	0.9%	4.5%

31 Financial Risk Management (Continued)

The table below shows the interest rate, equity and currency risk calculation using the VaR methodology as at 31 December 2010:

In millions of Russian Roubles	**Value as at 31 December 2010**	**Average value for 2010**	**Maximum value for 2010**	**Minimum value for 2010**	**Impact on equity**	**Impact on profit**
Interest rate risk on debt securities	40 074	48 428	56 852	33 768	3.2%	23.0%
Equity price risk	9 439	13 165	20 675	5 252	0.8%	5.4%
Currency risk	1 910	2 431	3 064	1 359	0.2%	1.1%
Market risk including diversification effect	46 621	56 140	67 639	38 572	3.8%	26.8%
Diversification effect	4 802	-	-	-	0.4%	2.8%

Data in the tables above are calculated on the basis of the Bank's internal management accounting system which is based on the statutory accounting reports of the Bank.

Liquidity Risk. Liquidity risk is defined as the risk of mismatch between the maturities of assets and liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, customer's current accounts, term deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of the above mentioned needs, as according to historical data a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the ALMC.

The Group liquidity risk management is aimed at ensuring timely and complete fulfillment of its payment obligations at minimum cost. For this purpose the Group:

- maintains a stable and diversified liabilities structure including both term resources and funds on demand,
- reserves capacity for immediate borrowing of funds on financial markets, and
- invests in highly liquid assets diversified by currencies and maturities for quick and effective coverage of unexpected gaps in liquidity.

Policy and Procedures. The Finance department performs analysis and forecasts, and advise Management on regulation of current and short-term liquidity of the Group. Analysis, forecasts and proposals on regulation of medium-term and long-term liquidity are produced by the Finance department of the Bank. Liquidity position and execution of requirements on managing the liquidity risk are controlled by the ALMC of the Bank. Liquidity risk is assessed, managed and controlled on the basis of "Policies of the Bank for Management and Control of Liquidity" and the guidelines of the Bank of Russia and the Basel Committee for Banking Supervision.

Provisions of this Policy lay down the guidelines for organizing the liquidity management in the Regional Head Offices of the Bank. The Management Board of the Bank's Regional Head Office is responsible for efficiently managing and controlling the Regional Head Office liquidity. It is also responsible for monitoring limits and controls required by the Group's internal regulations. Guided by the limits, controls, requirements and policies, the Regional Head Office selects evaluation methods and the necessary level of liquidity and develops and implements measures to ensure liquidity. In case of an insufficient liquidity the Treasury provides funds to the Regional Head Office (according to an established procedure) in the required amount.

31 Financial Risk Management (Continued)

Liquidity risk management includes the following procedures:

- forecasting payment flows by major currencies to ensure the necessary volume of liquid assets to cover liquidity deficit;
- forecasting assets and liabilities structure based on scenario analysis to control the required volume of liquid assets in medium-term and long-term perspective;
- forecasting and monitoring liquidity ratios compliance with regulatory and internal policy requirements;
- control over liquidity reserves of the Group to assess maximum opportunities for the Group to attract funds from various sources in different currencies;
- diversification of funding sources in different currencies taking into account maximum amounts, cost of funding and maturity; and
- stress-testing and planning actions for restoring the required liquidity level in unfavorable conditions or during crisis periods.

The tables below show distribution of undiscounted contractual cash flows (taking into account future interest payments) on liabilities by remaining contractual maturities.

The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity at 31 December 2011 is set out below:

In millions of Russian Roubles	**On demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 3 years**	**More than 3 years**	**Total**
Liabilities						
Due to other banks	356 164	119 818	48 210	12 756	1 588	538 536
Due to individuals	1 639 662	1 584 936	1 271 450	1 757 423	229 390	6 482 861
Due to corporate customers	1 626 081	194 267	78 459	341 649	14 668	2 255 124
Debt securities in issue	42 100	38 473	18 932	62 045	144 436	305 986
Other borrowed funds	317	23 449	54 083	160 839	20 433	259 121
Other liabilities (including derivative financial instruments)	187 393	18 677	2 607	13 130	4 996	226 803
Subordinated debt	1	129	19 516	39 218	400 892	459 756
Total liabilities	**3 851 718**	**1 979 749**	**1 493 257**	**2 387 060**	**816 403**	**10 528 187**
Credit related commitments	2 155 546	-	-	-	-	2 155 546

31 Financial Risk Management (Continued)

The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity at 31 December 2010 is set out below:

In millions of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 3 years**	**More than 3 years**	**Total**
Liabilities						
Due to other banks	69 683	43 515	19 642	787	2 648	136 275
Due to individuals	1 157 004	1 302 046	891 456	1 475 067	256 027	5 081 600
Due to corporate customers	1 442 153	124 428	92 195	173 099	2 003	1 833 878
Debt securities in issue	37 554	52 194	60 752	40 041	113 097	303 638
Other borrowed funds	393	16 680	83 357	71 424	7 233	179 087
Other liabilities (including derivative financial instruments)	44 069	5 785	302	1 329	253	51 738
Subordinated debt	2	8	19 509	39 223	420 392	479 134
Total liabilities	**2 750 858**	**1 544 656**	**1 167 213**	**1 800 970**	**801 653**	**8 065 350**
Credit related commitments	1 326 142	-	-	-	-	1 326 142

The above analysis is based on undiscounted cash flows on liabilities of the Group taking into account all future payments (including future payments of interest throughout life of the relevant liability). The liabilities were included in the time intervals according to the earliest possible repayment date. For example:

- Demand liabilities (including demand deposits) are included in the earliest time interval; and
- Guarantees issued are included in the earliest period when they may be called.

However, in accordance with the Civil Code of the Russian Federation individuals have the right to withdraw their deposits from any accounts (including time deposits) prior to maturity if they forfeit their right to accrued interest. The Group utilises a wide range of market instruments to maintain its liquidity on the level sufficient for timely execution of the current and forecasted financial obligations including the disposal of liquid assets or funding in domestic and international markets.

The derivative contracts entered into by the Group may be deliverable or settled on net basis. If the derivatives are closed by delivery of underlying asset, inflow and outflow of funds occur simultaneously.

The table below shows assets and liabilities at 31 December 2011 by their remaining expected maturity. Following principles underlying gap analysis presentation and the Group liquidity risk management are based on the mix of CBR initiatives and the Bank's practice:

- ► Cash and cash equivalents represent highly liquid assets and are classified as "on demand and less than 1 month"
- ► Trading securities, securities designated at fair value through profit or loss and highly liquid portion of investment securities available for sale, including those pledged under repurchase agreements are considered to be liquid assets as these securities could be easily converted into cash within short period of time. Such financial instruments are disclosed in gap analysis table as "on demand and less than 1 month"
- ► Investment securities available for sale which are less liquid are disclosed according to remaining contractual maturities (for debt instruments) or as "no stated maturity" (for equities)

31 Financial Risk Management (Continued)

- Investment securities held to maturity including those pledged under repurchase agreements are classified based on the remaining maturities
- Loans and advances to customers, amounts due from other banks, other assets, debt securities in issue, amounts due to other banks, other borrowed funds and other liabilities are included into gap analysis table based on remaining contractual maturities
- Customer deposits diversification by number and type of depositors and the past experience of the Group indicate that such accounts and deposits provide a long-term and stable source of funding, and as a result they are allocated per expected time of funds outflow in the gap analysis table on the basis of statistical data accumulated by the Group during the previous periods and assumptions regarding the "permanent" part of current account balances.

The liquidity position of the Group's assets and liabilities as at 31 December 2011 is set out below.

(Unaudited) *In millions of Russian Roubles*	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
Assets							
Cash and cash equivalents	625 565	-	-	-	-	-	625 565
Mandatory cash balances with central banks	27 803	10 662	8 920	47 652	6 168	-	101 205
Trading securities	101 973	-	-	-	-	-	101 973
Securities designated at fair value through profit or loss	51 993	-	-	-	-	-	51 993
Due from other banks	18 919	13 846	1 774	226	332	-	35 097
Loans and advances to customers	253 271	1 043 352	1 243 324	2 477 600	2 702 153	-	7 719 700
Securities pledged under repurchase agreements	163 661	-	39 045	82 103	16 030	-	300 839
Investment securities available for sale	869 221	35	2 832	3 147	8 432	862	884 529
Investment securities held to maturity	668	11 739	9 048	116 856	148 205	-	286 516
Deferred income tax asset	-	-	-	-	-	7 823	7 823
Premises and equipment	-	-	-	-	-	359 903	359 903
Other assets	138 249	35 691	29 934	39 659	19 080	97 343	359 956
Total assets	**2 251 323**	**1 115 325**	**1 334 877**	**2 767 243**	**2 900 400**	**465 931**	**10 835 099**
Liabilities							
Due to other banks	373 094	118 933	36 720	3 172	466	-	532 385
Due to individuals	1 243 652	739 229	654 132	2 725 999	363 307	-	5 726 319
Due to corporate customers	973 964	88 003	50 772	1 081 799	11 276	-	2 205 814
Debt securities in issue	35 293	36 734	17 880	53 545	125 255	-	268 707
Other borrowed funds	206	19 688	52 337	151 969	19 820	-	244 020
Deferred income tax liability	-	-	-	-	-	21 207	21 207
Other liabilities	185 810	47 501	9 633	11 944	6 541	3 729	265 158
Subordinated debt	-	-	-	224	303 294	-	303 518
Total liabilities	**2 812 019**	**1 050 088**	**821 474**	**4 028 652**	**829 959**	**24 936**	**9 567 128**
Net liquidity surplus/(gap)	**(560 696)**	**65 237**	**513 403**	**(1 261 409)**	**2 070 441**	**440 995**	**1 267 971**
Cumulative liquidity surplus/ (gap) at 31 December 2011	**(560 696)**	**(495 459)**	**17 944**	**(1 243 465)**	**826 976**	**1 267 971**	**-**

31 Financial Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 31 December 2010 is set out below.

In millions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
Assets							
Cash and cash equivalents	719 601	-	-	-	-	-	719 601
Mandatory cash balances with central banks	10 880	8 987	6 089	22 095	3 627	-	51 678
Trading securities	66 168	-	-	-	-	-	66 168
Securities designated at fair value through profit or loss	106 875	-	-	-	-	-	106 875
Due from other banks	150	9 998	2 111	345	431	-	13 035
Loans and advances to customers	186 302	745 278	998 398	1 960 855	1 598 554	-	5 489 387
Securities pledged under repurchase agreements	81 493	-	-	-	-	-	81 493
Investment securities available for sale	1 183 231	1 460	2 404	13 748	7 543	2 535	1 210 921
Investment securities held to maturity	-	13 069	5 541	177 661	161 920	-	358 191
Deferred income tax asset	-	-	-	-	-	7 518	7 518
Premises and equipment	-	-	-	-	-	283 756	283 756
Other assets	122 498	14 745	20 080	7 587	21 395	53 599	239 904
Total assets	**2 477 198**	**793 537**	**1 034 623**	**2 182 291**	**1 793 470**	**347 408**	**8 628 527**
Liabilities							
Due to other banks	68 222	44 771	18 312	1 555	1 808	-	134 668
Due to individuals	1 040 936	859 810	582 571	2 004 184	346 958	-	4 834 459
Due to corporate customers	861 805	34 828	18 788	897 122	4 129	-	1 816 672
Debt securities in issue	34 706	44 831	56 175	35 944	101 043	-	272 699
Other borrowed funds	83	15 019	81 152	68 042	6 959	-	171 255
Deferred income tax liability	-	-	-	-	-	15 921	15 921
Other liabilities	45 165	23 870	10 513	4 179	492	7 954	92 173
Subordinated debt	-	-	-	214	303 299	-	303 513
Total liabilities	**2 050 917**	**1 023 129**	**767 511**	**3 011 240**	**764 688**	**23 875**	**7 641 360**
Net liquidity surplus/(gap)	**426 281**	**(229 592)**	**267 112**	**(828 949)**	**1 028 782**	**323 533**	**987 167**
Cumulative liquidity surplus/ (gap) at 31 December 2010	**426 281**	**196 689**	**463 801**	**(365 148)**	**663 634**	**987 167**	**-**

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

31 Financial Risk Management (Continued)

Operational Risk. Operational risk and losses connected with it arise from deficiencies in operational management, technologies and information systems in use, unauthorised actions or errors of the staff, or by external events.

The Group considers management of operational risk as part of its overall risk management system. To manage operational risk the Group uses appropriate Policies for prevention and/or minimisation of operational risk.

The Group's Policies for Operational Risk Management include segregation of duties, overall reglamentation of business processes and internal procedures, control over credit limit discipline, rules and procedures for deals and transactions execution; action plan for information security, continuity and recovery in case of emergency and ongoing professional development of staff across the Group's hierarchy.

Management of operational risk depends on the volume of transactions, multi-branch operational structure and diversity of information systems in place.

The Group monitors operational risk data, collects, analyses and systematises the loss data and monitors losses caused by processes and operations exposed to operational risk.

32 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 internal professional advice the Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated financial statements.

Tax legislation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. It is therefore possible that transactions and activities of the Bank Group that have not been challenged in the past may be challenged. As a result, additional taxes, penalties and interest may be assessed by the relevant authorities.

Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

Russian transfer pricing legislation as currently in effect allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions (except for those conducted at state regulated prices and tariffs), if the transaction price differs upwards or downwards from the market price by more than 20%. Transfer pricing rules were vaguely drafted, generally leaving wide scope for their interpretation by the tax authorities and courts in practice. The Bank determined its tax liabilities arising from intercompany transactions using actual transaction prices. It is possible that prices applied by the Bank under these transactions could potentially be challenged by the tax authorities in the future.

As at 31 December 2011 management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

32 Contingencies and Commitments (Continued)

Capital expenditure commitments. At 31 December 2011 the Group has contractual capital expenditure commitments in respect of premises and equipment totalling RR 21 625 million (2010: RR 12 546 million) and in respect of computer equipment acquisition of RR 1 874 million (2010: RR 406 million). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

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

	2011		2010	
In millions of Russian Roubles	**Lease payments under cancellable operating lease**	**Lease payments under non-cancellable operating lease**	**Lease payments under cancellable operating lease**	**Lease payments under non-cancellable operating lease**
Not later than 1 year	7 165	1 163	6 413	1 069
Later than 1 year and not later than 5 years	12 174	2 879	10 527	3 327
Later than 5 years	11 110	2 395	6 626	1 689
Total operating lease commitments	**30 449**	**6 437**	**23 566**	**6 085**

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group. The Group is in compliance with covenants as at 31 December 2011 and as at 31 December 2010.

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

Commitments to extend credit represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss equal to the total amount of unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the maturities of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In millions of Russian Roubles	**2011**	**2010**
Commitments to extend credit	741 920	488 029
Export letters of credit	364 505	353 366
Guarantees issued	490 639	159 158
Undrawn credit lines	377 952	182 220
Import letters of credit and letters of credit for domestic settlements	180 530	143 369
Total credit related commitments	**2 155 546**	**1 326 142**

32 Contingencies and Commitments (Continued)

At 31 December 2011 included in Due to corporate customers are deposits of RR 95 001 million (31 December 2010: RR 78 749 million) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 17.

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

Fiduciary assets. These assets are not included in the consolidated statement of financial position as they are not assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

In millions of Russian Roubles	**2011** **Nominal value**	**2010** **Nominal value**
State savings bonds and OFZ bonds	599 758	315 649
Corporate shares	317 161	196 605
Promissory notes	13 418	17 930
Corporate bonds	8 934	8 281
Foreign government bonds	1 226	-
Debt securities of municipal and subfederal bodies of the Russian Federation	263	636
Eurobonds of the Russian Federation	5	1 406
Bonds of the Bank of Russia	-	31 197
State domestic loan bonds (OVGVZ)	-	31
Other securities	333	205
Total fiduciary assets	**941 098**	**571 940**

Assets under management. As at 31 December 2011 assets under management include investment funds under the management of Troika Dialog Group Ltd. and mutual investment funds under the management of Sberbank Asset Management Company.

In millions of Russian Roubles	**Value of net assets**
Mutual investment funds	17 430
Designated funds	7 588
Hedge funds	5 108
Venture funds	3 389
Private equity	1 465
Total	**34 980**

As at 31 December 2010 mutual investment funds represented funds under the management of Sberbank Asset Management Company which was established in June 2010 to provide professional asset management services to a broad client base. As at 31 December 2010 the value of net assets of mutual investment funds was RR 140 million.

32 Contingencies and Commitments (Continued)

Assets pledged and restricted. As at 31 December 2011 the Group has pledged federal loan bonds (OFZ bonds) and Eurobonds of the Russian Federation on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. The carrying value of assets pledged is as follows:

In millions of Russian Roubles	Notes	2011	2010
Trading securities	8		
- Federal loan bonds (OFZ bonds)		15 746	14 715
Securities designated at fair value through profit or loss	9		
- Federal loan bonds (OFZ bonds)		28 608	31 520
Investment securities available for sale	12		
- Federal loan bonds (OFZ bonds)		203 920	42 498
- Russian Federation Eurobonds		5	5
Investment securities held to maturity	13		
- Federal loan bonds (OFZ bonds)		36 721	37 044
Total		**285 000**	**125 782**

Mandatory cash balances with the Bank of Russia in the amount of RR 101 205 million (2010: RR 51 678 million) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

The Group also had assets pledged as collateral under repurchase agreements with other banks and corporate customers with the following carrying value:

		2011		2010	
In millions of Russian Roubles	Notes	Asset pledged	Related liability	Asset pledged	Related liability
Securities pledged under repurchase agreements	11	301 001	258 953	81 493	67 323
Investment securities available for sale	12	1 320	1 154	-	-
Total		**302 321**	**260 107**	**81 493**	**67 323**

Refer to Note 11 and Note 12 for more detailed information on securities pledged under repurchase agreements.

33 Derivative Financial Instruments

Foreign exchange and other derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties. Derivatives 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. Fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

33 Derivative Financial Instruments (Continued)

Fair value of forward contracts is calculated as present value of amounts receivable less present value of amounts payable. The inputs in the discounted cash flows model used are forward exchange rate quotations and quoted implied depo rates. Such instruments are classified as level 2 of fair value hierarchy. Refer to Note 34.

Fair value of option contracts is calculated using the Black-Scholes model. Adjustments for credit risk are made where appropriate. The main inputs of this model are current market price and implied volatility. Where these inputs could be observed on the open market, the carrying amounts are disclosed as level 2 of fair value hierarchy. Otherwise, the amounts are disclosed as level 3. Refer to Note 34.

The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature.

	Russian counterparties				Foreign counterparties			
As at 31 December 2011: *(in millions of Russian Roubles)*	**Principal or agreed amount at fair value of assets receivable**	**Principal or agreed amount at fair value of assets payable**	**Assets Positive fair value**	**Liabilities Negative fair value**	**Principal or agreed amount at fair value of assets receivable**	**Principal or agreed amount at fair value of assets payable**	**Assets Positive fair value**	**Liabilities Negative fair value**
Forwards and swaps								
Currency								
- purchase CAD / sale USD	-	-	-	-	897	(898)	-	(1)
- purchase CHF / sale USD	-	-	-	-	920	(927)	-	(7)
- purchase EUR / sale CHF	-	-	-	-	4 350	(4 359)	-	(9)
- purchase EUR / sale RUB	1 060	(1 125)	-	(65)	2 010	(2 030)	4	(24)
- purchase EUR / sale USD	-	-	-	-	163 879	(166 209)	169	(2 499)
- purchase GBP / sale USD	-	-	-	-	629	(625)	4	-
- purchase JPY / sale GBP	-	-	-	-	175	(175)	-	-
- purchase JPY / sale USD	-	-	-	-	37	(37)	-	-
- purchase RUB / sale EUR	17	(17)	-	-	42	(42)	-	-
- purchase RUB / sale JPY	-	-	-	-	257	(266)	-	(9)
- purchase RUB / sale USD	20 302	(20 904)	51	(653)	195 670	(203 110)	507	(7 947)
- purchase USD / sale EUR	-	-	-	-	2 370	(2 298)	74	(2)
- purchase USD / sale RUB	90 780	(88 942)	1 872	(34)	114 647	(109 276)	5 474	(103)
- purchase USD / sale BYR					2 831	(396)	2 435	-
- purchase EUR / sale BYR					10 988	(1 909)	9 079	-
- purchase EUR / sale UAH					20	(20)	-	-
- purchase USD / sale UAH	-	-	-	-	157	(163)	-	(6)
- purchase USD / sale HKD	-	-	-	-	17	(17)	-	-
- purchase USD / sale KZT	-	-	-	-	96	(97)	-	(1)
- purchase USD / sale SEK	-	-	-	-	5	(6)	-	(1)
- purchase HKD / sale USD	-	-	-	-	22	(22)	-	-
- purchase USD / sale GBP	-	-	-	-	427	(429)	-	(2)
- purchase USD / sale CAD	-	-	-	-	3	(3)	-	-
- purchase USD / sale CHF	-	-	-	-	1 037	(867)	170	-
- purchase USD / sale NOK	-	-	-	-	1	(1)	-	-
- purchase SEK / sale USD	-	-	-	-	5	(5)	-	-
Precious metals								
- purchase EUR / sale gold	-	-	-	-	1 406	(1 335)	71	-
- purchase gold / sale USD	-	-	-	-	16 465	(17 174)	14	(723)
- purchase palladium / sale USD	-	-	-	-	10	(10)	-	-
- purchase platinum / sale USD	-	-	-	-	27	(27)	-	-
- purchase silver / sale USD	-	-	-	-	6 365	(7 110)	2	(747)
- purchase USD / sale palladium	-	-	-	-	4	(4)	-	-
- purchase USD / sale platinum	-	-	-	-	5	(5)	-	-
- purchase gold / sale BYR	-	-	-	-	10 984	(2 736)	8 248	-

33 Derivative Financial Instruments (Continued)

	Russian counterparties							Foreign counterparties
As at 31 December 2011: *(in millions of Russian Roubles)*	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Assets Positive fair value	Liabilities Negative fair value	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Assets Positive fair value	Liabilities Negative fair value
Interest rate								
- purchase fixed rate / sale fixed rate	27 706	(26 019)	1 765	(78)	-	-	-	-
- purchase fixed rate / sale floating rate	10 622	(10 213)	434	(25)	51 109	(53 184)	1 458	(3 533)
- purchase floating rate / sale fixed rate	222	(217)	14	(9)	42 868	(41 482)	5 843	(4 457)
- purchase floating rate / sale floating rate	643	(646)	3	(6)	139 134	(137 813)	4 936	(3 615)
Securities								
- purchase USD / sale shares	-	-	-	-	-	(2)	-	(2)
- purchase shares / sale USD	-	-	-	-	151	(138)	13	-
- purchase fixed income / sale income on shares	-	-	-	-	1 279	(1 071)	208	-
Market indexes								
- purchase index return / sale RUB	-	-	-	-	2 585	(2 594)	8	(17)
Commodities								
- purchase RUB / sale Brent	-	-	-	-	3	(2)	1	-
- purchase cocoa / sale USD	-	-	-	-	1	(1)	-	-
- purchase cotton / sale USD	-	-	-	-	3	(3)	-	-
Credit Default Swaps								
- purchase fixed rate / sale credit risk	-	-	-	-	-	-	22	-
Options purchased								
Currency								
- purchase EUR / sale USD	-	-	-	-	4 094	(4 201)	263	-
- purchase RUB / sale USD	-	-	-	-	3 728	(3 498)	34	-
- purchase USD / sale EUR	-	-	-	-	-	-	-	-
- purchase USD / sale RUB	7	(7)	11	-	4 394	(4 436)	217	-
- purchase EUR / sale RUB	-	-	-	-	896	(644)	-	-
- purchase RUB / sale EUR	-	-	-	-	833	(830)	4	-
Precious metals								
- purchase gold / sale USD	-	-	-	-	243	(337)	1	-
- purchase RUB / sale gold	-	-	-	-	-	-	-	-
- purchase silver / sale USD	-	-	-	-	99	(162)	-	-
- purchase USD / sale gold	-	-	-	-	356	(476)	2	-
Equity								
- purchase RUB / sale shares	9 604	(9 824)	5 129	-	-	-	-	-
- purchase shares / sale RUB	87	(42)	45	-	595	(2 323)	-	-
- purchase shares / sale USD	-	-	-	-	2 255	(2 912)	57	-
- purchase USD / sale shares	-	-	-	-	1 490	(1 305)	271	-
Debt								
- purchase RUB / sale debt	(5 302)	(4 721)	-	(581)	-	-	-	-

33 Derivative Financial Instruments (Continued)

	Russian counterparties							Foreign counterparties
As at 31 December 2011: *(in millions of Russian Roubles)*	**Principal or agreed amount at fair value of assets receivable**	**Principal or agreed amount at fair value of assets payable**	**Assets Positive fair value**	**Liabilities Negative fair value**	**Principal or agreed amount at fair value of assets receivable**	**Principal or agreed amount at fair value of assets payable**	**Assets Positive fair value**	**Liabilities Negative fair value**
Options sold								
Currency								
- purchase EUR / Sale USD	-	-	-	-	-	-	-	-
- purchase RUB / Sale USD	9	(10)	-	(16)	4 950	(4 813)	-	(340)
- purchase USD / Sale EUR	-	-	-	-	4 245	(4 131)	-	(289)
- purchase USD / Sale RUB	-	-	-	-	2 900	(2 942)	-	(96)
- purchase EUR / Sale RUB	-	-	-	-	830	(833)	-	(4)
- purchase RUB / Sale EUR	-	-	-	-	833	(896)	-	-
Precious metals								
- purchase gold / sale USD	-	-	-	-	76	(58)	-	-
- purchase RUB / sale gold	-	-	-	-	-	-	-	-
- purchase silver / sale USD	-	-	-	-	-	-	-	-
- purchase USD / sale gold	-	-	-	-	-	-	-	-
Securities								
- purchase shares / sale USD	-	-	-	-	556	(700)	-	(182)
- purchase USD / sale shares	-	-	-	-	2 037	(1 439)	-	(36)
Futures								
Currency								
- purchase RUB / sale USD	2 835	(2 835)	-	-	1 960	(1 960)	199	(421)
- purchase USD / sale RUB	7 133	(7 133)	-	-	21 078	(21 078)	2 058	-
- purchase EUR / sale USD	-	-	-	-	-	-	-	-
- purchase EUR / sale RUB	16	(16)	-	-	-	-	-	-
Precious metals								
- purchase USD / sale gold	15	(15)	-	-	35	(35)	23	-
- purchase gold / sale USD	52	(52)	-	-	-	-	-	-
- purchase platinum / sale USD	-	-	-	-	9	(9)	-	-
- purchase USD / sale platinum	9	(9)	-	-	-	-	-	-
- purchase silver / sale USD	-	-	-	-	72	(72)	-	(7)
- purchase USD / sale silver	73	(73)	-	-	-	-	-	-
Interest rate								
- purchase Interest / Sale RUB	19	(19)	-	-	486	(486)	-	-
- purchase RUB / Sale Interest	10 852	(10 852)	-	-	23	(23)	-	-
- purchase Interest / Sale USD	-	-	-	-	4 797	(4 797)	9	(2)
- purchase USD / Sale Interest	-	-	-	-	55 409	(55 409)	-	(112)
Securities								
- purchase RUR / sale shares	1 284	(1 284)	-	-	-	-	-	-
- purchase shares / sale RUR	173	(173)	-	-	-	-	-	-
- purchase OFZ / sale RUR	71	(71)	-	-	-	-	-	-
Market indexes								
- purched USD / sale index return	-	-	-	-	324	(324)	-	(2)
- purched UAH / sale index return	-	-	-	-	142	(142)	-	-
- purched RUB / sale index return	24	(24)	-	-	-	-	-	-
- purchase index return / sale RUB	10 987	(10 987)	-	-	-	-	-	-
Commodities								
- purchase RUB / sale brent	184	(184)	-	-	-	-	-	-
- purchase brent / sale RUB	22	(22)	-	-	-	-	-	-
- purchase cocoa / sale USD	-	-	-	-	1	(1)	-	-
- purchase USD/ sale brent	-	-	-	-	58	(58)	2	-
- purchase cotton / sale USD	-	-	-	-	3	(3)	-	-
- purchase rough rice / sale USD	-	-	-	-	2	(2)	-	-
- purchase sugar / sale USD	-	-	-	-	33	(33)	-	(2)
- purchase RUB / sale sugar	33	(33)	-	-	-	-	-	-
Total	**189 539**	**(196 469)**	**9 324**	**(1 467)**	**893 733**	**(880 246)**	**41 880**	**(25 198)**

33 Derivative Financial Instruments (Continued)

As at 31 December 2010: *(in millions of Russian Roubles)*	Russian counterparties: Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Assets Positive fair value	Liabilities Negative fair value	Foreign counterparties: Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Assets Positive fair value	Liabilities Negative fair value
Forwards								
Currency								
- purchase EUR / sale CHF	-	-	-	-	2 040	(2 461)	-	(421)
- purchase EUR / sale RUR	286	(283)	3	-	-	-	-	-
- purchase EUR / sale USD	194	(197)	-	(3)	146 888	(145 614)	1 613	(339)
- purchase RUR / sale USD	9 952	(9 872)	96	(16)	95 008	(94 062)	1 119	(173)
- purchase USD / sale RUR	14 932	(15 061)	20	(149)	24 740	(25 065)	10	(335)
- purchase USD / sale BYR	-	-	-	-	2 867	(2 862)	59	(54)
- purchase UAH / sale USD	-	-	-	-	1 723	(1 725)	-	(2)
- purchase USD / sale UAH	-	-	-	-	305	(305)	-	-
- purchase BYR / sale USD	-	-	-	-	124	(122)	2	-
Precious metals								
- purchase precious metals / sale RUR	255	(253)	2	-	-	-	-	-
- purchase precious metals / sale USD	-	-	-	-	19 173	(18 361)	814	(2)
- purchase USD / sale precious metals	-	-	-	-	1 584	(1 575)	9	-
Options purchased								
Currency								
- purchase EUR / sale RUR	242	(250)	5	-	403	(415)	3	-
- purchase RUR / sale EUR	-	-	-	-	415	(403)	10	-
- purchase RUR / sale USD	-	-	-	-	534	(518)	16	-
- purchase USD / sale RUR	152	(158)	2	-	1 432	(1 534)	6	-
Equity								
- purchase shares / sale RUR	-	-	-	-	1 277	(2 323)	81	-
- purchase shares / sale USD	-	-	-	-	1 048	(660)	400	-
- purchase RUR / sale shares	7 227	(4 265)	3 377	-	-	-	-	-
- purchase USD / sale shares	10 179	(6 430)	1 596	-	-	-	-	-
Options sold								
Currency								
- purchase EUR / sale RUR	-	-	-	-	403	(432)	-	(2)
- purchase RUR / sale EUR	-	-	-	-	402	(403)	-	(4)
- purchase RUR / sale USD	-	-	-	-	1 966	(1 981)	-	(24)
- purchase USD / sale RUR	9	(9)	-	(15)	1 067	(1 115)	-	(6)
Interest rate swaps								
- receive fixed rate / pay floating rate	494	(480)	14	-	27	(28)	-	(1)
- receive floating rate / pay fixed rate	-	-	-	-	432	(439)	-	(7)
Total	**43 922**	**(37 258)**	**5 115**	**(183)**	**303 858**	**(302 403)**	**4 142**	**(1 370)**

During the year the Group has incurred a net gain on foreign currency derivatives in the amount of RR 2 612 million (2010: a net loss of RR 9 175 million) and earned a net gain on precious metals derivatives in the amount of RR 6 521 million (2010: a net gain of RR 679 million), which is recorded in the Group's consolidated income statement within net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation, and net gains arising from operations with precious metals and precious metals derivatives correspondingly.

34 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets				
Trading securities	94 546	4 745	2 682	101 973
Securities designated at fair value through profit or loss	32 219	14 395	5 379	51 993
Securities pledged under repurchase agreements	163 017	644	-	163 661
Investment securities available for sale	842 626	27 555	14 348	884 529
Derivative financial instruments	2 286	25 366	23 552	51 204
Total financial assets at fair value	**1 134 694**	**72 705**	**45 961**	**1 253 360**
Financial liabilities				
Securities sold, not yet purchased	65 875	1 358	259	67 492
Derivative financial instruments	546	25 538	581	26 665
Structured notes	556	12	930	1 498
Total financial liabilities at fair value	**66 977**	**26 908**	**1 770**	**95 655**

At 31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets				
Trading securities	65 704	464	-	66 168
Securities designated at fair value through profit or loss	81 486	21 945	3 444	106 875
Securities pledged under repurchase agreements	81 493	-	-	81 493
Investment securities available for sale	1 193 158	5 866	11 897	1 210 921
Derivative financial instruments	-	4 285	4 972	9 257
Total financial assets at fair value	**1 421 841**	**32 560**	**20 313**	**1 474 714**
Financial liabilities				
Derivative financial instruments	-	1 553	-	1 553
Total financial liabilities at fair value	**-**	**1 553**	**-**	**1 553**

34 Fair Value of Financial Instruments (Continued)

Level 2 includes debt securities of first-class borrowers that are not actively traded on the market. Fair value of the securities was calculated using techniques for which all inputs which have a significant effect on the recorded fair value are observable. Financial characteristics of comparable financial instruments actively traded on the market were used as inputs for the fair valuation models.

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2011. Corporate bonds recorded in trading portfolio and in portfolio of investment securities available for sale at fair value of RR 858 million were transferred from Level 1 to Level 2 during the year ended 31 December 2010.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value as at 31 December 2011:

	At 1 January 2011	Total gains reported in income statement	Total gains reported in other comprehensive income	Purchases	Business combinations	Sales	At 31 December 2011
Financial assets							
Trading securities	-	-	-	-	2 682	-	2 682
Securities designated at fair value through profit or loss	3 444	330	-	442	1 163	-	5 379
Investment securities available for sale	11 897	(151)	48	8 500	-	(5 946)	14 348
Derivative financial instruments	4 972	20 596	-	-	-	(2 016)	23 552
Total level 3 financial assets	**20 313**	**20 775**	**48**	**8 942**	**3 845**	**(7 962)**	**45 961**
Financial liabilities							
Structured notes	-	-	-	-	930	-	930
Derivative financial instruments	-	-	-	581	-	-	581
Securities sold, not yet purchased	-	-	-	-	259	-	259
Total level 3 financial liabilities	**-**	**-**	**-**	**581**	**1 189**	**-**	**1 770**

For the year ended 31 December 2011 the gains in the amount of RR 21 443 million reported in income statement on Level 3 financial assets were unrealized. All the gains reported in other comprehensive income on Level 3 financial assets were unrealized.

Total gains recognized as profit or loss on securities designated at fair value through profit or loss which are presented in the table above are reported in income statement within net (losses)/gains arising from securities designated at fair value through profit or loss.

Total gains recognized as profit or loss on investment securities available for sale which are presented in the table above are reported in income statement within net gains arising from investment securities available for sale.

34 Fair Value of Financial Instruments (Continued)

Total gains recognized as profit or loss on derivative financial instruments which are presented in the table above are reported in income statement within net gains arising from operations with other derivatives.

Investments in shares of a company involved in construction business at fair value through profit and loss of RR 3 617 million using a valuation technique based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of the weighted average cost of capital (hereinafter – "WACC"); volume of construction of housing premises and hotels, terms of construction and subsequent sale, sale price per square meter of housing premises and respective cost of sale, booking rates for hotel rooms.

When determining the sale prices per square meter of housing premises and booking rates for hotel rooms the Group used comparable analogues and estimation of the annual increase in prices.

As at 31 December 2011 the estimated value of the WACC used by the Group comprised 17.02%.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 269 million lower / RR 285 million higher.

Valuation of available for sale shares in a stock exchange of RR 13 211 million using valuation techniques based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of WACC and estimated future operating cash flows.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 1 082 million lower / RR 921 million higher.

Valuation of available for sale shares in a construction company of RR 731 million using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash-flow model. The principal input of the model used is the estimation of fair value of assets and liabilities of the company.

Should the fair value of net assets used by the Group in the valuation model increase/decrease by 5%, the carrying value of the financial instrument would be RR 37 million lower / RR 37 million higher.

Valuation of available for sale shares in a construction company of RR 322 million using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated future operating cash flows which depend on forecasts on property prices.

Should the discount rate used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 63 million lower / RR 66 million higher. Should the rate of growth of property prices used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 101 million lower / RR 105 million higher.

34 Fair Value of Financial Instruments (Continued)

Valuation of available for sale shares of a venture company of RR 81 million using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash-flow model. The principal input of the model used is the discount rate used, production volumes and cost of production, terms and sale price of goods, and costs of development.

As at 31 December 2011 the estimated value of the discount rate used by the Group and represented by required rate of return for venture investments comprised 42.45%. Should the discount rate used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 4 million lower / RR 4 million higher.

Valuation of forward foreign currency contracts and forward precious metals contracts of RR 20 089 million using non-observable inputs

Fair values for forward foreign currency contracts and forward precious metals contracts are obtained from the interest rates parity model, using rates prevailing on the market of the Republic of Belarus and international markets with comparable business conditions.

The inputs used for estimation of fair values of foreign currency derivatives were the quotes of sovereign credit default swaps of the countries with the same credit rating as the rating of the Republic of Belarus (10.2%).

Claims in precious metals were estimated against the rate of attracting cashless precious metals in term deposits (6%).

The obligations in Belorussian Roubles were estimated against the prevailing rate of attracting funds in Belorussian Roubles at the reporting date (57.9%).

Should the input rate for Belorussian Roubles decrease/increase for 10 p.p. the carrying value of the foreign currency derivatives would be 2.7% lower / 2.2% higher.

Valuation of a put option on unquoted retail trading company shares of RR 1 180 million using non-observable inputs

The fair value of the option was determined using the Black-Scholes option pricing model. The inputs of the model include current market price of underlying shares and its historical volatility, option strike price and market risk-free rate of return, the principal input being the price of the shares.

Fair value of the underlying shares as at 31 December 2011 was estimated using the discounted cash flow model and comprised RR 9 075 million. Should the estimated value of shares used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 20 million lower / RR 20 million higher.

Valuation of a put/call option on shares of RR 2 614 million using non-observable inputs

The fair value of the option was determined using the Black-Scholes option pricing model. The principal inputs of the model include share price volatility of publicly traded companies operating in the same industry, share price valuation made using the discounted cash flow model and market risk-free rate of return.

34 Fair Value of Financial Instruments (Continued)

Valuation of shares in a company producing construction materials at fair value through profit or loss of RR 453 million using market approach (deal comparables)

The shares are valued using market approach (using acquisition of similar companies as deal comparatives). We used parameters of similar companies (including ratios: Enterprise value to Sales and Enterprise value to Earnings before Interest, Taxes, Depreciation and Amortization) to determine fair value of the investment.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value as at 31 December 2010:

	At 1 January 2010	Total gains reported in income statement	Total gains reported in other comprehen-sive income	Purchases	Transfers from Level 3	Transfers to Level 3	At 31 December 2010
Financial assets							
Securities designated at fair value through profit or loss	15 990	678	-	159	(13 383)	-	3 444
Investment securities available for sale	9 909	212	4 472	252	(2 948)	-	11 897
Derivative financial instruments	-	601	-	2 131	-	2 240	4 972
Total level 3 financial assets	**25 899**	**1 491**	**4 472**	**2 542**	**(16 331)**	**2 240**	**20 313**

Certain financial instruments were transferred from Level 3 to Level 2 during the year ended 31 December 2010 as additional observable market data became available.

For the year ended 31 December 2010 all the gains reported in income statement and reported in other comprehensive income on Level 3 financial assets were unrealized.

Total gains recognized as profit or loss on securities designated at fair value through profit or loss which are presented in the table above are reported in income statement within net gains arising from securities designated at fair value through profit or loss.

Total gains recognized as profit or loss on investment securities available for sale which are presented in the table above are reported in income statement within net gains arising from investment securities available for sale.

Total gains recognized as profit or loss on derivative financial instruments investment which are presented in the table above are reported in income statement within net gains arising from operations with other derivatives.

34 Fair Value of Financial Instruments (Continued)

Investments in shares of a company involved in construction business at fair value through profit and loss of RR 3 340 million using a valuation technique based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of the weighted average cost of capital (hereinafter – "WACC"); volume of construction of housing premises and hotels, terms of construction and subsequent sale, sale price per square meter of housing premises and respective cost of sale, booking rates for hotel rooms.

When determining the sale prices per square meter of housing premises and booking rates for hotel rooms the Group used comparable analogues and estimation of the annual increase in prices.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 229 million lower / RR 247 million higher.

Investments in shares of a company involved in machine building at fair value through profit and loss of RR 104 million using a valuation technique based on non-observable inputs

The Group determined fair value of investments based on estimation of fair value of net assets of the company as at the reporting date. The Group applied share of ownership to fair value of assets ratio to determine fair value of shares.

Valuation of available for sale shares in a construction company of RR 731 million using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash-flow model. The principal input of the model used is the estimation of fair value of assets and liabilities of the company.

Should the fair value of net assets used by the Group in the valuation model increase/decrease by 5%, the carrying value of the financial instrument would be RR 37 million lower / RR 37 million higher.

Valuation of available for sale shares in a stock exchange of RR 4 683 million using valuation techniques based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of the weighted average cost of capital (hereinafter – "WACC") and estimated future operating cash flows.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 336 million lower / RR 395 million higher.

Valuation of available for sale shares of a transportation company of RR 6 442 million using valuation techniques based on non-observable inputs

The principal assumptions underlying the estimation of the fair value include the WACC, commission for transshipment/storage of the goods, annual volume of service and capacity utilization.

34 Fair Value of Financial Instruments (Continued)

The principal assumptions and the impact of reasonable possible changes in these assumptions on the fair value (with all other variables being determined as fixed values) are as follows:

- The volume of the commission for transshipment/storage of the goods will change in the range from -1.5% to +2%;
- The annual production volume will increase by 10%; and
- Capacity utilization ratio will be in the range from 60% to 70%.

As at 31 December 2010 the estimated value of the WACC denominated in US Dollars used by the Group comprised 11.13%.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 586 million lower / RR 703 million higher.

Valuation of available for sale shares of a venture company of RR 41 million using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash-flow model. The principal input of the model used is the discount rate used, production volumes and cost of production, terms and sale price of goods, and costs of development.

As at 31 December 2010 the estimated value of the discount rate used by the Group and represented by required rate of return for venture investments comprised 41.96%. Should the discount rate used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 3 million lower / RR 3 million higher.

Valuation of a put option on unquoted retail trading company shares of RR 1 189 million using non-observable inputs

The fair value of the option was determined using the Black-Scholes option pricing model. The inputs of the model include current market price of underlying shares and its historical volatility, option strike price and market risk-free rate of return, the principal input being the price of the shares.

Fair value of the underlying shares as at 31 December 2010 was estimated using the discounted cash flow model and comprised RR 10 663 million. Should the estimated value of shares used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 23 million lower / RR 23 million higher.

Valuation of a put option on shares of RR 2 187 million using non-observable inputs

The fair value of the option was determined using the Black-Scholes option pricing model. The principal inputs of the model include current market price of underlying shares, share price volatility and market risk-free rate of return.

Should the share price volatility used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 19 million lower / RR 19 million higher.

Valuation of a put/call option on shares of RR 1 596 million using non-observable inputs

The fair value of the option was determined using the Black-Scholes option pricing model. The principal inputs of the model include share price volatility of publicly traded companies operating in the same industry, share price valuation made using the discounted cash flow model and market risk-free rate of return.

34 Fair Value of Financial Instruments (Continued)

Should the estimated value of shares used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 16 million lower / RR 16 million higher.

Fair values of financial assets are as follows:

	2011		2010	
In millions of Russian Roubles	Carrying value	Fair value	Carrying value	Fair value
Financial assets carried at amortised cost				
Cash and cash equivalents:				
- Cash on hand	438 699	438 699	297 956	297 956
- Cash balances with the Bank of Russia (other than mandatory reserve deposits)	51 254	51 254	77 447	77 447
- Correspondent accounts and overnight placements with other banks with original maturities up to 30 days	113 865	113 865	309 704	309 704
- Reverse-repo agreements with original maturities up to 30 days	21 747	21 747	34 494	34 494
Mandatory cash balances with the Central Banks	101 205	101 205	51 678	51 678
Due from other banks	35 097	35 097	13 035	13 035
Loans and advances to customers:				
- Commercial loans to legal entities	3 713 484	3 658 087	2 395 763	2 409 594
- Specialized loans to legal entities	2 269 922	2 215 426	1 842 704	1 875 248
- Consumer and other loans to individuals	906 655	930 315	599 604	621 434
- Mortgage loans to individuals	748 506	778 570	574 499	599 206
- Car loans to individuals	81 133	82 337	76 817	76 993
Securities pledged under repurchase agreements:				
- Investment securities held to maturity pledged under repurchase agreements	137 178	136 103	-	-
Investment securities held to maturity	286 516	278 884	358 191	357 060
Other financial assets:				
- Receivables on plastic cards settlements	78 805	78 805	91 219	91 219
- Settlements on operations with securities	15 214	15 214	-	-
- Settlements on currency conversion operations	6 497	6 497	6 196	6 196
- Trade receivables	2 653	2 653	5 259	5 259
- Accrued fees and commissions	3 884	3 884	1 164	1 164
- Funds in settlement	67	67	41	41
- Other financial assets	4 796	4 796	2 300	2 300
Total financial assets carried at amortised cost	**9 017 177**	**8 953 505**	**6 738 071**	**6 830 028**

34 Fair Value of Financial Instruments (Continued)

Fair values of financial liabilities are as follows:

	2011		2010	
In millions of Russian Roubles	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities carried at amortised cost				
Due to other banks:				
- Correspondent accounts and overnight placements of other banks	59 070	59 070	38 716	38 716
- Term placements of other banks	240 445	240 445	34 149	34 149
- Sale and repurchase agreements with other banks	232 870	232 870	61 803	61 803
Due to Individuals:				
- Current/demand accounts	1 077 039	1 077 039	785 750	785 750
- Term deposits	4 649 280	4 667 881	4 048 709	4 075 185
Due to corporate customers:				
- Current/settlement accounts of state and public organisations	142 182	142 182	116 827	116 827
- Term deposits of state and public organisations	39 560	39 508	40 475	40 691
- Current/settlement accounts of other corporate customers	1 230 174	1 230 174	1 082 754	1 082 754
- Term deposits of other corporate customers	793 898	837 023	576 616	610 231
Debt securities in issue:				
- Loan participation notes issued under the MTN programme	169 623	168 070	153 273	153 968
- Promissory notes	77 214	70 767	96 505	94 615
- Savings certificates	9 798	9 798	13 102	13 102
- Deposit certificates	700	700	1 889	1 889
- Other debt securities except for structured notes	9 874	9 978	7 930	8 081
Other borrowed funds:				
- Syndicated loans received	102 115	102 115	96 904	96 947
- Other long-term borrowings	141 905	141 905	74 351	74 351
Other financial liabilities:				
- Plastic card payables	45 777	45 777	25 425	25 425
- Trade payables	13 097	13 097	9 318	9 318
- Settlements on operations with securities	10 497	10 497	-	-
- Funds in settlement	10 091	10 091	5 071	5 071
- Deposit insurance system fees payable	5 184	5 184	4 476	4 476
- Deferred commissions received on guarantees issued	1 373	1 373	1 222	1 222
- Other financial liabilities	6 476	6 476	2 109	2 109
Subordinated debt:				
- Subordinated debt received by the Group from the Bank of Russia	303 294	303 294	303 299	303 299
- Subordinated debt received by subsidiaries	224	228	214	213
Total financial liabilities carried at amortised cost	**9 371 760**	**9 425 542**	**7 580 887**	**7 640 192**

Financial instruments carried at fair value. Trading securities, other assets at fair value through profit or loss, financial derivatives, available for sale financial assets are carried in the consolidated statement of financial position at fair value.

Cash and cash equivalents are carried at amortised cost which approximately equals their current fair value.

Refer to Note 3 for accounting policy on financial instruments carried at fair value.

34 Fair Value of Financial Instruments (Continued)

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. Due to significant changes in market situation interest rates for loans and advances to customers and due from other banks issued at fixed interest rates can be revised. Therefore interest rates for loans issued just before reporting date do not differ significantly from interest rates for new credit instruments with similar credit risk and remaining maturity. If under the Group assessment interest rates for the loans issued before reporting date differ significantly from current interest rates for similar credit instruments the fair value for these loans is estimated. The estimation is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty.

Contractual interest rates on loans and advances to customers and due from other banks as at 31 December 2011 and 31 December 2010 were as follows:

	2011	2010
Due from other banks	1.5% to 8.5% p.a.	2.5% to 10.0% p.a.
Loans and advances to customers:		
Corporate loans	5.3% to 17.1% p.a.	5.4% to 18.0% p.a.
Loans to individuals	8.0% to 21.0% p.a.	9.0% to 20.5% p.a.

Estimated fair value of other financial assets including trade debtors equals their carrying amount considering short-term nature of these assets.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Discount rates used were consistent with the Group's credit risk and also depend on currency and maturity of the instrument and ranged from 0.1% p.a. to 17.0% p.a. (2010: from 0.03% p.a. to 18.0% p.a.).

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Refer to Note 33.

35 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise key management personnel, their close family members, associated companies of the Group. Disclosures are made in Note 36 for significant transactions with state-controlled entities and government bodies.

35 Related Party Transactions (Continued)

As at 31 December 2011 and 31 December 2010, the outstanding balances with the Bank of Russia and other related parties were as follows:

		2011		2010	
In millions of Russian Roubles	Note	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Assets					
Cash and cash equivalents (contractual interest rates: 0.0% p.a. - 3.0% p.a.)		51 254	945	212 451	-
Mandatory cash balances with the Bank of Russia		99 512	-	50 532	-
Bonds of the Bank of Russia (yield to maturity: 4% p.a.)	12	-	-	433 585	-
Due from other banks (contractual interest rates: 2.0% p.a. - 6.5% p.a.)		-	840	-	-
Gross amount of loans and advances to customers (contractual interest rates: 9.3%-21.0% p.a.)		-	315	-	528
Impairment provision for loans and advances to customers		-	(3)	-	(7)
Other assets		-	98	-	-
Liabilities					
Due to corporate customers (contractual interest rates: 0.1% - 7.0% p.a.)		-	1 462	-	1 163
Due to other banks (contractual interest rates: 3.0% - 7.5% p.a.)		265 642	48	-	-
Subordinated debt (effective interest rates: 6.5% p.a.)	21	303 294	-	303 299	-
Other liabilities		-	252	-	-

As at 31 December 2011 the Group has pledged federal loan bonds (OFZ bonds) and Eurobonds of the Russian Federation on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. Refer to Notes 8, 9, 12, 13 and 32. The carrying value of assets pledged is as follows:

In millions of Russian Roubles	Notes	2011	2010
Trading securities	8		
- Federal loan bonds (OFZ bonds)		15 746	14 715
Securities designated at fair value through profit or loss	9		
- Federal loan bonds (OFZ bonds)		28 608	31 520
Investment securities available for sale	12		
- Federal loan bonds (OFZ bonds)		203 920	42 498
- Russian Federation Eurobonds		5	5
Investment securities held to maturity	13		
- Federal loan bonds (OFZ bonds)		36 721	37 044
Total		**285 000**	**125 782**

35 Related Party Transactions (Continued)

The income and expense items with the Bank of Russia and other related parties for the year ended 31 December 2011 and 31 December 2010 were as follows:

	2011		2010	
In millions of Russian Roubles	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Interest income	9 022	17	32 158	59
Interest expense on subordinated debt	(19 492)	-	(27 851)	-
Interest expense other than on subordinated debt	(3 326)	(7)	(343)	(8)
Net recovery of provision / (net provision charge) for loan impairment	-	(18)	-	(7)
Net gains arising from trading securities	-	-	8	-
Net gains arising from investment securities available for sale	19	-	570	-
Other operating income	-	13	-	6
Operating expenses	(1 257)	(102)	(1 005)	(12)

For the year ended 31 December 2011, remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 2 200 million (for the year ended 31 December 2010: RR 1 043 million).

36 Operations with State-Controlled Entities and Government Bodies

In the normal course of business, the Group enters into contractual agreements with the government of the Russian Federation and entities controlled or significantly influenced by it. The Group provides the government-related entities with a full range of banking services including, but not limited to, lending, deposit-taking, issue of guarantees, operations with securities, cash and settlement transactions. Operations with government-related entities are carried out on general market terms and constitute the minority of the Group's operations.

Balances with government-related entities which are significant in terms of the carrying amount as at 31 December 2011 are disclosed below:

		31 December 2011		
Client	**Sector**	**Loans and advances to customers**	**Due to corporate customers**	**Guarantees issued**
Client 1	Oil and gas	-	44 241	-
Client 2	Oil and gas	-	18 298	-
Client 3	Energy	79 252	37 857	-
Client 4	Energy	-	17 380	-
Client 5	Energy	87 415	12 460	-
Client 6	Energy	52 563	11 567	-
Client 7	Telecommunications	93 401	-	-
Client 8	Telecommunications	-	-	7 563
Client 9	Machine building	65 444	13 468	-
Client 10	Machine building	-	-	19 500
Client 11	Transport, aviation, space industry	-	-	16 055
Client 12	Food and agriculture	-	-	9 872
Client 13	Government and municipal bodies	-	12 000	-
Client 14	Government and municipal bodies	-	11 700	-
Client 15	Government and municipal bodies	51 081	-	-
Client 16	Government and municipal bodies	-	-	20 841
Client 17	Government and municipal bodies	-	-	8 063
Client 18	Services	-	13 032	-
Client 19	Services	-	-	100 000
Client 20	Other	-	21 308	-

36 Operations with State-Controlled Entities and Government Bodies (Continued)

Balances with government-related entities which are significant in terms of the carrying amount as at 31 December 2010 are disclosed below:

		31 December 2010		
Client	Sector	Loans and advances to customers	Due to corporate customers	Guarantees issued
Client 1	Oil and gas	-	46 273	-
Client 2	Oil and gas	-	23 952	-
Client 3	Energy	-	27 199	-
Client 5	Energy	46 999	11 937	-
Client 7	Telecommunications	48 230	-	-
Client 9	Machine building	54 669	10 750	8 425
Client 10	Machine building	-	-	11 902
Client 11	Transport, aviation, space industry	-	-	15 489
Client 12	Food and agriculture	-	-	9 872
Client 13	Government and municipal bodies	-	10 000	-
Client 14	Government and municipal bodies	-	24 200	-
Client 16	Government and municipal bodies	-	-	14 840
Client 18	Services	-	10 348	-
Client 21	Oil and gas	40 046	-	-

As at 31 December 2011 and 31 December 2010 the Group's investments in securities issued by government-related corporate entities were as follows:

	31 December 2011		31 December 2010	
	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares
Trading securities	8 239	8 139	5 280	1 093
Securities designated at fair value through profit or loss	-	2 683	2 123	2 748
Securities pledged under repurchase agreements	11 595	40 481	300	50
Investment securities available for sale	139 216	20 673	127 779	22 950
Investment securities held to maturity	45 944	-	18 070	-

For disclosures on investments in government debt securities please refer to Notes 8, 9, 11, 12 and 13.

37 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 31 December 2011:

Name	Nature of business	Percentage of ownership	Country of registration
Subsidiaries:			
OJSC Belpromstroy Bank (OAO BPS Bank)	banking	97.91%	Belarus
SB JSC Sberbank	banking	100.00%	Kazakhstan
JSC Sberbank of Russia	banking	100.00%	Ukraine
Sberbank (Switzerland) AG (former SLB Commercial Bank AG)	banking	99.15%	Switzerland
CJSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	finance	100.00%	Russia
Troika Dialog Group Ltd.	finance	100.00%	Cayman islands
LLC Sberbank Investments	finance	100.00%	Russia
Sberbank Asset Management Company	asset management	100.00%	Russia
CJSC NK Dulisma	oil company	100.00%	Russia
LLC Khrustalnye Bashni	construction	50.01%	Russia
CJSC GOTEK Group Management Company	packaging materials	60.00%	Russia
Vester Retail N.V.	retail trading	54.00%	Netherlands

In December 2011 following the binding agreement signed in May 2011 the Group obtained the power to govern financial and operating policies of Troika Dialog Group Ltd. (the Company or Troika Dialog). At 31 December 2011 the Company was consolidated into the Bank's financial statements as a 100% subsidiary. The documentation on the acquisition of the Company assumes two tranches for the deal settlement: (a) the first payment of USD 1 000 million for 100% of the shares of Troika Dialog and (b) subsequent payment which is dependent upon the net earnings of the Company for 2011 – 2013.

The first tranche was recorded as a liability amounted to RR 32 196 million at 31 December 2011 and was settled in January 2012. Refer to Note 20.

The Bank determined that the second part of the payment includes two components. The first component represents consideration for business combination, which is recognised as liability at 31 December 2011 in the amount of RR 3 937 million. The Bank assessed respective contingent consideration on the basis of the business prospects and synergies of the Company upon its integration to the Group.

The second tranche represents a compensation to the Company's employees to be accrued over 2012-2013. No accrual of the compensation component was made as of 31 December 2011.

Taking into account different accounting principles of Troika Dialog prior to the acquisition by the Bank, its financial year ends different from those of the Bank and uncertainties associated with the factors effecting volume of the Company's business the Bank considers impracticable to disclose the revenue and net profit of the Group with Troika Dialog for the year ended 31 December 2011 as if the acquisition had occurred on 1 January 2011.

The Bank acquired Troika Dialog following its strategy on the development of diversified product range for corporate, SME and retail customers and improvement of profitability and efficiency of the Group's operations.

Founded in 1991, Troika Dialog is one of the leading investment companies in the CIS. The Company's business consists of securities sales and trading, investment banking, private wealth and asset management, direct and venture investments, retail distribution and alternative investment. Troika Dialog's operations are located in 21 cities across Russia plus offices in London, New York, Kyiv, Almaty and Nicosia.

The goodwill is primarily attributable to the potential synergies and profitability of the business as well as set up business processes. The goodwill will not be deducted for tax purposes in future periods.

37 Principal Subsidiaries (Continued)

For the purpose of determining goodwill from the business combination provisional fair values of identifiable assets and liabilities of Troika Dialog based on the results of an independent external appraisal at the acquisition date were as follows:

In millions of Russian Roubles	Note	Provisional fair value
Cash and cash equivalents		42 149
Mandatory cash balances with central banks		120
Trading securities		48 997
Securities designated at fair value through profit or loss		1 163
Due from other banks		8 025
Loans and advances to customers		35 602
Securities pledged under repurchase agreements		45 524
Investment securities held to maturity		1 156
Deferred income tax asset		247
Premises and equipment		1 591
Other financial assets		33 245
Other non-financial assets		10 760
Total assets		**228 579**
Due to other banks		(46 203)
Due to individuals		(4 587)
Due to corporate customers		(49 822)
Debt securities in issue		(1 498)
Deferred income tax liability		(2 063)
Other financial liabilities		(91 007)
Other non-financial liabilities		(4 394)
Total liabilities		**(199 574)**
Fair value of net assets of subsidiary		**29 005**
Calculation of goodwill:		
Total purchase consideration	20	**36 133**
Fair value of net assets of subsidiary		**(29 005)**
Goodwill on acquisition		**7 128**

Gross amount of loans and receivables acquired through this business combination amounted to RR 35 945 million. The amount of cash flows not expected to be received was assessed at RR 343 million.

Intangible assets recognised on acquisition of the subsidiary comprised core deposit intangible of RR 4 785 million and other intangible assets of RR 4 348 million.

The measurement of outflow of cash and cash equivalents on acquisition is detailed below:

In millions of Russian Roubles	
Total consideration paid at 31 December 2011	-
Less: fair value of cash and cash equivalents of subsidiary acquired	42 149
Inflow of cash and cash equivalents on acquisition as at 31 December 2011	**42 149**

37 Principal Subsidiaries (Continued)

In June 2011 the Group disposed of a 93.44% share in OJSC Pavlovskaya Keramika, a company involved in production and sale of construction materials, and in October 2011 the Group disposed of a 93.44% in LLC Pavlovo-Posadskoe Gornodobyvauchee Obiedinenie for RR 197 million. The gain from these operations amounted to RR 172 million.

During the year ended 31 December 2011 the Group acquired or repossessed under the settlement of the loan to its borrowers interests in some other companies. The details of the fair value of net assets of other companies acquired during the reporting period ended 31 December 2011 are as follows:

In millions of Russian Roubles	**Fair value**
Fair value of net assets of subsidiaries	**3 874**
Total purchase consideration	**3 837**
Non-controlling interest's proportionate share of net assets acquired	119
Total purchase consideration and non-controlling interest	**3 956**
Goodwill arising on acquisition	**191**
Gain from bargain purchase	**(109)**

The Group holds major interest in certain entities but does not have the power to govern the financial and operating policies of those entities so as to obtain benefits from their activities due to legally bound agreements on transfer of management powers and all risks and rewards of the entities for the benefit of third parties. These entities are not included into the Group's consolidated financial statements.

In December 2011 the Group signed a preliminary agreement on a stage-by-stage disposal of 100% share of OJSC Holding company GVSU Center in a period of less than twelve months after the reporting date as a result of which assets and liabilities of GVSU were classified as assets and liabilities of the disposal group in the consolidated statement of financial position as at 31 December 2011. Refer to Notes 15 and 20.

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 31 December 2011 was 7.1% (31 December 2010: 4.2%).

38 Capital Adequacy Ratio

The Group's objectives when managing capital are (i) to comply with the regulatory capital requirements set by the Bank of Russia and (ii) to safeguard the Group's ability to continue as a going concern. The Group also monitors capital adequacy ratio based on Basel Accord to make sure it maintains a level of at least 8%.

38 Capital Adequacy Ratio (Continued)

Under the current capital requirements set by the Bank of Russia banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. According to requirements set by the Bank of Russia statutory capital ratio has to be maintained above the minimum level of 10%. The Bank's Assets and Liabilities Management Committee (ALMC) sets the minimum level of the capital ratio of 11%. This level exceeds both the minimum level set by the Bank of Russia (10%) and Basel Committee (8%) and allows the Bank to participate in the State deposit insurance scheme, which was introduced by the Federal Law №177-FZ "Guarantees on Bank Deposits of Individuals in the Russian Federation" dated 23 December 2003. As at 31 December 2011 the regulatory capital adequacy ratio was 15.0% (31 December 2010: 17.7%). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining the calculation. Regulatory capital based on the Bank's reports prepared under Russian accounting standards totalled RR 1 515 780 million as of 31 December 2011 (2010: RR 1 241 876 million).

As at 31 December 2011 and 31 December 2010, Capital Adequacy Ratios calculated by the Group in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel 1 requirements, were as follows:

In millions of Russian Roubles	**2011**	**2010**
Tier 1 capital		
Share capital	87 742	87 742
Share premium	232 553	232 553
Retained earnings	882 766	585 819
Treasury shares	(6 962)	-
Less goodwill	(15 050)	(8 251)
Total Tier 1 capital	**1 181 049**	**897 863**
Tier 2 capital		
Revaluation reserve for premises	81 527	53 648
Fair value reserve for investment securities available for sale	(3 357)	13 437
Foreign currency translation reserve	(5 692)	(1 136)
Subordinated capital	303 518	303 513
Less investments in associates	(4 677)	(2 479)
Total Tier 2 capital	**371 319**	**366 983**
Total capital	**1 552 368**	**1 264 846**
Risk weighted assets (RWA)		
Credit risk	9 867 778	7 327 090
Market risk	349 064	199 883
Total risk weighted assets (RWA)	**10 216 842**	**7 526 973**
Core capital adequacy ratio (Total Tier 1 capital to Total RWA)	**11,6**	**11,9**
Total capital adequacy ratio (Total capital to Total RWA)	**15,2**	**16,8**

39 Subsequent Events

January 2012 the Group acquired 100% share in the insurance company Alians Life. The company will be focused on cumulative and investment life insurance.

In January 2012 the Group signed an agreement for sale of 74.5% share of OJSC Holding company GVSU Center. The settlement took place in February 2012. As a result the Group lost control over subsidiaries of OJSC Holding company GVSU Center. Also in February 2012 the Group signed an agreement for sale of the remaining 25.5% share. Preliminary financial result (loss) on disposal was RR 57 million. As at 31 December 2011 assets and liabilities of OJSC Holding company GVSU Center included in Assets/liabilities of disposal group. Refer to Notes 15 and 20.

On 3 February 2012 the Group launched venture fund focused on investing in high technology companies and projects. The fund will be managed by Troika Ventures (venture department of Troika Dialog Group Ltd.). Currently the total amount of funds under management is above USD 100 million. The Group together with foreign partners is planning to increase investments in the venture fund from USD 100 million to USD 500 million.

In February 2012 following the entering into sale and purchase agreement in September 2011 Sberbank has completed its acquisition of 100% of Volksbank International AG (“VBI”).

In the period between signing and closing, the selling shareholders have made capital contributions to increase VBI shareholders’ equity to offset Q3 2011 losses, and also agreed to reduce the Euro 585 million consideration by Euro 80 million. Final consideration paid by the Bank amounts to Euro 505 million.

This transaction represents Sberbank’s first major acquisition outside the CIS and is another step in its transformation from a dominant domestic financial institution to a leading international bank. VBI has 295 branches and over 600,000 clients. VBI’s subsidiaries are within the top 10 financial institutions (by total assets) in each of Bosnia and Herzegovina, Croatia, the Czech Republic, and Slovakia, and within the top 15 financial institutions (by total assets) in each of Hungary, Serbia and Slovenia. It also has presence in Ukraine and holds a limited banking license in Austria.

This transaction is an important step in Sberbank’s international strategy to benefit from a growth potential offered by Central and Eastern European countries.

39 Subsequent Events (Continued)

For the purpose of determining goodwill from the business combination provisional fair values of identifiable assets and liabilities of VBI based on the results of an independent external appraisal at the acquisition date were as follows:

In millions of Russian Roubles	**Provisional fair value**
Cash and cash equivalents	43 215
Mandatory cash balances with central banks	10 587
Trading securities	362
Securities designated at fair value through profit or loss	400
Due from other banks	16 069
Loans and advances to customers	257 960
Securities pledged under repurchase agreements	4 927
Investment securities available for sale	14 907
Investment securities held to maturity	1 964
Deferred income tax asset	994
Premises and equipment	4 439
Other assets	9 867
Total assets	**365 691**
Due to other banks	(48 484)
Due to individuals	(110 629)
Due to corporate customers	(78 076)
Debt securities in issue	(9 514)
Other borrowed funds	(93 117)
Deferred income tax liability	(386)
Other liabilities	(5 018)
Subordinated debt	(2 744)
Total liabilities	**(347 968)**
Fair value of net assets of subsidiary	**17 723**
Calculation of goodwill:	
Total purchase consideration	**20 184**
Non-controlling interest at fair value	341
Fair value of net assets of subsidiary	**(17 723)**
Goodwill on acquisition	**2 802**

Gross amount of loans and receivables acquired through this business combination amounted to RR 276 541 million. The amount of cash flows not expected to be received was assessed at RR 18 581 million.

Sbérbank of Russia

Consolidated Financial Statements and
Independent Auditor's Report

31 December 2010

SBERBANK

Consolidated Financial Statements and Independent Auditor's Report

CONTENTS

ERNST & YOUNG

CJSC Ernst & Young Vneshaudit
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com

ЗАО «Эрнст энд Янг Внешаудит»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 00139790

Independent auditors' report

To the Shareholders and Supervisory Board of Sberbank -

We have audited the accompanying consolidated financial statements of Sberbank and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CJSC Ernst & Young Vneshaudit

21 March 2011

SBERBANK

Consolidated Statement of Financial Position

In millions of Russian Roubles	Note	31 December 2010	31 December 2009
ASSETS			
Cash and cash equivalents	7	719 601	725 521
Mandatory cash balances with the Bank of Russia		50 532	40 572
Trading securities	8	66 168	91 022
Securities designated at fair value through profit or loss	9	106 875	124 439
Due from other banks		13 035	10 219
Loans and advances to customers	10	5 489 387	4 864 031
Securities pledged under repurchase agreements	11	81 493	2 699
Investment securities available for sale	12	1 210 921	845 975
Investment securities held to maturity	13	358 191	-
Deferred income tax asset	27	7 518	-
Premises and equipment	14	283 756	249 881
Other assets	15	241 050	150 707
TOTAL ASSETS		**8 628 527**	**7 105 066**
LIABILITIES			
Due to other banks	16	188 431	53 947
Due to individuals	17	4 834 459	3 787 312
Due to corporate customers	17	1 816 672	1 651 559
Debt securities in issue	18	119 426	124 599
Other borrowed funds	19	270 765	115 213
Deferred income tax liability	27	15 921	4 598
Other liabilities	20	92 173	69 841
Subordinated debt	21	303 513	519 061
TOTAL LIABILITIES		**7 641 360**	**6 326 130**
EQUITY			
Share capital	22	87 742	87 742
Share premium		232 553	232 553
Revaluation reserve for office premises		53 648	55 540
Fair value reserve for investment securities available for sale		24 431	(598)
Foreign currency translation reserve		(1 136)	(1 009)
Retained earnings		585 819	403 934
Total equity attributable to shareholders of the Bank		**983 057**	**778 162**
Non-controlling interest		4 110	774
TOTAL EQUITY		**987 167**	**778 936**
TOTAL LIABILITIES AND EQUITY		**8 628 527**	**7 105 066**

Approved for issue and signed on behalf of the Management Board on 21 March 2011.

Herman Gref
Chairman of the Management Board and CEO

Andrey Kruzhalov
Chief Accountant

SBERBANK

Consolidated Income Statement

In millions of Russian Roubles	Note	2010	2009
Interest income	23	795 646	814 962
Interest expense	23	(299 825)	(312 245)
Net interest income		**495 821**	**502 717**
Net provision charge for loan impairment	10	(153 809)	(388 932)
Net interest income after provision charge for loan impairment		**342 012**	**113 785**
Fee and commission income	24	130 949	105 723
Fee and commission expense	24	(7 375)	(4 634)
Net gains arising from trading securities		4 770	13 310
Net gains arising from securities designated at fair value through profit or loss		9 642	7 557
Net gains arising from investment securities available for sale		9 597	17 102
Impairment of investment securities available for sale	12	(39)	(2 274)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	25	14 072	16 228
Net gains arising from operations with precious metals and precious metals derivatives		570	1 657
Net gains arising from operations with other derivatives		1 793	768
Negative revaluation of office premises	14	-	(14 996)
Goodwill impairment	15	(917)	-
Impairment of non-current assets held for sale		-	(2 967)
Provision charge for impairment of other assets	15	(6 437)	(2 373)
Other operating income		14 117	10 255
Operating income		**512 754**	**259 141**
Operating expenses	26	(282 619)	(229 277)
Profit before tax		**230 135**	**29 864**
Income tax expense	27	(48 487)	(5 468)
Profit for the year		**181 648**	**24 396**
Attributable to:			
- shareholders of the Bank		182 131	24 396
- non-controlling interest		(483)	-
Earnings per ordinary share for profit attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	**28**	**8.42**	**1.10**

Approved for issue and signed on behalf of the Management Board on 21 March 2011.

Herman Gref
Chairman of the Management Board and CEO

Andrey Kruzhalov
Chief Accountant

SBERBANK

Consolidated Statement of Comprehensive Income

In millions of Russian Roubles	Note	2010	2009
Profit for the year recognised in the income statement		**181 648**	**24 396**
Components of other comprehensive income:			
Office premises remeasurement:			
- Negative revaluation of office premises	14	-	(21 198)
Investment securities available for sale:			
- Net gains on revaluation of investment securities available for sale		40 823	55 556
- Impairment of investment securities available for sale transferred to Income statement	12	39	2 274
- Accumulated gains transferred to Income statement upon disposal of securities		(9 597)	(17 102)
Net foreign currency translation losses		(152)	(1 110)
Deferred income tax relating to components of other comprehensive income:			
- Office premises remeasurement	27	39	4 257
- Investment securities available for sale	27	(6 236)	(8 141)
Total components of other comprehensive income for the year, net of tax		**24 916**	**14 536**
Total comprehensive income for the year		**206 564**	**38 932**
Attributable to:			
- shareholders of the Bank		207 072	38 932
- non-controlling interest		(508)	-

Consolidated Statement of Changes in Equity

In millions of Russian Roubles	Note	Share capital	Share premium	Revaluation reserve for office premises	Fair value reserve for investment securities available for sale	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to shareholders of the Bank								
Balance as at 1 January 2009		**87 742**	**232 493**	**74 981**	**(33 185)**	**101**	**388 030**	**750 162**	**-**	**750 162**
Changes in equity for the year ended 31 December 2009										
Disposal of treasury shares		-	60	-	-	-	-	60	-	60
Dividends declared	29	-	-	-	-	-	(10 992)	(10 992)	-	(10 992)
Amortisation of revaluation reserve for office premises, net of tax		-	-	(2 500)	-	-	2 500	-	-	-
Business combinations		-	-	-	-	-	-	-	774	774
Total comprehensive income recognised for the year ended 31 December 2009		-	-	(16 941)	32 587	(1 110)	24 396	38 932	-	38 932
Balance as at 31 December 2009		**87 742**	**232 553**	**55 540**	**(598)**	**(1 009)**	**403 934**	**778 162**	**774**	**778 936**
Changes in equity for the year ended 31 December 2010										
Dividends declared	29	-	-	-	-	-	(2 177)	(2 177)	-	(2 177)
Amortisation of revaluation reserve for office premises, net of tax		-	-	(1 931)	-	-	1 931	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	-	4 211	4 211
Acquisition of non-controlling interests in subsidiaries	37	-	-	-	-	-	-	-	(367)	(367)
Total comprehensive income recognised for the year ended 31 December 2010		-	-	39	25 029	(127)	182 131	207 072	(508)	206 564
Balance as at 31 December 2010		**87 742**	**232 553**	**53 648**	**24 431**	**(1 136)**	**585 819**	**983 057**	**4 110**	**987 167**

SBERBANK

Consolidated Statement of Cash Flows

In millions of Russian Roubles	Note	2010	2009
Cash flows from operating activities			
Interest received		809 556	823 100
Interest paid		(250 681)	(266 462)
Fees and commissions received		130 669	105 198
Fees and commissions paid		(7 140)	(4 634)
Net gains received from trading securities		1 040	2 404
Net gains received / (losses incurred) from securities designated at fair value through profit or loss		4 505	(171)
Net (losses incurred) / gains received from trading in foreign currencies and from operations with foreign currency derivatives		(14 516)	7 272
Net gains received from operations with other derivatives		2 944	-
Net gains received from operations with precious metals and precious metals derivatives		928	2 210
Other operating income received		12 267	7 781
Operating expenses paid		(240 549)	(194 165)
Income tax paid		(48 249)	(5 723)
Cash flows from operating activities before changes in operating assets and liabilities		**400 774**	**476 810**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with the Bank of Russia		(9 960)	(32 929)
Net decrease / (increase) in trading securities		28 436	(352)
Net decrease in securities designated at fair value through profit or loss		24 532	15 527
Net increase in due from other banks		(2 948)	(2 640)
Net increase in loans and advances to customers		(807 732)	(131 215)
Net increase in other assets		(76 191)	(52 752)
Net increase / (decrease) in due to other banks		130 062	(252 700)
Net increase in due to individuals		1 044 458	638 290
Net increase / (decrease) in due to corporate customers		155 431	(76 554)
Net decrease in debt securities in issue		(4 672)	(16 384)
Net increase / (decrease) in other liabilities		29 597	(138)
Net cash from operating activities		**911 787**	**564 963**
Cash flows from investing activities			
Purchase of investment securities available for sale		(1 835 415)	(674 269)
Proceeds from disposal and redemption of investment securities available for sale		1 178 645	168 711
Purchase of investment securities held to maturity		(94 636)	-
Acquisition of premises and equipment	14	(63 082)	(52 498)
Proceeds from disposal of premises and equipment including insurance payments		410	1 357
Acquisition of associates		(2 211)	-
Acquisition of subsidiaries		(994)	(1 467)
Dividends received		1 414	188
Net cash used in investing activities		**(815 869)**	**(557 978)**
Cash flows from financing activities			
Other borrowed funds received		178 190	832
Redemption of other borrowed funds		(27 799)	(53 090)
Repayment of interest on other borrowed funds		(3 918)	(5 258)
Redemption of subordinated debt		(214 912)	(15 897)
Repayment of interest on subordinated debt		(28 992)	(41 269)
Acquisition of non-controlling interest	37	(367)	-
Disposal of treasury shares		-	60
Dividends paid	29	(2 205)	(11 012)
Net cash used in financing activities		**(100 003)**	**(125 634)**
Effect of exchange rate changes on cash and cash equivalents		**(1 835)**	**40 421**
Net decrease in cash and cash equivalents		**(5 920)**	**(78 228)**
Cash and cash equivalents at the beginning of the year		725 521	803 749
Cash and cash equivalents as at the end of the year	7	**719 601**	**725 521**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 for Sberbank of Russia (Sberbank, “the Bank”) and its subsidiaries (together referred to as “the Group” or “Sberbank Group”). Principal subsidiaries include foreign commercial banks and other Russian and foreign companies controlled by the Group. A list of principal subsidiaries included in these consolidated financial statements is disclosed in Note 37.

The Bank is an open joint stock commercial bank which was established in 1841 and operated in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank’s principal shareholder, the Central Bank of the Russian Federation (“Bank of Russia”), owns 60.3% of ordinary shares or 57.6% of the issued and outstanding shares as at 31 December 2010 (31 December 2009: 60.3% of ordinary shares or 57.6% of the issued and outstanding shares).

As at 31 December 2010 the Supervisory Board of the Bank is headed by the Chairman of the Bank of Russia. The Supervisory Board also includes representatives from the Bank’s other shareholders and independent directors. Two Deputy Chairmen of the Bank of Russia are Deputy Chairmen of the Supervisory Board.

The Bank has operated under a full banking license issued by the Bank of Russia since 1991. In addition, the Bank holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer, a custodian, and providing asset management services. The Bank is regulated and supervised by the Bank of Russia and the Federal Service for Financial Markets. The Group’s foreign banks operate under the bank regulatory regimes of their respective countries.

The Group’s principal business activity is corporate and retail banking operations. This includes deposit taking and lending to corporate clients, small businesses and individuals in freely convertible currencies, local currencies of countries where the Group operates and in Russian Roubles, support of clients’ export / import transactions, foreign exchange, settlements, cash collection, securities trading, and trading in derivative financial instruments. The Group’s operations are conducted in both Russian and international markets. As at 31 December 2010 the Group conducts its business in Russia through Sberbank with its network of 17 (31 December 2009: 18) regional head offices, 522 (31 December 2009: 602) branches and 18 883 (31 December 2009: 19 103) sub-branches, and through principal subsidiaries – CJSC Sberbank Leasing and LLC Sberbank Capital. In the fourth quarter 2010 the Bank changed its organisational structure and its Altaisky regional head office was reorganized into a branch and resubordinated to Sibirsky regional head office. The Group operates outside Russia through 3 bank subsidiaries, located in the Ukraine, Belarus and Kazakhstan, a branch office in India and a representative office in Germany.

The Bank participates in the State Deposit Insurance System, which was introduced by the Federal Law №177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The System guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a license of a bank or the Bank of Russia imposed moratorium on payments.

The average number of the Group’s employees during the year ended 31 December 2010 was 257 046 (during the year ended 31 December 2009: 260 805).

Registered address and place of business. The Bank’s registered address is: Vavilova str., 19, Moscow, Russian Federation.

Presentation currency. These consolidated financial statements are presented in millions of Russian Roubles ("RR millions") unless otherwise stated.

2 Operating Environment of the Group

The Russian Federation continues economic reforms and development of its legal, tax and regulatory frameworks. The recent developments of the Russian government are focused on modernization of the Russian economy in order to improve its productivity and quality, increase the proportion of industries producing knowledge based high-value-added products and services. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2010, the Russian Government continued to take measures to support the Russian economy in order to overcome the consequences of the global financial crisis commenced in 2008. Gradual economic recovery was accompanied by financial stabilization and declining unemployment. Starting from the second quarter of 2010 corporate clients began to show higher demand for loans. A gradual increase of household income in 2010 also gave rise to stronger demand for credits from individuals.

Liquidity of the Russian financial sector returned to the pre-crisis level which brought strong competition for quality borrowers among financial institutions and declining interest rates on loans as a result. Despite the economic recovery there continues to be uncertainty regarding further economic growth in Russia, access to capital markets and cost of capital, which could negatively affect the Group's future financial position, results of its operations and its business prospects. As the Russian economy is vulnerable to global economic slowdowns, there still remain the risks of fluctuations on the Russian financial markets.

While the management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

3 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of office premises, investment property, available for sale financial assets and financial instruments at fair value through profit or loss.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are readily exercisable and convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date when control ceases.

Business combinations are accounted for using the acquisition method. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Non-controlling interest is the interest in subsidiaries not held by the Group. Acquisition costs incurred are expensed. Non-controlling interest is presented within equity.

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is lower than the fair value of the net assets of the subsidiary acquired, the difference (“gain from bargain purchase”) is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group’s policies.

Key measurement terms. Depending on their classification financial instruments are carried at cost, fair value, or amortised cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, derivatives that are linked to and must be settled by delivery of such unquoted equity instruments and fixed assets except for office premises.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Valuation techniques are used to fair value certain financial instruments for which external market pricing information is not available. Such valuation techniques include discounted cash flows models, generally accepted option pricing models, models based on recent arm’s length transactions or consideration of financial data of the investees. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount and premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related statement of financial position items.

3 Basis of Preparation and Significant Accounting Policies (Continued)

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. Premiums and discounts on variable interest instruments are amortised to the next interest repricing date except for premiums and discounts which reflect the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

The present value calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Initial recognition of financial instruments. Trading securities, other securities at fair value through profit or loss and derivatives are initially recorded at fair value. All other financial assets are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include interbank deposits and reverse sale and repurchase agreements with original maturity up to 30 days. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Mandatory cash balances with the Bank of Russia. Mandatory cash balances with the Bank of Russia are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Group’s day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Precious metals. Physical precious metals and deposits in precious metals are recorded at the lower of cost and net realizable value on the reporting date.

Plastic cards settlements. Plastic cards settlements are accounted for on the accruals basis and are carried at amortised cost. Plastic cards settlements are recorded when the legal right to receive the payment or legal obligation to execute payment arise under the agreement.

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

3 Basis of Preparation and Significant Accounting Policies (Continued)

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest rate method is accounted for in the consolidated income statement as interest income. Dividends are included in dividend income within other operating income when the Group's right to receive the dividend payment is established. Translation differences are included in Net foreign exchange translation gains. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in the consolidated income statement as gains less losses arising from trading securities in the period in which they arise.

Securities designated at fair value through profit or loss. Securities designated at fair value through profit or loss are securities designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if a group of financial assets is managed and its performance is evaluated on a fair value basis and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses on financial assets carried at amortised cost are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers when deciding whether a financial asset is impaired or not are (i) past due status of financial asset, (ii) financial position of underlying borrower, (iii) unsatisfactory debt servicing and (iv) realisability of related collateral, if any.

A loan is considered past due when the borrower fails to make any payment due under the loan at the reporting date. In this case a past due amount is recognized as the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions. As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Reversals of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Write-off of assets at amortised cost. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Impairment of loans and advances to legal entities. Estimating loan portfolio impairment provision for corporate loans involves the following steps:

- Identification of loans that are individually significant, i.e., those loans, that, if fully impaired, would have a material impact on the Group's expected average level of operating income.
- Determination of whether an individually significant loan shows objective evidence of impairment. This requires estimating the expected timing and amount of cash flows from interest and principal payments and other cash flows, including amounts recoverable from guarantees and collateral, and discounting them at the loan's original effective interest rate. The loan is considered impaired if its carrying amount materially exceeds its estimated recoverable amount. A separate impairment loss is recorded on an individually significant impaired loan.
- All remaining loans that have not been identified as individually significant are assessed on a portfolio basis.

The Group applies the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and creates portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the reporting date. Total impairment provisions may exceed the gross amount of individually impaired loans as a result of this methodology.

For the purposes of credit risk measurement and analysis the Group internally classifies loans depending on their quality. The quality of a corporate loan is monitored regularly on the basis of a comprehensive analysis of the borrower's financial position and includes analysis of liquidity, profitability and sufficiency of own funds. The capital structure, organisational structure, credit history and business reputation of the borrower may also be taken into consideration. The Group takes into account the customer's position in the industry and the region, production equipment and level of the technology used as well as the general efficiency of management. Upon analysis corporate borrowers are assigned internal ratings and classes. For the purpose of collective assessment of not past due loans and advances the Group analyses loans of each class in terms of its historical loss and recovery rate separately for renegotiated and non renegotiated loans. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently. For the purpose of collective assessment of past due loans and advances Group analyses ageing of past due debts.

Impairment of loans and advances to individuals. For the purpose of credit quality analysis, loans to individuals are grouped by type of credit product into homogeneous sub-portfolios with similar risk characteristics. The Group analyses each portfolio by the ageing of past due debts.

Retail loans are deemed fully impaired when the principal and/or interest payment becomes more than 180 days overdue.

Investment securities available for sale. This classification includes investment securities, which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available for sale at the time of purchase.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Investment securities available for sale are carried at fair value. Interest income on available for sale securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established and inflow of economic benefits is probable. Exchange differences arising on the settlement of debt investment securities available for sale or on translating of debt investment securities available for sale at rates different from those at which they were translated on initial recognition during the period or in previous financial statements is recognised in profit or loss in the period in which they arise. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss. The unrealised gains/(losses) on revaluation of investment securities available for sale other than impairment losses are presented in other comprehensive income as losses or gains on investment securities available for sale.

If the Group has both the intention and ability to hold investment securities available for sale to maturity, they may be reclassified as investment securities held to maturity. In this case the fair value of securities as at the date of reclassification becomes their new amortised cost. For instruments with a fixed maturity the revaluation reserve as at the date of reclassification is amortised to profit or loss during the period until maturity using the effective interest rate method.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as securities pledged under repurchase agreements. The corresponding liability is presented within amounts due to other banks or due to corporate customers.

Securities purchased under agreements to resell ("reverse repo agreements") are recorded as cash and cash equivalents, due from other banks or loans and advances to customers, in accordance with the nature of the counterparty and the term of the deal.

The difference between the sale and repurchase price is treated as interest income/expense and accrued over the life of repo agreements using the effective interest rate method.

Securities lent to counterparties are retained in the consolidated financial statements in their original statement of financial position category unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the sale proceeds are recorded as a liability held for trading representing the obligation to repurchase and return the securities. The liability is carried at fair value with effects of remeasurement presented as gains less losses arising from trading securities in the consolidated income statement. The obligation to return the securities is recorded at fair value in due to other banks or due to corporate customers.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition or upon reclassification from available for sale category when the Group changes its expectations and has the ability to hold investment securities which were previously classified as available for sale to maturity. The Group reassesses the appropriateness of that classification at the end of each reporting period. Investment securities held to maturity are carried at amortised cost.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. Refer to paragraph below on treatment of renegotiations which lead to derecognition of financial assets.

Renegotiated financial assets. From time to time in the normal course of business the Group performs restructuring of financial assets, mostly of loans.

Accounting treatment of renegotiations which do not lead to derecognition of financial assets. If terms of an agreement are not materially modified, restructuring of financial instruments leads to reassessment of effective interest rate based on current carrying amount and modified future cash flows.

Accounting treatment of renegotiations which lead to derecognition of financial assets. Material modifications of agreement terms lead to derecognition of a financial asset and a recognition of a new asset at fair value. The following principal modifications in terms are considered to be material:

- Change of currency in which cash flows are denominated;
- Consolidation or separation of several financial instruments;
- Present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In both cases if the restructuring of financial assets is due to financial difficulties of a borrower, financial assets are assessed for impairment before recognition of a renegotiation.

Goodwill. Goodwill represents the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisitions of subsidiaries is included in other assets or separately disclosed on the face of the statement of financial position if material. Goodwill on acquisitions of associates is included as part of investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment before aggregation. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Premises and equipment. Equipment and premises other than office premises are stated at cost less accumulated depreciation. Office premises of the Group are held at revalued amount subject to revaluation to market value on a regular basis. The revaluation gains are recognised in other comprehensive income. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation reserve for office premises included in equity is transferred directly to retained earnings on a straight-line basis as the asset is used by the Group. On the retirement or disposal of the asset the remaining revaluation reserve is immediately transferred to the retained earnings.

Construction in progress is carried at cost, less provision for impairment where required. Upon completion, assets are transferred to office premises or other premises at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

If impaired premises are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in other comprehensive income.

Positive revaluation shall be recognised in profit or loss to the extent that it reverses a negative revaluation of the same asset previously recognised in profit or loss. The amount that exceeds negative revaluation previously charged to profit or loss shall be recognised in other comprehensive income.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The following annual rates are applied for the main categories of premises and equipment:

Premises	2.5-3.3%;
Other premises	2.5%;
Office and computer equipment	25%; and
Vehicles and other equipment	18%.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment property is stated at fair value which reflects current market value and represents potential price between knowledgeable, willing parties in an arm's length transaction. Revaluation of investment property is held on each reporting date and recognised in consolidated income statement as gains/losses on investment property revaluation. Earned rental income is recorded in consolidated income statement within other operating income.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Subsequent expenditure on investment property is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes owner-occupied, it is reclassified to premises and equipment, and its carrying value at the date of reclassification becomes its deemed cost to be subsequently revalued and depreciated.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Finance leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Where the Group is a lessor lease receivables are recognised at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables. The net investment in finance lease is recorded within loans and advances to customers.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost.

Due to individuals and corporate customers. Amounts due to individuals and corporate customers are non-derivative liabilities to individuals and corporate customers (including state agencies) and are carried at amortised cost.

Debt securities in issue. Debt securities in issue include promissory notes, certificates of deposit, savings certificates and other debt securities issued by the Group. Debt securities in issue are stated at amortised cost.

Other borrowed funds. Other borrowed funds represent medium and long-term funds attracted by the Group on financial markets. Other borrowed funds are carried at amortised cost. If the Group repurchases its borrowed funds, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other operating income.

Subordinated debt. Subordinated debt represents long-term funds attracted by the Group on the international financial markets or domestic market. The holders of subordinated debt would be subordinate to all other creditors to receive repayment on debt in case of the Bank liquidation. Subordinated debt is carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including forward and future contracts, option contracts on financial instruments and SWAP contracts are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of foreign exchange derivative financial instruments are included in the Consolidated income statement in net gains/ (losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains; changes in the fair value of derivative financial instruments on precious metals are included in net gains/ (losses) arising from operations with precious metals and precious metals derivatives; changes in the fair value of derivatives on securities, interest rates and other derivatives – in net gains/ (losses) arising from operations with other derivatives. The Group does not apply “hedge accounting” according to IAS 39.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the profit or loss except if it is recognised in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is recognised for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recognised for temporary differences on initial recognition of goodwill or any other asset or liability if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded in the statement of financial position only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary’s dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Provision for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

Share premium. Share premium represents the excess of contributions over the nominal value of the shares issued.

Preference shares. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders’ meeting. Preference shares are classified as a part of equity.

Treasury shares. Where the Bank or its subsidiaries purchase the Bank’s equity instruments, the consideration paid including any attributable incremental external costs net of income taxes is deducted from equity until they are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in equity.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations.

Income and expense recognition. Interest income and expense are recorded in profit or loss for interest-bearing instruments on an accrual basis using the effective interest rate method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded based on the asset's original effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Trust and custody services fees related to investment funds are recorded proportionally over the period the service is provided.

Credit related commitments. The Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

3 Basis of Preparation and Significant Accounting Policies (Continued)

Monetary assets and liabilities are translated into each entity's functional currency at the applicable exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency are recognised in profit or loss. Effects of exchange rate changes on the fair value of equity instruments are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(I) assets and liabilities for each statement of financial position presented are translated at the applicable closing rate at the respective reporting date;

(II) income and expenses for each statement of comprehensive income are translated either at the rates prevailing at the dates of the transactions or at average exchange rates (in case this average is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in other components of comprehensive income and taken to a separate component of equity.

The cumulative balance of currency translation differences presented in equity at 31 December 2010 amounted to a loss of RR 1 136 million (31 December 2009: loss of of RR 1 009 million).

At 31 December 2010 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RUR	/UAH	/BYR	/KZT
RUR/	1	0.261	98.039	4.836
USD/	30.477	7.961	2987.941	147.387
EUR/	40.333	10.535	3954.215	195.050

Fiduciary assets. Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported on the consolidated statement of financial position. The extent of such balances and transactions is indicated in Note 32. For the purposes of disclosure, fiduciary activities do not encompass safe custody functions. Commissions received from fiduciary activities are shown in fee and commission income.

Assets under management. The Group has set up mutual investment funds and acts as the manager of their assets. The assets of these funds do not represent assets of the Group and therefore are not reported on the consolidated statement of financial position. The management fee income is recorded in the consolidated income statement within fee and commission income.

Contingent assets. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised by the Group in its consolidated statement of financial position, but disclosed in the notes to the consolidated financial statements if inflow of economic benefits is probable.

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

3 Basis of Preparation and Significant Accounting Policies (Continued)

Earnings per share. Preference shares are not redeemable and are not considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, pensions, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

Segment reporting. The Group determined its operating segments on the basis of organizational structure of the Group and geographical areas. Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board. Segments whose revenue, result or assets are 10% or more of all the segments are reported separately.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. 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 in the process of applying the accounting policies. 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 year include:

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 profit or loss, 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 is 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.

Also, the Group's management accounting system in some cases does not allow collecting all necessary information on incurred losses for certain groups of loans. Management uses estimates and incurred loss models for groups of loans with similar credit risk profile. 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.

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular (a) its intention and ability to hold the assets to maturity and (b) whether the assets are quoted in an active market. If the Group fails to keep these investments to maturity other than in certain specific circumstances – for example, selling an insignificant amount or settle a position 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. For the estimated fair value of investment securities held to maturity as at 31 December 2010 refer to Note 34.

An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 32.

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

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on management expectations that are believed to be reasonable under the circumstances.

Fair value of financial instruments. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data, however certain areas require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore sometimes not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Related party transactions. The Group's principal shareholder is the Bank of Russia (refer to Note 1). Disclosures are made in these consolidated financial statements for transactions with state-controlled entities and government bodies. 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 determining the scope of operations with related parties to be disclosed in the consolidated financial statements. Refer to Notes 35 and 36.

Revaluation of office premises. The Group regularly reviews the value of its office premises for compliance with fair value and performs revaluation to ensure that the current carrying amount of office premises does not materially differ from its fair value. Office premises have been revalued to market value at 31 December 2009. Revalued premises are depreciated in accordance with their remaining useful life since 1 January 2010. The Group performs revaluation using appropriate valuation techniques and information about real estate transactions on the local market. The results received from the application of the above valuation methods, however, may not always correspond to the price of actual transactions on the real estate market.

Impairment of available-for-sale equity investments. The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of the investment below its cost. Determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of changes in technology or deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows.

Changes in presentation. For the purposes of more accurate and fair presentation of net gains on operations with derivatives in the consolidated income statement, the presentation of comparative figures have been adjusted to conform to the presentation of the current year amounts.

The effect of reclassifications on the consolidated income statement for the year ended 31 December 2009 is as follows:

In millions of Russian Roubles	**As previously reported**	**Reclassification**	**As reclassified**
Net gains arising from trading securities	14 078	(768)	13 310
Net gains arising from operations with other derivatives	-	768	768

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

For the purposes of a more accurate and fair presentation of other assets, the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes in presentation of other assets for the year ended 31 December 2009 is as follows:

In millions of Russian Roubles	As previously reported	Reclassification	As reclassified
Other financial assets			
Trade receivables	-	1 603	1 603
Accrued fees and commissions	-	2 153	2 153
Receivables on penalties	2 434	(2 434)	-
Other financial assets	3 056	281	3 337
Other non-financial assets			
Prepayments for premises and other assets	21 806	(1 603)	20 203
Investments in associates	-	31	31
Other non-financial assets	4 028	(31)	3 997

For the purposes of a more accurate and fair presentation of other liabilities, the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes in presentation of other liabilities for the year ended 31 December 2009 is as follows:

In millions of Russian Roubles	As previously reported	Reclassification	As reclassified
Other financial liabilities			
Deferred gains on initial recognition of financial instruments	3 863	(3 863)	-
Other non-financial liabilities			
Deferred gains on initial recognition of financial instruments	-	3 863	3 863

For the purposes of more accurate and fair presentation of operating expenses, the presentation of comparative figures have been adjusted to conform to the presentation of the current year amounts. The effect of reclassifications for the year ended 31 December 2009 is as follows:

In millions of Russian Roubles	As previously reported	Reclassification	As reclassified
Telecommunication and office supplies expenses	28 726	(28 726)	-
Other costs of premises and equipment	6 220	11 026	17 246
Administrative expenses	-	11 637	11 637
Telecommunication expenses	-	6 063	6 063

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2010:

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss for the year when the entity settles the dividend payable.

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

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

Improvements to International Financial Reporting Standards. In April 2009 the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. There are separate transitional provisions for each standard. Amendments included in April 2009 "Improvements to IFRS" had no impact on the accounting policies, financial position or performance of the Group, except for the following amendments resulting in changes to accounting policies, as described below.

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 *Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group continues to disclose this information.
- IAS 7 *Statement of Cash Flows*: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 36 *Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment had no impact on the Group as the annual impairment test is performed before aggregation.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Group's consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not early adopted:

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

Related Party Disclosures – Amendment to IAS 24 (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Group is currently assessing the impact of the amendment on its future consolidated financial statements.

Deferred tax: Recovery of underlying assets – Amendment to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). IAS 12 has been updated to include a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group does not expect the amendments to have any material effect on the Group's future consolidated financial statements as the same principals are applied by the Group.

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 the interpretation to have any material effect on the Group's future consolidated financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Group does not expect the amendment to have any material effect on the Group's future consolidated financial statements.

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 (i) 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 consolidated income statement, as long as they represent a return on investment.

6 New Accounting Pronouncements (Continued)

(ii) Relating to measurement of financial liabilities at fair value through profit or loss a requirement was introduced to recognize changes in fair value caused by credit risks in other comprehensive income.

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.

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment is not expected to have any impact on the Group's financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

- IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements;
- IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree’s share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3;
- IFRS 7 was amended to clarify certain disclosure requirements, in particular (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 was amended to clarify that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements;
- IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008);
- IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity’s financial instruments;
- and IFRIC 13 was amended to clarify measurement of fair value of award credits.

The Group does not expect the amendments to have any material effect on its financial statements.

7 Cash and Cash Equivalents

In millions of Russian Roubles	2010	2009
Cash on hand	297 956	240 641
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	77 447	70 007
Correspondent accounts and placements with other banks with original maturities up to 30 days:		
- Russian Federation	142 417	280 828
- Other countries	167 287	107 467
Reverse-repo agreements with original maturities up to 30 days	34 494	26 578
Total cash and cash equivalents	**719 601**	**725 521**

At 31 December 2010 cash and cash equivalents of RR 34 494 million (2009: RR 26 578 million) are effectively collateralised by securities received under reverse sale and repurchase agreements at a fair value of RR 39 988 million (2009: RR 31 580 million), which the Group has a right to sell or repledge. None of these securities have been sold or repledged (2009: nil).

Correspondent accounts and placements with other banks and reverse-repo agreements with original maturities up to 30 days mostly represent balances with the largest and well-known foreign banks, top rated Russian banks and financial companies.

Analysis by credit quality of the balances with counterparty banks and financial companies at 31 December 2010 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Russian Federation	137 890	1 478	3 049	142 417
- Other countries	142 242	19 991	5 054	167 287
Reverse-repo agreements with original maturities up to 30 days	-	1 461	33 033	34 494
Total correspondent accounts and placements with other banks and reverse-repo agreements with original maturity up to 30 days	**280 132**	**22 930**	**41 136**	**344 198**

Analysis by credit quality of the balances with counterparty banks and financial companies at 31 December 2009 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Russian Federation	275 717	1 500	3 611	280 828
- Other countries	101 190	5 788	489	107 467
Reverse-repo agreements with original maturities up to 30 days	158	17 085	9 335	26 578
Total correspondent accounts and placements with other banks and reverse-repo agreements with original maturity up to 30 days	**377 065**	**24 373**	**13 435**	**414 873**

7 Cash and Cash Equivalents (Continued)

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

As at 31 December 2010 and 31 December 2009 all cash and cash equivalents are neither past due nor impaired.

Currency and maturity analyses of cash and cash equivalents are disclosed in Note 31. The information on related party balances is disclosed in Notes 35 and 36.

8 Trading Securities

In millions of Russian Roubles	2010	2009
Federal loan bonds (OFZ bonds)	32 037	31 492
Corporate bonds	14 931	18 823
Municipal and subfederal bonds	11 484	13 882
Russian Federation Eurobonds	2 935	24 935
Foreign government bonds	1 994	-
State domestic loan bonds (OVGVZ)	16	15
Total debt trading securities	**63 397**	**89 147**
Corporate shares	2 771	1 875
Total trading securities	**66 168**	**91 022**

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from January 2011 to February 2036 (2009: from January 2010 to February 2036), coupon rates from 3% to 12% p.a. (2009: from 0% to 13% p.a.) and yield to maturity from 2% to 9% p.a. (2009: from 5% to 14% p.a.), depending on the type of bond issue.

Corporate bonds are interest-bearing securities denominated in Russian Roubles and foreign currencies, issued by large Russian companies. These bonds have maturity dates from February 2011 to September 2028 (2009: from January 2010 to September 2028), coupon rates from 5% to 18% p.a. (2009: from 4% to 19% p.a.) and yield to maturity from 3% to 18% p.a. (2009: from 3% to 39% p.a.), depending on the type of bond issue.

Municipal and subfederal bonds are interest-bearing securities denominated in Russian Roubles and Euro and issued by municipal and subfederal bodies of the Russian Federation. These bonds have maturity dates from April 2011 to June 2022 (2009: from March 2010 to June 2017), coupon rates from 5% to 18% p.a. (2009: from 6% to 19% p.a.) and yield to maturity from 5% to 9% p.a. (2009: from 7% to 39% p.a.), depending on the type of bond issue.

Russian Federation Eurobonds are interest-bearing securities denominated in US Dollars, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. These bonds have maturity dates from July 2018 to March 2030 (2009: from July 2018 to March 2030), coupon rates from 5% to 13% p.a. (2009: from 8% to 13% p.a.) and yield to maturity from 5% to 6% p.a. (2009: from 5% to 6% p.a.), depending on the type of bond issue.

Foreign government bonds are interest-bearing securities denominated in Russian Roubles and foreign currencies, issued by foreign governments, and are freely tradable internationally. These bonds have maturity dates from December 2012 to March 2021, coupon rates from 6% to 9% p.a. and yield to maturity from 4% to 19% p.a., depending on the type of bond issue.

State domestic loan bonds (OVGVZ) are interest-bearing securities denominated in US Dollars and issued by the Ministry of Finance of the Russian Federation. The bonds have maturity date in May 2011 (2009: in May 2011); carry an annual coupon of 3% p.a. (2009: 3% p.a.) and yield to maturity 2% p.a. (2009: 3% p.a.).

8 Trading Securities (Continued)

As at 31 December 2010 corporate shares are mostly represented by quoted shares of large Russian metallurgy and oil and gas companies. As at 31 December 2009 corporate shares are mostly represented by oil and gas, metallurgy and transport companies.

Fair value of trading securities is based on their market quotations and valuation models with use of market data.

Trading securities are carried at fair value which reflects credit risk related write downs. As trading securities are carried at fair value based on observable market data, the Group does not analyse or monitor impairment indicators separately for these securities.

Analysis by credit quality of debt trading securities outstanding at 31 December 2010 is as follows:

In millions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Federal loan bonds (OFZ bonds)	32 037	-	-	32 037
Corporate bonds	5 255	7 369	2 307	14 931
Municipal and subfederal bonds	1 042	10 309	133	11 484
Russian Federation Eurobonds	2 935	-	-	2 935
Foreign government bonds	347	1 647	-	1 994
State domestic loan bonds (OVGVZ)	16	-	-	16
Total debt trading securities	**41 632**	**19 325**	**2 440**	**63 397**

As at 31 December 2010 included in not rated corporate bonds are bonds with fair value of RR 152 million with default rating.

Analysis by credit quality of debt trading securities outstanding at 31 December 2009 is as follows:

In millions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Federal loan bonds (OFZ bonds)	31 492	-	-	31 492
Russian Federation Eurobonds	24 935	-	-	24 935
Corporate bonds	8 014	5 536	5 273	18 823
Municipal and subfederal bonds	1 172	12 509	201	13 882
State domestic loan bonds (OVGVZ)	15	-	-	15
Total debt trading securities	**65 628**	**18 045**	**5 474**	**89 147**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

As at 31 December 2010 included in trading securities are federal loan bonds (OFZ bonds) with fair value of RR 14 715 million (2009: RR 18 105 million) pledged on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. As at 31 December 2009 included in trading securities are Eurobonds of the Russian Federation with fair value of RR 6 348 million also pledged on the special accounts with the Bank of Russia as collateral. Refer to Notes 32 and 35.

At 31 December 2010 and 31 December 2009 there were no renegotiated trading debt securities that would otherwise be past due. Trading debt securities are not collateralised. All trading debt securities are not past due.

Currency and maturity analyses of trading securities are disclosed in Note 31. The information on trading securities issued by related parties is disclosed in Note 36.

9 Securities Designated at Fair Value through Profit or Loss

In millions of Russian Roubles	2010	2009
Federal loan bonds (OFZ bonds)	76 698	94 251
Corporate bonds	4 648	7 153
Municipal and subfederal bonds	1 625	3 880
Total debt securities designated at fair value through profit or loss	**82 971**	**105 284**
Corporate shares	23 904	19 155
Total securities designated at fair value through profit or loss	**106 875**	**124 439**

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from January 2011 to November 2021 (2009: from January 2010 to November 2021), coupon rates from 0% to 8% p.a. (2009: from 0% to 13% p.a.) and yield to maturity from 2% to 7% p.a. (2009: from 5% to 14% p.a.), depending on the type of bond issue.

Corporate bonds are interest-bearing securities denominated in Russian Roubles and foreign currencies, issued by large Russian companies. These bonds have maturity dates from February 2011 to December 2011 (2009: from January 2010 to May 2012), coupon rates from 5% to 9% p.a. (2009: from 5% to 17% p.a.) and yield to maturity from 1% to 6% p.a. (2009: from 5% to 28% p.a.), depending on the type of bond issue.

Municipal and subfederal bonds are interest-bearing securities denominated in Russian Roubles and issued by municipal and subfederal bodies of the Russian Federation. These bonds have maturity dates from August 2011 to June 2015 (2009: from July 2010 to June 2015), coupon rates from 8% to 12% p.a. (2009: from 8% to 14% p.a.) and yield to maturity from 7% to 8% p.a. (2009: from 9% to 22% p.a.), depending on the type of bond issue.

Corporate shares are quoted and non-quoted shares of large Russian companies valuation of which was performed using professional judgement of Management of the Group and valuation models with use of available market data. As at 31 December 2010 and 31 December 2009 corporate shares are mostly represented by oil and gas and construction companies.

The Group irrevocably designated the above securities that are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Management of the Group assesses performance of these investments based on their fair values in accordance with the policy of the Group for securities portfolios classification. Fair value of securities designated at fair value through profit or loss is based on their market quotations and valuation models with use of data both observable and not observable on the open market.

9 Securities Designated at Fair Value through Profit or Loss (Continued)

Securities designated at fair value through profit or loss are carried at fair value, which also reflects credit risk related write downs. Analysis by credit quality of debt securities designated at fair value through profit or loss outstanding at 31 December 2010 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	76 698	-	-	76 698
Corporate bonds	4 233	-	415	4 648
Municipal and subfederal bonds	1 386	239	-	1 625
Total debt securities designated at fair value through profit or loss	**82 317**	**239**	**415**	**82 971**

Analysis by credit quality of debt securities at fair value through profit or loss outstanding at 31 December 2009 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	94 251	-	-	94 251
Corporate bonds	4 644	1 254	1 255	7 153
Municipal and subfederal bonds	3 325	555	-	3 880
Total debt securities designated at fair value through profit or loss	**102 220**	**1 809**	**1 255**	**105 284**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

As at 31 December 2010 included in securities designated at fair value through profit or loss are federal loan bonds (OFZ bonds) with fair value of RR 31 520 million (2009: RR 39 658 million) pledged on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. Refer to Notes 32 and 35.

At 31 December 2010 and 31 December 2009 there are no renegotiated debt securities designated at fair value through profit or loss that would otherwise be past due. Debt securities designated at fair value through profit or loss are not collateralised. All debt securities designated at fair value through profit or loss are not past due.

Currency and maturity analyses of securities designated at fair value through profit or loss are disclosed in Note 31. The information on securities designated at fair value through profit or loss issued by related parties is disclosed in Note 36.

10 Loans and Advances to Customers

The tables below show credit quality of the Group's loan portfolio by loan classes as at 31 December 2010 and 31 December 2009. For the purposes of these consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions is recognised as past due.

31 December 2010:

In millions of Russian Roubles	Not past due loans	Past due loans	Total
Commercial loans to legal entities	2 519 062	189 630	2 708 692
Specialised loans to legal entities	1 900 813	262 673	2 163 486
Consumer and other loans to individuals	598 304	37 385	635 689
Mortgage loans to individuals	572 339	31 439	603 778
Car loans to individuals	76 792	3 473	80 265
Total loans and advances to customers before provision for loan impairment	**5 667 310**	**524 600**	**6 191 910**
Less: Provision for loan impairment	(276 906)	(425 617)	(702 523)
Total loans and advances to customers net of provision for loan impairment	**5 390 404**	**98 983**	**5 489 387**

31 December 2009:

In millions of Russian Roubles	Not past due loans	Past due loans	Total
Commercial loans to legal entities	2 025 522	180 800	2 206 322
Specialised loans to legal entities	1 760 286	299 698	2 059 984
Consumer and other loans to individuals	526 373	37 991	564 364
Mortgage loans to individuals	482 445	30 342	512 787
Car loans to individuals	96 649	3 739	100 388
Total loans and advances to customers before provision for loan impairment	**4 891 275**	**552 570**	**5 443 845**
Less: Provision for loan impairment	(190 956)	(388 858)	(579 814)
Total loans and advances to customers net of provision for loan impairment	**4 700 319**	**163 712**	**4 864 031**

10 Loans and Advances to Customers (Continued)

Commercial lending to legal entities comprises corporate loans, loans to individual entrepreneurs, federal bodies and municipal authorities of the Russian Federation. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property, portfolio investments, expansion and consolidation of business, etc.). Majority of commercial loans are provided for periods up to 5 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and lending for export-import transactions. The repayment source is cash flow from current production and financial activities of the borrower.

Specialised lending to legal entities includes investment and construction project financing and also developers' financing. As a rule, loan terms are linked to payback periods of investment and construction projects, contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid from cash flows generated by the investment project at the stage of its commercial operation.

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans. These loans include loans for current needs and overdrafts.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term and are collateralized by real estate.

Car loans to individuals include loans for purchasing a car or other vehicle. Car loans are provided for periods of up to 5 years.

10 Loans and Advances to Customers (Continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2010:

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	2 457 676	(106 849)	2 350 827	4.3%
Loans up to 30 days overdue	6 895	(2 234)	4 661	32.4%
Loans 31 to 60 days overdue	4 480	(2 261)	2 219	50.5%
Loans 61 to 90 days overdue	7 058	(4 552)	2 506	64.5%
Loans 91 to 180 days overdue	10 398	(6 910)	3 488	66.5%
Loans over 180 days overdue	124 081	(117 807)	6 274	94.9%
Total collectively assessed loans	**2 610 588**	**(240 613)**	**2 369 975**	**9.2%**
Individually impaired				
Not past due	61 386	(39 929)	21 457	65.0%
Loans up to 30 days overdue	1 616	(1 378)	238	85.3%
Loans 31 to 60 days overdue	-	-	-	-
Loans 61 to 90 days overdue	3 896	(2 688)	1 208	69.0%
Loans 91 to 180 days overdue	2 861	(2 423)	438	84.7%
Loans over 180 days overdue	28 345	(25 898)	2 447	91.4%
Total individually impaired loans	**98 104**	**(72 316)**	**25 788**	**73.7%**
Total commercial loans to legal entities	**2 708 692**	**(312 929)**	**2 395 763**	**11.6%**
Specialised loans to legal entities				
Collectively assessed				
Not past due	1 835 754	(77 060)	1 758 694	4.2%
Loans up to 30 days overdue	16 715	(3 805)	12 910	22.8%
Loans 31 to 60 days overdue	2 043	(897)	1 146	43.9%
Loans 61 to 90 days overdue	5 827	(3 330)	2 497	57.1%
Loans 91 to 180 days overdue	3 927	(2 867)	1 060	73.0%
Loans over 180 days overdue	63 018	(57 148)	5 870	90.7%
Total collectively assessed loans	**1 927 284**	**(145 107)**	**1 782 177**	**7.5%**
Individually impaired				
Not past due	65 059	(36 916)	28 143	56.7%
Loans up to 30 days overdue	5 086	(5 072)	14	99.7%
Loans 31 to 60 days overdue	208	(200)	8	96.2%
Loans 61 to 90 days overdue	689	(689)	-	100.0%
Loans 91 to 180 days overdue	1 575	(1 453)	122	92.3%
Loans over 180 days overdue	163 585	(131 345)	32 240	80.3%
Total individually impaired loans	**236 202**	**(175 675)**	**60 527**	**74.4%**
Total specialised loans to legal entities	**2 163 486**	**(320 782)**	**1 842 704**	**14.8%**
Total loans to legal entities	**4 872 178**	**(633 711)**	**4 238 467**	**13.0%**

10 Loans and Advances to Customers (Continued)

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Consumer and other loans to individuals				
Collectively assessed				
Not past due	598 304	(9 776)	588 528	1.6%
Loans up to 30 days overdue	6 521	(159)	6 362	2.4%
Loans 31 to 60 days overdue	2 014	(141)	1 873	7.0%
Loans 61 to 90 days overdue	1 324	(170)	1 154	12.8%
Loans 91 to 180 days overdue	2 177	(490)	1 687	22.5%
Loans over 180 days overdue	25 349	(25 349)	-	100.0%
Total consumer and other loans to individuals	**635 689**	**(36 085)**	**599 604**	**5.7%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	572 339	(5 139)	567 200	0.9%
Loans up to 30 days overdue	3 979	(242)	3 737	6.1%
Loans 31 to 60 days overdue	1 669	(236)	1 433	14.1%
Loans 61 to 90 days overdue	1 206	(246)	960	20.4%
Loans 91 to 180 days overdue	2 060	(891)	1 169	43.3%
Loans over 180 days overdue	22 525	(22 525)	-	100.0%
Total mortgage loans to individuals	**603 778**	**(29 279)**	**574 499**	**4.8%**
Car loans to individuals				
Collectively assessed				
Not past due	76 792	(1 237)	75 555	1.6%
Loans up to 30 days overdue	682	(20)	662	2.9%
Loans 31 to 60 days overdue	248	(17)	231	6.9%
Loans 61 to 90 days overdue	152	(18)	134	11.8%
Loans 91 to 180 days overdue	300	(65)	235	21.7%
Loans over 180 days overdue	2 091	(2 091)	-	100.0%
Total car loans to individuals	**80 265**	**(3 448)**	**76 817**	**4.3%**
Total loans to individuals	**1 319 732**	**(68 812)**	**1 250 920**	**5.2%**
Total loans and advances to customers as at 31 December 2010	**6 191 910**	**(702 523)**	**5 489 387**	**11.3%**

10 Loans and Advances to Customers (Continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2009:

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	1 968 452	(68 724)	1 899 728	3.5%
Loans up to 30 days overdue	13 910	(4 863)	9 047	35.0%
Loans 31 to 60 days overdue	7 159	(3 472)	3 687	48.5%
Loans 61 to 90 days overdue	7 597	(3 897)	3 700	51.3%
Loans 91 to 180 days overdue	20 011	(12 757)	7 254	63.7%
Loans over 180 days overdue	95 717	(69 741)	25 976	72.9%
Total collectively assessed loans	**2 112 846**	**(163 454)**	**1 949 392**	**7.7%**
Individually impaired				
Not past due	57 070	(27 562)	29 508	48.3%
Loans up to 30 days overdue	47	-	47	0.0%
Loans 31 to 60 days overdue	425	(344)	81	80.9%
Loans 61 to 90 days overdue	1 684	(1 676)	8	99.5%
Loans 91 to 180 days overdue	8 291	(5 166)	3 125	62.3%
Loans over 180 days overdue	25 959	(23 286)	2 673	89.7%
Total individually impaired loans	**93 476**	**(58 034)**	**35 442**	**62.1%**
Total commercial loans to legal entities	**2 206 322**	**(221 488)**	**1 984 834**	**10.0%**
Specialised loans to legal entities				
Collectively assessed				
Not past due	1 731 758	(67 328)	1 664 430	3.9%
Loans up to 30 days overdue	16 027	(4 395)	11 632	27.4%
Loans 31 to 60 days overdue	16 021	(4 395)	11 626	27.4%
Loans 61 to 90 days overdue	8 133	(4 500)	3 633	55.3%
Loans 91 to 180 days overdue	6 569	(3 481)	3 088	53.0%
Loans over 180 days overdue	65 381	(47 809)	17 572	73.1%
Total collectively assessed loans	**1 843 889**	**(131 908)**	**1 711 981**	**7.2%**
Individually impaired				
Not past due	28 528	(12 356)	16 172	43.3%
Loans up to 30 days overdue	2 052	(1 138)	914	55.5%
Loans 31 to 60 days overdue	218	(133)	85	61.0%
Loans 61 to 90 days overdue	2 638	(2 464)	174	93.4%
Loans 91 to 180 days overdue	22 691	(10 960)	11 731	48.3%
Loans over 180 days overdue	159 968	(128 100)	31 868	80.1%
Total individually impaired loans	**216 095**	**(155 151)**	**60 944**	**71.8%**
Total specialised loans to legal entities	**2 059 984**	**(287 059)**	**1 772 925**	**13.9%**
Total loans to legal entities	**4 266 306**	**(508 547)**	**3 757 759**	**11.9%**

10 Loans and Advances to Customers (Continued)

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Consumer and other loans to individuals				
Collectively assessed				
Not past due	526 373	(8 926)	517 447	1.7%
Loans up to 30 days overdue	4 761	(488)	4 273	10.2%
Loans 31 to 60 days overdue	2 339	(476)	1 863	20.4%
Loans 61 to 90 days overdue	1 506	(446)	1 060	29.6%
Loans 91 to 180 days overdue	2 923	(1 440)	1 483	49.3%
Loans over 180 days overdue	26 462	(26 462)	-	100.0%
Total consumer and other loans to individuals	**564 364**	**(38 238)**	**526 126**	**6.8%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	482 445	(4 418)	478 027	0.9%
Loans up to 30 days overdue	4 014	(725)	3 289	18.1%
Loans 31 to 60 days overdue	2 373	(803)	1 570	33.8%
Loans 61 to 90 days overdue	1 574	(776)	798	49.3%
Loans 91 to 180 days overdue	2 866	(2 538)	328	88.6%
Loans over 180 days overdue	19 515	(19 515)	-	100.0%
Total mortgage loans to individuals	**512 787**	**(28 775)**	**484 012**	**5.6%**
Car loans to individuals				
Collectively assessed				
Not past due	96 649	(1 642)	95 007	1.7%
Loans up to 30 days overdue	718	(120)	598	16.7%
Loans 31 to 60 days overdue	397	(120)	277	30.2%
Loans 61 to 90 days overdue	245	(108)	137	44.1%
Loans 91 to 180 days overdue	436	(321)	115	73.6%
Loans over 180 days overdue	1 943	(1 943)	-	100.0%
Total car loans to individuals	**100 388**	**(4 254)**	**96 134**	**4.2%**
Total loans to individuals	**1 177 539**	**(71 267)**	**1 106 272**	**6.1%**
Total loans and advances to customers as at 31 December 2009	**5 443 845**	**(579 814)**	**4 864 031**	**10.7%**

10 Loans and Advances to Customers (Continued)

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2010:

In millions of Russian Roubles	1 group	2 group	3 group	Total
Commercial loans to legal entities	161 500	1 273 414	1 022 762	**2 457 676**
Specialised loans to legal entities	80 026	793 995	961 733	**1 835 754**
Consumer and other loans to individuals	5 685	590 441	2 178	**598 304**
Mortgage loans to individuals	7 214	563 935	1 190	**572 339**
Car loans to individuals	425	76 258	109	**76 792**
Total	**254 850**	**3 298 043**	**1 987 972**	**5 540 865**

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2009:

In millions of Russian Roubles	1 group	2 group	3 group	Total
Commercial loans to legal entities	143 091	998 354	827 007	**1 968 452**
Specialised loans to legal entities	55 924	784 784	891 050	**1 731 758**
Consumer and other loans to individuals	4 932	518 955	2 486	**526 373**
Mortgage loans to individuals	3 079	476 395	2 971	**482 445**
Car loans to individuals	-	96 596	53	**96 649**
Total	**207 026**	**2 875 084**	**1 723 567**	**4 805 677**

For the purpose of these consolidated financial statements, all not past due collectively assessed loans to legal entities are classified in three quality groups presented in the tables above with group 1 loans being of the highest quality. The 1-st group includes borrowers with sound level of liquidity and profitability as well as high capital adequacy ratio. The probability of breach of loan agreement terms is assessed as low. The 2-nd group includes borrowers with average level of liquidity and profitability as well as average capital adequacy ratio. The probability of breach of loan agreement terms is assessed as moderate. The 3-rd group includes borrowers with satisfactory level of liquidity and profitability as well as moderate capital adequacy ratio. The probability of breach of loan agreement terms is assessed as above moderate.

For the purpose of these consolidated financial statements, all not past due loans to individuals are combined into three groups presented in the tables above. The 1-st group of these loans to individuals is represented by loans with good debt servicing and excellent financial position of a borrower. The 2-nd group is represented by loans with good/average debt servicing and excellent/moderate financial position of a borrower. The 3-rd group is represented by loans with average debt servicing and moderate financial position of a borrower.

As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

10 Loans and Advances to Customers (Continued)

As at 31 December 2010 the outstanding non-performing loans were as follows:

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	165 685	(153 038)	12 647	92.4%
Specialised loans to legal entities	232 105	(192 813)	39 292	83.1%
Consumer and other loans to individuals	27 526	(25 839)	1 687	93.9%
Mortgage loans to individuals	24 585	(23 416)	1 169	95.2%
Car loans to individuals	2 391	(2 156)	235	90.2%
Total non-performing loans and advances to customers as at 31 December 2010	**452 292**	**(397 262)**	**55 030**	**87.8%**

As at 31 December 2009 the outstanding non-performing loans were as follows:

In millions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	149 978	(110 950)	39 028	74.0%
Specialised loans to legal entities	254 609	(190 350)	64 259	74.8%
Consumer and other loans to individuals	29 385	(27 902)	1 483	95.0%
Mortgage loans to individuals	22 381	(22 053)	328	98.5%
Car loans to individuals	2 379	(2 264)	115	95.2%
Total non-performing loans and advances to customers as at 31 December 2009	**458 732**	**(353 519)**	**105 213**	**77.1%**

10 Loans and Advances to Customers (Continued)

Renegotiatied loans. Information on loans which terms have been renegotiated, as at 31 December 2010 and 31 December 2009 is presented in the table below. It shows the carrying amount for renegotiated loans by class.

In millions of Russian Roubles	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
31 December 2010:						
Not past due collectively assessed loans	402 606	171 884	6 824	1 958	38	583 310
Other renegotiated loans	96 571	54 160	3 299	10 197	184	164 411
Total renegotiated loans before provision for loan impairment	**499 177**	**226 044**	**10 123**	**12 155**	**222**	**747 721**
31 December 2009:						
Not past due collectively assessed loans	375 723	156 981	917	804	32	534 457
Other renegotiated loans	76 913	27 407	2 093	5 890	22	112 325
Total renegotiated loans before provision for loan impairment	**452 636**	**184 388**	**3 010**	**6 694**	**54**	**646 782**

Provisions for Loan Impairment. The analysis of changes in provisions for loan impairment for the year ended 31 December 2010 is presented in the table below:

In millions of Russian Roubles	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Provision for loan impairment as at 1 January 2010	**221 488**	**287 059**	**38 238**	**28 775**	**4 254**	**579 814**
Net provision charge for loan impairment during the year	118 880	35 863	(1 041)	832	(725)	153 809
Loans and advances written off during the year	(27 439)	(2 140)	(1 112)	(328)	(81)	(31 100)
Provision for loan impairment as at 31 December 2010	**312 929**	**320 782**	**36 085**	**29 279**	**3 448**	**702 523**

10 Loans and Advances to Customers (Continued)

The analysis of changes in provisions for loan impairment for the year ended 31 December 2009 is presented in the table below:

In millions of Russian Roubles	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Provision for loan impairment as at 1 January 2009	**82 708**	**75 305**	**30 077**	**12 611**	**1 584**	**202 285**
Net provision charge for loan impairment during the year	147 089	212 421	10 056	16 587	2 779	388 932
Loans and advances written off during the year	(8 309)	(667)	(1 895)	(423)	(109)	(11 403)
Provision for loan impairment as at 31 December 2009	**221 488**	**287 059**	**38 238**	**28 775**	**4 254**	**579 814**

Loan Security. The Group Management's best estimate of fair value of collateral for past due loans as at 31 December 2010 and 31 December 2009 is presented in the table below:

	2010		**2009**	
In millions of Russian Roubles	**Commercial loans to legal entities**	**Specialised loans to legal entities**	**Commercial loans to legal entities**	**Specialised loans to legal entities**
Best estimate of fair value of collateral for past due loans, assessed for impairment on a collective basis, when collateral is :				
- real estate	130 308	77 818	96 410	87 299
- transportation and production equipment	58 650	33 026	43 175	41 399
- goods in turnover	53 883	1 415	53 006	1 710
- tradable securities	-	5 527	-	13 166
- other assets	31 663	118 083	17 360	56 794
Best estimate of fair value of collateral for past due individually impaired loans to legal entities, when collateral is :				
- real estate	292 844	79 458	176 438	322 075
- transportation and production equipment	27 933	35 219	30 106	37 356
- goods in turnover	8 161	136	1 783	506
- tradable securities	2 100	46 769	40 385	45 253
- other assets	12 831	167 062	2 827	98 478
Total	**618 373**	**564 513**	**461 490**	**704 036**

Estimation of the fair value of collateral for past due loans, assessed for impairment on a collective basis, and individually impaired loans to legal entities as at 31 December 2010 and 31 December 2009 was estimated by the Group`s lending departments using Group`s internal methodology. The Group's policy on collateral requirements is disclosed in Note 31.

Actual net realisable value of collateral may differ from the value disclosed above due to potential difficulties arising during the foreclosure which can not be predicted.

10 Loans and Advances to Customers (Continued)

Investments in finance lease. Included in specialised loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 31 December 2010 and as at 31 December 2009 is as follows:

in millions of Russian Roubles	**2010**	**2009**
Gross investment in finance lease	72 717	49 965
Unearned future finance income on finance lease	(21 274)	(14 380)
Net investment in finance lease before provision for impairment	**51 443**	**35 585**
Less provision for impairment	(1 033)	(1 119)
Net investment in finance lease after provision for impairment	**50 410**	**34 466**

The contractual maturity analysis of net investments in finance lease as at 31 December 2010 is as follows:

In millions of Russian Roubles	**Net investment in finance lease before provision for impairment**	**Provision for impairment**	**Net investment in finance lease after provision for impairment**
Not later than 1 year	18 567	(325)	18 242
Later than 1 year but not later than 5 years	29 303	(657)	28 646
Later than 5 years	3 573	(51)	3 522
Total as at 31 December 2010	**51 443**	**(1 033)**	**50 410**

The contractual maturity analysis of net investments in finance lease as at 31 December 2009 is as follows:

In millions of Russian Roubles	**Net investment in finance lease before provision for impairment**	**Provision for impairment**	**Net investment in finance lease after provision for impairment**
Not later than 1 year	10 371	(577)	9 794
Later than 1 year but not later than 5 years	22 615	(498)	22 117
Later than 5 years	2 599	(44)	2 555
Total as at 31 December 2009	**35 585**	**(1 119)**	**34 466**

10 Loans and Advances to Customers (Continued)

The analysis of minimal finance lease receivables as at 31 December 2010 and 31 December 2009 per contractual maturity is as follows:

In millions of Russian Roubles	31 December 2010	31 December 2009
Not later than 1 year	19 662	13 890
Later than 1 year but not later than 5 years	41 593	32 234
Later than 5 years	11 462	3 841
Total	**72 717**	**49 965**

Economic sector risk concentration. Economic sector risk concentrations within the customer loan portfolio as at 31 December 2010 and 31 December 2009 are as follows:

		2010		2009
In millions of Russian Roubles	Amount	%	Amount	%
Individuals	1 319 732	21.3	1 177 539	21.7
Trade	1 008 025	16.3	960 385	17.7
Services	1 001 330	16.2	748 240	13.7
Food and agriculture	585 394	9.5	511 658	9.4
Construction	404 601	6.5	408 307	7.5
Machine building	317 588	5.1	347 222	6.4
Metallurgy	300 806	4.9	273 814	5.0
Chemical industry	216 833	3.5	186 790	3.4
Energy	208 797	3.4	172 623	3.2
Oil and gas	177 495	2.9	157 078	2.9
Telecommunications	168 042	2.7	164 934	3.0
Government and municipal bodies	153 280	2.5	94 004	1.7
Transport, aviation, space industry	147 540	2.4	109 211	2.0
Timber industry	49 609	0.8	43 955	0.8
Other	132 838	2.0	88 085	1.6
Total loans and advances to customers before provision for loan impairment	**6 191 910**	**100.0**	**5 443 845**	**100.0**

Included into 'services' are loans granted to holding companies and multiindustry companies.

As at 31 December 2010 the Group had 20 largest borrowers with aggregated loan amounts due from each of these borrowers exceeding RR 29 300 million (31 December 2009: 20 largest borrowers with loan amounts due from each of these borrowers exceeding RR 23 000 million). The total aggregate amount of these loans was RR 1 401 637 million or 22.6% of the total gross loan portfolio of the Group (31 December 2009: RR 1 240 189 million or 22.8%).

Interest income accrued on loans, for which individual impairment has been recognised, for the year ended 31 December 2010, comprised RR 8 322 million (2009: RR 3 297 million).

In interest income on loans and advances to customers in the consolidated income statement are included fines and penalties received from borrowers in the amount of RR 10 759 million (2009: RR 5 828 million).

The estimated fair value of loans and advances to customers is disclosed in Note 34. Currency and maturity analyses of loans and advances to customers are disclosed in Note 31. The information on related party balances is disclosed in Note 35 and 36.

11 Securities Pledged under Repurchase Agreements

In millions of Russian Roubles	31 December 2010	31 December 2009
Trading securities pledged under repurchase agreements		
Russian Federation Eurobonds	12 150	-
Investment securities available for sale pledged under repurchase agreements		
Russian Federation Eurobonds	47 027	-
Corporate bonds	13 484	583
Corporate shares	8 276	2 116
Foreign government bonds	556	-
Total securities pledged under repurchase agreements	**81 493**	**2 699**

Securities pledged under repurchase agreements represent securities collateralised under sale and repurchase agreements, which the counterparty has the right, by contract or custom, to sell or repledge. As at 31 December 2010 included in Due to corporate customers are deposits in the amount of RR 5 968 million (31 December 2009: RR 2 174 million) received under sale and repurchase agreements with legal entities. Refer to Note 17. Deposits in the amount of RR 61 803 million (31 December 2009: RR 111 million) received under sale and repurchase agreements with other banks are included in Due to other banks. Refer to Note 16.

Russian Federation Eurobonds included in the portfolio of trading securities and investment securities available for sale pledged under repurchase agreements have maturity dates from July 2018 to March 2030, coupon rates from 8% to 13% p.a. and yield to maturity from 5% to 6% p.a., depending on the type of bond issue.

Corporate bonds included in the portfolio of investment securities available for sale pledged under repurchase agreements have maturity dates from January 2012 to November 2019 (2009: November 2014), coupon rates from 6% to 10% p.a. (2009: from 6% to 9% p.a.) and yield to maturity from 2% to 8% p.a. (2009: from 6% to 8% p.a.), depending on the type of bond issue.

Foreign government bonds included in the portfolio of investment securities available for sale are interest-bearing securities denominated in foreign currencies, issued by foreign governments, and are freely tradable internationally. These bonds have maturity date in October 2012, coupon rate 20% p.a. and yield to maturity 14% p.a.

As at 31 December 2010 corporate shares pledged under repurchase agreements are mostly represented by quoted shares of Russian oil and gas and metallurgy companies. As at 31 December 2009 corporate shares are mostly represented by quoted shares of Russian oil and gas companies.

Analysis by credit quality of debt securities pledged under repurchase agreements outstanding at 31 December 2010 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Total
Russian Federation Eurobonds	59 177	-	59 177
Corporate bonds	7 620	5 864	13 484
Foreign government bonds	-	556	556
Total debt securities pledged under repurchase agreements	**66 797**	**6 420**	**73 217**

11 Securities Pledged under Repurchase Agreements (Continued)

Analysis by credit quality of debt securities pledged under repurchase agreements outstanding at 31 December 2009 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Total
Corporate bonds	552	31	583
Total debt securities pledged under repurchase agreements	**552**	**31**	**583**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

All corporate bonds pledged under repurchase agreements are not past due. None of the securities pledged under repurchase agreements were renegotiated.

Currency and maturity analyses of securities pledged under repurchase agreements are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

12 Investment Securities Available for Sale

In millions of Russian Roubles	2010	2009
Bonds of the Bank of Russia	433 585	221 080
Federal loan bonds (OFZ bonds)	348 353	213 540
Corporate bonds	275 563	244 142
Municipal and subfederal bonds	50 219	87 948
Foreign government bonds	17 899	6 979
Russian Federation Eurobonds	4 950	54 480
Total debt investment securities available for sale	**1 130 569**	**828 169**
Corporate shares	80 352	17 806
Total investment securities available for sale	**1 210 921**	**845 975**

Bonds of the Bank of Russia are zero-coupon securities denominated in Russian Roubles, issued by the Central Bank of the Russian Federation, and are freely tradable on the domestic market. These bonds have maturity date in March 2011 (2009: in March 2010 and June 2010), yield to maturity of 4% p.a. (2009: from 6% to 7% p.a.).

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from January 2011 to February 2036 (2009: from January 2010 to February 2036), coupon rates from 0% to 12% p.a. (2009: from 0% to 13% p.a.) and yield to maturity from 2% to 10% p.a. (2009: from 5% to 14% p.a.), depending on the type of bond issue.

Corporate bonds are interest-bearing securities denominated in Russian Roubles and foreign currencies, issued by large Russian and CIS companies. These bonds have maturity dates from February 2011 to November 2025 (2009: from January 2010 to August 2037), coupon rates from 1% to 18% p.a. (2009: from 4% to 19% p.a.) and yield to maturity from 2% to 34% p.a. (2009: from 3% to 39% p.a.), depending on the type of bond issue.

12 Investment Securities Available for Sale (Continued)

Municipal and subfederal bonds are interest-bearing securities denominated in Russian Roubles and Euro and issued by municipal and subfederal bodies of the Russian Federation. These bonds have maturity dates from April 2011 to June 2022 (2009: from March 2010 to June 2017), coupon rate from 5% to 18% p.a. (2009: from 5% to 18% p.a.) and yield to maturity from 2% to 9% p.a. (2009: from 3% to 26% p.a.), depending on the type of bond issue.

Foreign government bonds are interest-bearing and non-interest-bearing securities denominated in Russian Roubles and foreign currencies, issued by foreign governments. These bonds have maturity dates from February 2011 to October 2020 (2009: from January 2010 to September 2014), coupon rates from 4% to 20% p.a. (2009: from 0% to 20% p.a.) and yield to maturity from 2% to 20% p.a. (2009: from 2% to 14% p.a.), depending on the type of bond issue.

Russian Federation Eurobonds are interest-bearing securities denominated in US Dollars, issued by the Ministry of Finance of the Russian Federation, and are freely tradable internationally. These bonds have maturity dates from July 2018 to March 2030 (2009: from July 2018 to March 2030), coupon rates from 8% to 13% p.a. (2009: from 8% to 13% p.a.) and yield to maturity from 5% to 6% p.a. (2009: from 5% to 6% p.a.).

Corporate shares are quoted and non-quoted shares of large Russian and CIS companies. As at 31 December 2010 corporate shares are mostly represented by oil and gas, energy, communication, transport, finance and metallurgy companies. As at 31 December 2009 corporate shares are mostly represented by oil and gas, metallurgy, communication and transport companies.

Investment securities available for sale are carried at fair value which also reflects credit risk related write downs. Fair value of investment securities available for sale is based on their market quotations and valuation models with use of data both observable and not observable on the open market. According to the assessment of the Group as at 31 December 2010 impairment of investment securities available for sale comprised RR 39 million (2009: RR 2 274 million) and was recognised in profit or loss. The unrealised gains/(losses) on revaluation of investment securities available for sale other than impairment loss are recognised in other comprehensive income and presented in equity as fair value reserve for investment securities available for sale as at 31 December 2010 in the cumulative gain of RR 24 431 million (2009: loss of RR 598 million). As at 31 December 2010 included in investment securities available for sale are past due fully impaired corporate bonds with nominal value of RR 91 million (2009: nil). None of the investment securities available for sale were renegotiated.

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2010 is as follows:

In millions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Bonds of the Bank of Russia	433 585	-	-	433 585
Federal loan bonds (OFZ bonds)	348 353	-	-	348 353
Corporate bonds	140 463	100 485	34 615	275 563
Municipal and subfederal bonds	32 769	17 314	136	50 219
Foreign government bonds	6 377	11 448	74	17 899
Russian Federation Eurobonds	4 950	-	-	4 950
Total debt investment securities available for sale	**966 497**	**129 247**	**34 825**	**1 130 569**

As at 31 December 2010 included in not rated corporate bonds are bonds with fair value of RR 287 million with default rating.

12 Investment Securities Available for Sale (Continued)

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2009 is as follows:

In millions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	151 227	61 229	31 686	244 142
Bonds of the Bank of Russia	221 080	-	-	221 080
Federal loan bonds (OFZ bonds)	213 540	-	-	213 540
Municipal and subfederal bonds	59 275	28 403	270	87 948
Russian Federation Eurobonds	54 480	-	-	54 480
Foreign government bonds	4 148	2 831	-	6 979
Total debt investment securities available for sale	**703 750**	**92 463**	**31 956**	**828 169**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

As at 31 December 2010 included in investment securities available for sale are federal loan bonds (OFZ bonds) with fair value of RR 42 498 million (2009: RR 65 299 million) and Eurobonds of the Russian Federation with fair value of RR 5 million (2009: RR 13 768 million) pledged on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. Refer to Notes 32 and 35.

Currency and maturity analyses of investment securities available for sale are disclosed in Note 31. The information on related party balances is disclosed in Notes 35 and 36.

13 Investment Securities Held to Maturity

In millions of Russian Roubles	2010	2009
Federal loan bonds (OFZ bonds)	227 328	-
Municipal and subfederal bonds	86 052	-
Corporate bonds	44 512	-
Foreign government bonds	299	
Total investment securities held to maturity	**358 191**	**-**

In the second and the third quarter of 2010 the Group changed its expectations regarding some part of investments in federal and municipal bonds previously classified as available for sale. Taking into account changed expectations and the ability of the Group to hold investment securities to maturity, these investments were reclassified from available for sale category into held to maturity category. The fair value of reclassified securities as at the dates of reclassification amounted to RR 257 809 million.

OFZ bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from June 2011 to January 2019, coupon rates from 0% to 12% p.a. and yield to maturity from 4% to 7% p.a., depending on the type of bond issue.

13 Investment Securities Held to Maturity (Continued)

Municipal and subfederal bonds are interest-bearing securities denominated in Russian Roubles and issued by municipal and subfederal bodies of the Russian Federation. These bonds have maturity dates from December 2011 to September 2016, coupon rate from 8% to 18% p.a. and yield to maturity from 6% to 8% p.a., depending on the type of bond issue.

Corporate bonds are interest bearing securities denominated in Russian Roubles and foreign currencies, issued by large Russian and CIS companies. These bonds have maturity dates from February 2011 to November 2017, coupon rates from 5% to 15% p.a. and yield to maturity from 2% to 15% p.a., depending on the type of bond issue.

Foreign government bonds are interest-bearing securities denominated in foreign currencies, issued by foreign governments. These bonds have maturity dates from September 2014 to July 2020, coupon rates from 2% to 11% p.a., depending on the type of bond issue, and yield to maturity – 11% p.a.

Analysis by credit quality of debt investment securities held to maturity outstanding at 31 December 2010 is as follows:

In millions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Federal loan bonds (OFZ bonds)	227 328	-	-	227 328
Municipal and subfederal bonds	70 629	15 423	-	86 052
Corporate bonds	14 478	24 514	5 520	44 512
Foreign government bonds	-	225	74	299
Total investment securities held to maturity	**312 435**	**40 162**	**5 594**	**358 191**

Credit quality in the table above is based on the rating scale developed by the international rating agencies.

As at 31 December 2010 included in investment securities held to maturity are federal loan bonds (OFZ bonds) with carrying value of RR 37 044 million pledged on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. Refer to Notes 32 and 35.

At 31 December 2010 there are no renegotiated debt investment securities held to maturity that would otherwise be past due. All debt investment securities held to maturity are not past due.

The estimated fair value of investment securities held to maturity is disclosed in Note 34. Currency and maturity analyses of investment securities held to maturity are disclosed in Note 31. The information on related party balances is disclosed in Note 36.

14 Premises and Equipment

In millions of Russian Roubles	Note	Office premises	Other premises	Office and equipment	Vehicles and other equipment	Construction in progress	Total
Cost or revalued amount at 1 January 2009		202 408	-	88 158	12 694	9 712	312 972
Accumulated depreciation		-	-	(54 928)	(6 566)	-	(61 494)
Carrying amount at 1 January 2009		**202 408**	**-**	**33 230**	**6 128**	**9 712**	**251 478**
Additions		6 943	-	25 762	3 541	16 252	52 498
Acquisitions through business combinations		2 877	2 462	506	5 930	3 039	14 814
Transfers		13 446	-	-	-	(13 446)	-
Disposals – at cost or revalued amount		(2 106)	-	(3 210)	(1 723)	(1 789)	(8 828)
Disposals - accumulated depreciation		38	-	3 203	1 492	-	4 733
Depreciation charge	26	(6 935)	(34)	(19 390)	(2 261)	-	(28 620)
Negative revaluation of office premises recognised in profit or loss		(14 996)	-	-	-	-	(14 996)
Negative revaluation of office premises recognised in other comprehensive income		(21 198)	-	-	-	-	(21 198)
Carrying amount at 31 December 2009		**180 477**	**2 428**	**40 101**	**13 107**	**13 768**	**249 881**
Cost or revalued amount at 31 December 2009		181 065	2 462	111 216	20 442	13 768	328 953
Accumulated depreciation		(588)	(34)	(71 115)	(7 335)	-	(79 072)
Additions		12 191	1 585	29 613	2 798	16 895	63 082
Acquisitions through business combinations		979	3 531	78	4 147	2 137	10 872
Transfers		7 965	-	-	-	(7 965)	-
Disposals – at cost or revalued amount		(2 300)	(54)	(4 159)	(5 407)	(1 705)	(13 625)
Disposals - accumulated depreciation		18	2	4 060	1 825	-	5 905
Depreciation charge	26	(5 694)	(34)	(22 852)	(3 779)	-	(32 359)
Carrying amount at 31 December 2010		**193 636**	**7 458**	**46 841**	**12 691**	**23 130**	**283 756**
Cost or revalued amount at 31 December 2010		199 900	7 524	136 748	21 980	23 130	389 282
Accumulated depreciation		(6 264)	(66)	(89 907)	(9 289)	-	(105 526)

Construction in progress consists of construction and refurbishment of the Group's premises. Upon completion, assets are transferred to office premises or other premises.

14 Premises and Equipment (Continued)

Office premises have been revalued to market value at 31 December 2009. The Group performs revaluation using appropriate valuation techniques and information about real estate transactions on the local market. At 31 December 2010 the carrying amount of office premises would have been RR 126 885 million (2009: RR 128 663 million) had the premises been carried at cost less depreciation. The amount reconciles to the carrying value of the office premises as follows:

In millions of Russian Roubles	2010	2009
Office premises at revalued amount in the statement of financial position	193 636	180 477
Revaluation reserve presented in equity	(53 648)	(55 540)
Negative revaluation of office premises presented in income statement	-	14 996
Difference between accumulated depreciation based on cost and based on revalued amount	(13 103)	(11 270)
Office premises at cost less accumulated depreciation	**126 885**	**128 663**

At 31 December 2010 included in office and computer equipment are fully depreciated items in the amount of RR 27 741 million (2009: RR 31 821 million) and in vehicles and other equipment in the amount of RR 1 120 million (2009: RR 2 613 million).

15 Other Assets

In millions of Russian Roubles	2010	2009
Other financial assets		
Receivables on plastic cards settlements	91 219	52 324
Derivative financial instruments	9 257	3 965
Settlements on currency conversion operations	6 196	4 645
Trade receivables	5 259	1 603
Accrued fees and commissions	2 758	2 153
Funds in settlement	118	1 502
Other financial assets	3 937	3 337
Provision for impairment of other financial assets	(2 162)	(4 008)
Total other financial assets	**116 582**	**65 521**
Other non-financial assets		
Prepayments for premises and other assets	39 258	20 203
Precious metals	34 767	37 490
Inventory of non-banking subsidiaries	11 589	3 444
Goodwill	8 251	469
Investment property	5 414	2 499
Tax settlements (other than on income)	4 230	741
Intangible assets acquired through business combinations	4 170	2 736
Non-exclusive licences	4 091	2 620
Prepaid expenses	2 840	3 280
Investments in associates	2 479	31
Prepayment on income tax	929	5 752
Non-current assets held for sale	402	3 370
Other non-financial assets	8 658	3 997
Provision for impairment of other non-financial assets	(2 610)	(1 446)
Total other non-financial assets	**124 468**	**85 186**
Total other assets	**241 050**	**150 707**

15 Other Assets (Continued)

As at 31 December 2010 receivables on plastic cards settlements of RR 91 219 million (2009: RR 52 324 million) represent receivables due within 30 days on operations of the Group`s customers with plastic cards.

As at 31 December 2010 included in investments in associates are investments in a company acquired by the Group in December 2010 – OJSC 'Detskiy Mir - Centr', a retail trading company specializing in goods for children. The Group acquired 25% plus one share and a put option which enables the Group to dispose of the shares in three years' time at a fixed price. The option is recorded within derivative financial instruments. The option is exercisable before maturity if certain conditions specified in the agreement are met.

As at 31 December 2009 included in non-current assets held for sale were assets repossessed by the Group from its borrower which were disposed off in 2010.

As at 31 December 2010 and 31 December 2009 the analysis of intangible assets acquired through business combinations is as follows:

In millions of Russian Roubles	2010	2009
Licenses for oil exploitation	2 598	-
Core deposit intangible	1 483	1 872
Long-term land lease rights	-	641
Other	89	223
Total intangible assets acquired through business combinations	**4 170**	**2 736**

Movements in the provision for impairment of other assets during 2010 are as follows:

In millions of Russian Roubles	Funds in settlement	Other financial assets	Prepayments for premises and other assets	Other non-financial assets	Total
Provision for impairment at 1 January 2010	**385**	**3 623**	**1 111**	**335**	**5 454**
Net provision charge for impairment during the year	(308)	5 458	(26)	1 313	6 437
Other assets written off during the year as uncollectible	-	(6 996)	(2)	(121)	(7 119)
Provision for impairment at 31 December 2010	**77**	**2 085**	**1 083**	**1 527**	**4 772**

15 Other Assets (Continued)

Movements in the provision for impairment of other assets during 2009 are as follows:

In millions of Russian Roubles	Funds in settlement	Other financial assets	Prepayments for premises and other assets	Other non-financial assets	Total
Provision for impairment at 1 January 2009	**545**	**2 215**	**114**	**564**	**3 438**
Net provision charge for impairment during the year	(160)	1 695	997	(159)	2 373
Other assets written off during the year as uncollectible	-	(287)	-	(70)	(357)
Provision for impairment at 31 December 2009	**385**	**3 623**	**1 111**	**335**	**5 454**

Provision for impairment of other assets is recognised by the Group on operations conducted in the normal course of the Group's business. Provision is accessed on the basis of the Group's best estimates of recoverability of other assets.

Movements in goodwill arising on the acquisition of subsidiaries are:

In millions of Russian Roubles	Note	2010	2009
Carrying amount at 1 January		**469**	**-**
Impairment loss		(917)	-
Acquisition of subsidiaries	37	8 699	469
Carrying amount at 31 December		**8 251**	**469**

The estimated fair value of other financial assets is disclosed in Note 34. Currency and maturity analyses of other assets are disclosed in Note 31.

16 Due to Other Banks

In millions of Russian Roubles	2010	2009
Term placements of other banks	87 912	18 215
Sale and repurchase agreements with other banks	61 803	111
Correspondent accounts and overnight placements of other banks	38 716	35 621
Total due to other banks	**188 431**	**53 947**

Term placements of other banks represent funds received on interbank market.

16 Due to Other Banks (Continued)

At 31 December 2010, included in amounts due to other banks are liabilities of RR 61 803 million (2009: RR 111 million) received under sale and repurchase agreements with other banks. Fair value of securities collateralised under these agreements with other banks amounted to RR 74 550 million and was included in securities pledged under repurchase agreements (2009: RR 139 million). Refer to Notes 11 and 32.

The estimated fair value of due to other banks is disclosed in Note 34. Currency and maturity analyses of due to other banks are disclosed in Note 31. The information on related party balances is disclosed in Notes 35 and 36.

17 Due to Individuals and Corporate Customers

In millions of Russian Roubles	**2010**	**2009**
Individuals:		
- Current/demand accounts	785 750	540 455
- Term deposits	4 048 709	3 246 857
Total due to individuals	**4 834 459**	**3 787 312**
State and public organisations:		
- Current/settlement accounts	116 827	104 004
- Term deposits	40 475	32 900
Total due to state and public organisations	**157 302**	**136 904**
Other corporate customers:		
- Current/settlement accounts	1 082 754	861 028
- Term deposits	576 616	653 627
Total due to other corporate customers	**1 659 370**	**1 514 655**
Total due to corporate customers	**1 816 672**	**1 651 559**
Total due to individuals and corporate customers	**6 651 131**	**5 438 871**

Economic sector concentrations within customer accounts are as follows:

		2010		**2009**
In millions of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	4 834 459	72.7	3 787 312	69.6
Oil and gas	266 889	4.0	233 772	4.3
Trade	260 559	3.9	241 233	4.5
Services	254 117	3.8	248 421	4.6
Construction	166 905	2.5	153 049	2.8
Machine building	110 165	1.7	102 209	1.9
Energy	104 246	1.6	135 648	2.5
Metallurgy	87 854	1.3	51 935	1.0
Municipal bodies and state organisations	82 717	1.2	54 014	1.0
Food and agriculture	79 381	1.2	73 195	1.3
Chemical	44 269	0.7	51 589	0.9
Other	359 570	5.4	306 494	5.6
Total due to individuals and corporate customers	**6 651 131**	**100.0**	**5 438 871**	**100.0**

17 Due to Individuals and Corporate Customers (Continued)

As at 31 December 2010 included in term deposits of corporate customers are deposits in the amount of RR 5 968 million (31 December 2009: RR 2 174 million) received under sale and repurchase agreements with legal entities. Fair value of securities collateralised under these agreements amounted to RR 6 943 million and was included in securities pledged under repurchase agreements (31 December 2009: RR 2 560 million). Refer to Notes 11 and 32.

As at 31 December 2010 included in Due to corporate customers are deposits of RR 78 749 million (31 December 2009: RR 82 068 million) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 32.

As at 31 December 2010 the Group had 20 largest customers with balances above RR 7 450 million (31 December 2009: 20 customers with balances above RR 7 500 million). The aggregate balance of these customers was RR 561 760 million (31 December 2009: RR 456 986 million) or 8.4% (31 December 2009: 8.4%) of total due to individuals and corporate customers.

The estimated fair value of due to individuals and corporate customers is disclosed in Note 34. Currency and maturity analyses of due to individuals and corporate customers are disclosed in Note 31. The information on related party balances is disclosed in Notes 35 and 36.

18 Debt Securities in Issue

In millions of Russian Roubles	**2010**	**2009**
Promissory notes	96 505	101 294
Savings certificates	13 102	17 844
Deposits certificates	1 889	5 461
Other debt securities	7 930	-
Total debt securities in issue	**119 426**	**124 599**

Promissory notes are interest-bearing or discount securities issued by the Group. They are denominated in Russian Roubles, US Dollars and Euro and have maturity dates from ”on demand” to December 2013 (2009: from ”on demand” to December 2012). Interest or discount rates on promissory notes issued by the Group vary from 0.3% to 10.4% p.a. (2009: from 0.3% to 10.1% p.a.). Promissory notes are freely tradable on the Russian financial market.

Savings and deposits certificates are interest-bearing securities issued by the Group. They are denominated in Russian Roubles and Byelorussian Roubles and have maturity dates from ”on demand” to December 2013 (2009: from “on demand” to December 2012). Interest rates on these securities vary from 0.03% to 18.0% p.a. (2009: from 5.6% to 8.8% p.a.).

Other debt securities represent interest-bearing securities issued by the Group. They are denominated in Byelorussian Roubles, Kazakh Tenge, US Dollars and Euro and have maturity dates from ”on demand” to 2019. Interest rates on these securities vary from 4.0% to 16.5% p.a.

The estimated fair value of debt securities in issue is disclosed in Note 34. Currency and maturity analyses of debt securities in issue are disclosed in Note 31.

19 Other Borrowed Funds

In millions of Russian Roubles	2010	2009
Loan participation notes issued under the MTN programme	153 273	46 149
Syndicated loans received	96 904	58 703
Other long-term borrowings	20 588	10 361
Total other borrowed funds	**270 765**	**115 213**

At 31 December 2010 included in loan participation notes issued under the MTN programme are notes issued by the Group under USD 10 000 million loan participation notes MTN issuance programme. In May 2006 the Group issued the first series of notes under this programme in the amount of USD 500 million equivalent to RR 13 472 million as at the date of issue. As at 31 December 2010 these notes were accounted for at amortised cost of RR 15 539 million (2009: RR 13 624 million). The notes mature in May 2013 and have contractual fixed interest rate of 6.5% p.a. As at 31 December 2010 the effective interest rate on the notes was 6.6% p.a. (2009: 6.6% p.a.).

In November 2006 the Group issued the second series of loan participation notes under the MTN issuance programme in the amount of USD 750 million equivalent to RR 19 965 million as at the date of issue. As at 31 December 2010 these notes were accounted for at amortised cost of RR 23 098 million (2009: RR 20 648 million). The notes mature in November 2011 and have contractual fixed interest rate of 5.9% p.a. As at 31 December 2010 the effective interest rate on the notes was 6.0% p.a. (2009: 6.0% p.a.).

In July 2008 the Group issue the third series of notes under the MTN issuance programme in the amount of USD 500 million equivalent to RR 11 734 million as at the date of issue. As at 31 December 2010 this loan was accounted for at amortised cost of RR 15 843 million (2009: RR 11 877 million). This loan matures in July 2013 and has contractual fixed interest rate of 6.5% p.a. As at 31 December 2010 the effective interest rate on the loan was 6.6% p.a. (2009: 6.6% p.a.).

In October 2008 the Group received a syndicated loan in the amount of USD 1 200 million from a consortium of foreign banks equivalent to RR 32 375 million as at the date of issue. As at 31 December 2010 the loan was accounted for at amortised cost of RR 36 513 million (2009: RR 36 069 million). The loan matures in October 2011 and has contractual floating interest rate of 3 months LIBOR + 0.85%. As at 31 December 2010 the effective interest rate on the loan was 1.6% p.a. (2009: 1.6% p.a.).

In July 2010 the Group issued the fourth series of loan participation notes under the MTN issuance programme in the amount of USD 1 000 million equivalent to RR 31 112 million as at the date of issue. The notes mature in July 2015 and have contractual fixed interest rate of 5.5% p.a. Additional notes of USD 500 million (equivalent to RR 15 093 million as at the date of issue) were issued In August 2010 with a premium and form a single series with the fourth series issue. Additional notes have the same interest rate and maturity date. As at 31 December 2010 the notes were accounted for at amortised cost of RR 47 124 million; the effective interest rate on the notes was 5.4% p.a.

In September 2010 the Group issued the fifth series of loan participation notes under the MTN issuance programme in the amount of USD 1 000 million equivalent to RR 31 003 million as at the date of issue. The notes mature in March 2017 and have contractual fixed interest rate of 5.4% p.a. In October 2010 the Group issued additional notes for USD 250 million (equivalent to RR 7 631 million as at the date of issue) with a premium which form a single series with the fifth series issue and have the same interest rate and maturity. As at 31 December 2010 the notes were accounted for at amortised cost of RR 38 681 million; the effective interest rate was 5.4% p.a.

In November 2010 the Group issued the sixth series of loan participation notes under the MTN issuance programme in the amount of CHF 400 million equivalent to RR 12 577 million as at the date of issue. The notes mature in November 2014 and have contractual fixed interest rate of 3.5% p.a. As at 31 December 2010 the notes were accounted for at amortised cost of RR 12 988 million; the effective interest rate on the notes was 3.6% p.a.

19 Other Borrowed Funds (Continued)

In December 2010 the Group received a syndicated loan in the amount of USD 2 000 million from a consortium of foreign banks equivalent to RR 61 506 million as at the date of issue. As at 31 December 2010 the loan was accounted for at amortised cost of RR 60 391 million. This loan matures in December 2013 and had contractual floating interest rate of 6 months LIBOR + 1.5% p.a. As at 31 December 2010 the effective interest rate on the loan was 2.3% p.a.

During the year ended 31 December 2010 the Group partly repurchased loan participation notes, recognised at amortised cost of RR 2 123 million. The transaction was organised as a buy-out of the notes from the market. As a result of this transaction the Group has received a net loss in the amount of RR 87 million included in the Consolidated income statement (for the year ended 31 December 2009 a net gain of RR 627 million). In 2010 the Group partly disposed of the loan participation notes which were previously bought back from the market. The sale was conducted in several tranches. Amortised cost of the newly recognised liabilities comprised RR 9 392 million as at 31 December 2010. Effective interest rates varied from 2.5 % to 4.3 % p.a.

Other long-term borrowings represent funding received by the Group from foreign export agencies via foreign banks, which was used by the Group for direct lending to Russian companies in accordance with the terms of the agreements. As at 31 December 2010 these borrowings were accounted for at amortised cost of RR 20 588 million (31 December 2009: RR 10 361 million), had interest rates varying from 0.1% to 9.1% p.a. (31 December 2009: from 1.0% to 6.8% p.a.) and maturity dates from January 2011 to June 2019 (31 December 2009: from February 2010 to January 2016).

The estimated fair value of other borrowed funds is disclosed in Note 34. Currency and maturity analyses of other borrowed funds are disclosed in Note 31.

20 Other Liabilities

In millions of Russian Roubles	**2010**	**2009**
Other financial liabilities		
Plastic card payables	25 425	13 170
Trade payables	9 318	2 970
Funds in settlement	5 071	1 579
Deposit insurance system fees payable	4 476	3 449
Derivative financial instruments	1 553	10 589
Deferred commissions received on guarantees issued	1 222	799
Other	2 109	562
Total other financial liabilities	**49 174**	**33 118**
Other non-financial liabilities		
Accrued employee benefit costs	15 709	11 781
Taxes payable other than on income	8 573	5 606
Income tax payable	7 761	10 195
Advances received	5 648	2 523
Deferred gains on initial recognition of financial instruments	4 108	3 863
Other	1 200	2 755
Total other non-financial liabilities	**42 999**	**36 723**
Total other liabilities	**92 173**	**69 841**

20 Other Liabilities (Continued)

As at 31 December 2010 and 31 December 2009 the movements in deferred gains on initial recognition of financial instruments are as follows:

In millions of Russian Roubles	**Deferred gains on initial recognition of financial instruments**
Carrying amount at 1 January 2009	**-**
Additions	4 266
Amortisation transferred to Income statement	(403)
Carrying amount at 31 December 2009	**3 863**
Additions	1 104
Amortisation transferred to Income statement	(859)
Carrying amount at 31 December 2010	**4 108**

***Defined benefit plans of the Group*.** The Group applies IAS 19 *Employee benefits* for accounting for its pension liabilities. The Group operates defined benefit plans and takes direct liability to provide pension payments defined according to the Group's pension programmes. As at 31 December 2010 the Group operates 19 separate pension programmes, for Central Head Office and each Regional Head Office. The programmes cover 230 696 employees (2009: 248 033 employees).

29 435 pensioners are entitled to permanent additional payments (2009: 27 818 pensioners) and 36 184 pensioners are entitled to one-time payments (retirement payments, compensation of funeral costs and some others) (2009: 32 105 pensioners). Under majority of the programmes the amount of payments is determined based on employee standing with the Group at the date of retirement. As at 31 December 2010 pension liabilities of the Group comprised RR 7 842 million (2009: RR 5 871 million). Pension expenses for 2010 amounted to RR 1 898 million (2009: RR 1 516 million) and were included in staff costs within operating expenses.

The estimated fair value of other financial liabilities is disclosed in Note 34. Currency and maturity analyses of other liabilities are disclosed in Note 31.

21 Subordinated Debt

In millions of Russian Roubles	2010	2009
Subordinated debt received from the Bank of Russia	303 299	504 346
Subordinated debt received on international financial markets	-	14 504
Other subordinated debts	214	211
Total subordinated debt	**303 513**	**519 061**

In February 2005 the Group received a subordinated loan. This transaction was structured by UBS Luxembourg S.A. as an issue of an aggregate principal amount of USD 1 000 million Loan Participation Notes at contractual interest rate of 6.2% p.a. and maturity in February 2015, which were issued for the sole purpose of financing a ten-year subordinated loan to the Group. As at 31 December 2009 this subordinated debt was accounted for at amortised cost of RR 14 504 million and the effective interest rate on the loan was 6.4% p.a. In February 2010 the Group repaid subordinated loan in full.

In December 2008 the Group received a subordinated loan of RR 500 000 million from the Bank of Russia with a contractual fixed interest rate of 8.0% p.a. The transaction was structured in three tranches. In May 2010 the Group paid back RR 200 000 million of the loan. The remaining part of the loan matures in December 2019. On 30 July 2010 under the additional agreement with the Bank of Russia the interest rate was changed to 6.5% p.a. As at 31 December 2010 the loan was accounted for at amortised cost of RR 303 299 million; the effective interest rate on the loan was 6.5% p.a.

In the event of the Bank's liquidation the holders of these debts would be subordinated to all other creditors.

The estimated fair value of subordinated debt is disclosed in Note 34. Currency and maturity analyses of subordinated debt are disclosed in Note 31. The information on related party balances is disclosed in Note 35.

22 Share Capital

In millions of Russian Roubles, except for number of shares	2010 Number of shares, in thousands	2010 Nominal amount	2010 Inflation adjusted amount	2009 Number of shares, in thousands	2009 Nominal amount	2009 Inflation adjusted amount
Ordinary shares	21 586 948	64 761	83 337	21 586 948	64 761	83 337
Preference shares	1 000 000	3 000	4 405	1 000 000	3 000	4 405
Less: Treasury shares						
- Ordinary shares	(5)	-	-	(5)	-	-
Total share capital	**22 586 943**	**67 761**	**87 742**	**22 586 943**	**67 761**	**87 742**

The movement in the number of ordinary shares for the years ended 31 December 2010 and 31 December 2009 is as follows:

In thousands	2010	2009
Number of ordinary shares as at the 1 January	**21 586 943**	**21 584 936**
Disposal of treasury shares	-	2 007
Number of ordinary shares as at the 31 December	**21 586 943**	**21 586 943**

As at 31 December 2010 all ordinary shares have a nominal value of RR 3 per share and rank equally. Each ordinary share carries one vote. All issued ordinary shares are fully paid. Preference shares have a nominal value of RR 3 per share and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders meeting. If preference dividends are not declared, the preference shareholders obtain the right to vote as ordinary shareholders, but lose this right when the next dividend is paid. Preference share dividends are set at 15.0% of nominal value in 2010 for the year ended 31 December 2009 (2009: 21.0% of nominal value for the year ended 31 December 2008). Preference share dividends rank above ordinary dividends.

On 26 June 2009 by the Annual Shareholders' Meeting a decision was passed to increase the Bank's authorized capital through a placement of ordinary shares by open subscription within the limit of authorized shares (15 billion shares). As at 31 December 2010 the issue has not yet been performed.

23 Interest Income and Expense

In millions of Russian Roubles	**2010**	**2009**
Interest income		
Interest income on financial assets carried at amortised cost and on financial assets available for sale:		
- Loans and advances to customers	682 010	752 647
- Debt investment securities available for sale	83 219	40 190
- Debt investment securities held to maturity	9 101	-
- Due from other banks	7 955	7 433
- Correspondent accounts with other banks	118	708
	782 403	**800 978**
Interest income on financial assets carried at fair value through profit or loss:		
- Debt trading securities	7 503	6 654
- Debt securities designated at fair value through profit or loss	5 740	7 330
	13 243	**13 984**
Total interest income	**795 646**	**814 962**
Interest expense		
Term deposits of individuals	(213 384)	(186 400)
Term deposits of legal entities	(29 747)	(46 199)
Subordinated debt	(28 219)	(41 289)
Current/settlement accounts of legal entities	(9 089)	(11 439)
Debt securities in issue	(8 776)	(9 184)
Other borrowed funds	(5 950)	(5 408)
Current/demand accounts of individuals	(2 628)	(1 369)
Term placements of other banks	(1 640)	(10 416)
Correspondent accounts of other banks	(392)	(541)
Total interest expense	**(299 825)**	**(312 245)**
Net interest income	**495 821**	**502 717**

24 Fee and Commission Income and Expense

In millions of Russian Roubles	2010	2009
Fee and commission income		
Cash and settlements transactions with individuals	41 845	34 416
Cash and settlements transactions with legal entities	40 623	36 922
Plastic cards operations	23 639	17 684
Agent commissions on selling insurance contracts	9 448	550
Operations with foreign currencies	5 858	7 889
Cash collection	4 445	4 145
Guarantees issued	2 717	1 863
Transactions with securities	1 116	1 403
Other	1 258	851
Total fee and commission income	**130 949**	**105 723**
Fee and commission expense		
Settlement transactions	(5 373)	(3 758)
Cash collection	(254)	(166)
Operations with foreign currencies	(101)	(182)
Other	(1 647)	(528)
Total fee and commission expense	**(7 375)**	**(4 634)**
Net fee and commission income	**123 574**	**101 089**

25 Net Gains Arising from Trading in Foreign Currencies, Operations with Foreign Currency Derivatives and Foreign Exchange Translation Gains

In millions of Russian Roubles	2010	2009
Net gains arising from trading in foreign currencies	8 081	13 058
Net foreign exchange translation gains	15 166	15 305
Net losses from operations with foreign currency derivatives	(9 175)	(12 135)
Total net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	**14 072**	**16 228**

Net foreign exchange translation gains include net foreign exchange translation losses arising on operations with securities at fair value through profit or loss in the amount of RR 287 million (2009: a gain of RR 339 million).

Operations of trading in foreign currencies and foreign currency derivatives include both operations on behalf of clients and the Group's proprietary operations for liquidity management. The Group's proprietary operations are mostly represented by foreign exchange swap transactions.

26 Operating Expences

In millions of Russian Roubles	Note	2010	2009
Staff costs		161 180	128 624
Depreciation of premises and equipment	14	32 359	28 620
Other costs of premises and equipment		19 789	17 246
State deposit insurance system membership fee		16 718	13 047
Administrative expenses		14 227	11 637
Taxes other than on income		12 586	10 282
Operating lease expense for premises and equipment		8 644	6 972
Telecommunication expenses		8 187	6 063
Advertising and marketing services		2 867	2 187
Consulting and assurance services		1 760	1 400
Other		4 302	3 199
Total operating expenses		**282 619**	**229 277**

Included in staff costs are compulsory statutory social security and pension contributions of RR 21 758 million (2009: RR 20 026 million).

27 Income Taxes

Income tax expense comprises the following:

In millions of Russian Roubles	2010	2009
Current tax	50 622	17 559
Deferred tax	4 062	(8 207)
Less: Deferred tax recognised in other comprehensive income	(6 197)	(3 884)
Income tax expense for the year	**48 487**	**5 468**

The income tax rate applicable to the major part of the Group's income for 2010 is 20% (2009: 20%).

Reconciliation between the expected and the actual taxation charge is provided below:

In millions of Russian Roubles	2010	2009
IFRS profit before tax	**230 135**	**29 864**
Theoretical tax charge at statutory rate (2010: 20%; 2009: 20%)	46 027	5 973
Tax effect on income on government securities taxed at different rates	(2 367)	(1 497)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible staff costs	790	235
- Unrecognised tax asset of subsidiaries	1 300	-
- Non-deductible losses on cessions	1 184	-
- Other non-temporary differences	1 553	757
Income tax expense for the year	**48 487**	**5 468**

27 Income Taxes (Continued)

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2009: 20%), except for income on state, municipal and certain other types of securities that is taxed at 15%, 9% and 0% (2009: 15%, 9% and 0%) and on dividends that is taxed at a standard rate of 9% (2009: 9%).

In millions of Russian Roubles	**31 December 2009**	**Business combinations**	**Credited/ (charged) to profit or loss**	**Recognised in other comprehensive income**	**31 December 2010**
Tax effect of deductible temporary differences					
Deferred fees and commissions income	6 298	-	(547)	-	5 751
Accrued employee benefit costs	2 446	-	(2 406)	-	40
Low value items write-off	1 163	-	167	-	1 330
Accrued interest on loans	3 978	-	2 660	-	6 638
Fair valuation of trading securities and securities designated at fair value through profit or loss	(2 980)	-	7 143	-	4 163
Gross deferred tax asset	**10 905**	**-**	**7 017**	**-**	**17 922**
Tax effect of taxable temporary differences					
Loan impairment provision	3 361	-	(464)	-	2 897
Premises and equipment	15 611	335	1 943	(39)	17 850
Fair valuation of investment securities available for sale	(1 869)	-	1 154	6 236	5 521
Other	(1 600)	(592)	2 249	-	57
Gross deferred tax liability	**15 503**	**(257)**	**4 882**	**6 197**	**26 325**
Total net deferred tax asset/(liability)	**(4 598)**	**257**	**2 135**	**(6 197)**	**(8 403)**

27 Income Taxes (Continued)

In millions of Russian Roubles	31 December 2008	Business combinations	Credited/ (charged) to profit or loss	Recognised in other comprehensive income	31 December 2009
Tax effect of deductible temporary differences					
Deferred fees and commissions income	5 782	-	516	-	6 298
Accrued employee benefit costs	2 164	-	282	-	2 446
Low value items write-off	1 131	-	32	-	1 163
Accrued interest on loans	-	-	3 978	-	3 978
Fair valuation of investment securities available for sale	9 550	-	460	(8 141)	1 869
Other	397	(316)	1 519	-	1 600
Gross deferred tax asset	**19 024**	**(316)**	**6 787**	**(8 141)**	**17 354**
Tax effect of taxable temporary differences					
Loan impairment provision	6 493	-	(3 132)	-	3 361
Premises and equipment	20 277	1 973	(2 382)	(4 257)	15 611
Fair valuation of trading securities and securities designated at fair value through profit or loss	2 770	-	210	-	2 980
Gross deferred tax liability	**29 540**	**1 973**	**(5 304)**	**(4 257)**	**21 952**
Total net deferred tax asset/(liability)	**(10 516)**	**(2 289)**	**12 091**	**(3 884)**	**(4 598)**

As at 31 December 2010, the temporary difference associated with investments in subsidiaries in the statement of financial position of the parent company amounted to RR 27 037 million (2009: RR 8 602 million). In accordance with IAS 12 *Income taxes* respective deferred tax asset of RR 5 407 million (2009: respective deferred tax liability of RR 1 720 million) was not recognized in the financial statements.

28 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. The Bank has no dilutive potential ordinary shares; therefore the diluted earnings per share equals the basic earnings per share.

In millions of Russian Roubles	2010	2009
Profit for the year attributable to the shareholders of the Bank	182 131	24 396
Less preference dividends declared	(450)	(630)
Profit attributable to the ordinary shareholders of the Bank	**181 681**	**23 766**
Weighted average number of ordinary shares in issue (millions)	21 587	21 585
Earnings per ordinary share, basic and diluted (expressed in RR per share)	**8.42**	**1.10**

29 Dividends

	2010		2009	
In millions of Russian Roubles	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January	92	30	113	29
Dividends declared during the year ended 31 December	1 727	450	10 362	630
Dividends paid during the year ended 31 December	(1 754)	(451)	(10 383)	(629)
Dividends payable as at 31 December	**65**	**29**	**92**	**30**
Dividends per share declared during the year (RR per share)	**0.08**	**0.45**	**0.48**	**0.63**

All dividends were declared and paid in Russian Roubles.

30 Segment Analysis

For the purposes of management the Group is divided into operating segments of activity – central head office, 17 regional head offices and subsidiaries – which are defined on the basis of organizational structure of the Group and geographical areas. The principal activity of all operating segments is banking operations. For the purposes of presentation in these consolidated financial statements the operating segments are aggregated in the following reportable segments:

- **Moscow**

this segment includes the following:

- Central head office of the Group,
- Regional head office of Moscow,
- Subsidiaries of the Group located in the region.

30 Segment Analysis (Continued)

- **Central and Northern regions of European part of Russia**

this segment includes the following:

Regional head offices:
- Severny – Yaroslavl,
- Severo-Zapadny – Saint-Petersburg,
- Tsentralno-Chernozemny – Voronezh,
- Srednerussky – Moscow;

Subsidiaries of the Group located in the region.

- **Volga region and South of European part of Russia**

this segment includes the following:

Regional head offices:
- Volgo-Vyatsky – Nizhniy Novgorod,
- Povolzhsky – Samara,
- Severo-Kavkazsky – Stavropol,
- Yugo-Zapadny – Rostov-on-Don,

Subsidiaries of the Group located in the region.

- **Ural, Siberia and Far East of Russia**

this segment includes the following:

Regional head offices:
- Zapadno-Uralsky – Perm,
- Uralsky – Ekaterinburg,
- Sibirsky – Novosibirsk,
- Zapadno-Sibirsky – Tumen,
- Severo-Vostochny – Magadan,
- Dalnevostochny – Khabarovsk,
- Vostochno-Sibirsky – Krasnoyarsk,
- Baikalsky – Irkutsk,

Subsidiaries of the Group located in the region.

- **Other countries**

this segment includes the following:
- Subsidiaries located in Ukraine,
- Subsidiaries located in Kazakhstan,
- Subsidiaries located in Belarus,
- A branch office in India.

The Management of the Group analyses operating results of every segment of activity for the purposes of making decision about allocation of resources and assessment of segments' business results. The segments' reporting and operating results which are provided to the Management of the Group for analysis are prepared under Russian accounting standards, except the segments' reporting of the subsidiaries which is prepared under International Financial Reporting Standards.

30 Segment Analysis (Continued)

Intersegment operations are performed on the basis of internal transfer pricing rates which are established, approved and regularly revised by the Management of the Group.

The subsidiaries' activity is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 31 December 2010 is as follows:

In millions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
TOTAL ASSETS	**4 318 256**	**1 445 164**	**1 163 282**	**1 548 746**	**185 817**	**8 661 265**
TOTAL LIABILITIES	**2 885 376**	**1 776 676**	**1 270 092**	**1 549 502**	**146 145**	**7 627 791**

Segment reporting of the Group's assets and liabilities as at 31 December 2009 is as follows:

In millions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
TOTAL ASSETS	**3 339 279**	**1 269 638**	**1 037 696**	**1 438 970**	**110 590**	**7 196 173**
TOTAL LIABILITIES	**2 497 326**	**1 455 172**	**1 024 070**	**1 276 215**	**85 934**	**6 338 717**

30 Segment Analysis (Continued)

Reconciliation of assets and liabilities as per the reportable segments with the Group's assets and liabilities under IFRS as of 31 December 2010 and 31 December 2009 is as follows:

	Total assets		Total liabilities	
In millions of Russian Roubles	2010	2009	2010	2009
Total amount per segment information	**8 661 265**	**7 196 173**	**7 627 791**	**6 338 717**
Adjustment of provisions	55 642	23 660	(19 765)	(25 441)
Additional interest accrued on loans	1 889	6 510	(924)	-
Deferred commission income on loans	(28 753)	(30 696)	388	-
Deferred commission income on guarantees	-	-	1 135	796
Accounting for derivatives at fair value	4 749	619	3 867	10 576
Adjustment of depreciation and cost or revalued amount of premises and equipment including effect of deferred tax	(68 145)	(64 013)	(952)	-
Staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	184	155	14 831	12 383
Adjustment of amortised cost and partial repurchase of other borrowed funds and subordinated debt	(115)	(24 324)	(292)	(24 866)
Adjustment of income tax	-	(668)	7 018	12 924
Other adjustments	1 811	(2 350)	8 263	1 041
The Group's total amount under IFRS	**8 628 527**	**7 105 066**	**7 641 360**	**6 326 130**

30 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2010 is as follows:

In millions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	296 580	153 262	132 496	179 334	14 935	776 607
Interest expense	(117 168)	(69 627)	(48 327)	(58 576)	(6 706)	(300 404)
Inter-segment (expense)/income	(46 536)	31 180	9 875	5 481	-	-
Fee and commission income	23 975	35 992	27 727	38 840	3 927	130 461
Fee and commission expense	(2 584)	(1 404)	(1 027)	(2 160)	(680)	(7 855)
Net gains arising from securities	21 553	6	-	-	84	21 643
Net (losses)/ gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains/(losses)	(780)	3 237	1 858	2 464	1 847	8 626
Net (losses)/ gains arising from operations with precious metals	(1 767)	624	524	901	(314)	(32)
Other net operating (losses)/gains	6 162	256	(7 551)	(1 604)	282	(2 455)
Operating income before provision charge for loan impairment	**179 435**	**153 526**	**115 575**	**164 680**	**13 375**	**626 591**
Net provision charge for loan impairment	(36 570)	(43 466)	(42 907)	(32 413)	(3 709)	(159 065)
Operating income	**142 865**	**110 060**	**72 668**	**132 267**	**9 666**	**467 526**
Operating expenses	(63 996)	(64 780)	(56 640)	(78 154)	(6 596)	(270 166)
Profit before tax (Segment result)	**78 869**	**45 280**	**16 028**	**54 113**	**3 070**	**197 360**
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	9 884	17 133	11 010	14 970	1 588	54 585
Depreciation of premises and equipment	(3 809)	(6 384)	(4 944)	(7 234)	(474)	(22 845)

30 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2009 is as follows:

In millions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	283 307	158 189	136 779	193 338	4 906	776 519
Interest expense	(147 947)	(62 517)	(44 436)	(56 394)	(1 925)	(313 219)
Inter-segment income/(expense)	19 159	13 491	(9 411)	(23 239)	-	-
Fee and commission income	35 219	37 867	31 121	42 990	1 118	148 315
Fee and commission expense	(3 377)	(196)	(341)	(371)	(164)	(4 449)
Net gains arising from securities	17 389	-	-	-	6	17 395
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	13 313	4 278	3 342	2 580	726	24 239
Net (losses)/gains arising from operations with precious metals	(535)	847	691	1 223	-	2 226
Impairment of assets	(3 062)	-	-	-	-	(3 062)
Other net operating (losses)/gains	(13 803)	(506)	(501)	(306)	947	(14 169)
Operating income before provision charge for loan impairment	**199 663**	**151 453**	**117 244**	**159 821**	**5 614**	**633 795**
Net provision charge for loan impairment	(129 957)	(65 653)	(70 918)	(93 263)	(6 798)	(366 589)
Operating income/(expense)	**69 706**	**85 800**	**46 326**	**66 558**	**(1 184)**	**267 206**
Operating expenses	(61 458)	(50 932)	(47 242)	(64 170)	(2 123)	(225 925)
Profit/(loss) before tax (Segment result)	**8 248**	**34 868**	**(916)**	**2 388**	**(3 307)**	**41 281**
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	9 403	10 623	9 551	12 483	1 325	43 385
Depreciation of premises and equipment	(3 494)	(4 775)	(4 283)	(6 742)	(466)	(19 760)

30 Segment Analysis (Continued)

Reconciliation of profit before tax, interest income and expense, fee and commission income, gains from operations with securities and gains from operations with foreign currencies for the reportable segments with the Group's income statement items under IFRS for the year ended 31 December 2010 as follows:

In millions of Russian Roubles	Profit before tax	Interest income	Interest expense	Fee and commission income	Net gains/ (losses) arising from operations with securities	Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains
Total amount per reportable segment	**197 360**	**776 607**	**(300 404)**	**130 461**	**21 643**	**8 626**
Adjustment of provisions	28 789	-	-	-	-	-
Staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	(3 024)	-	-	-	-	-
Differences arising on reporting of fee and commission income and expense	1 516	17 589	-	347	-	(5 536)
Differencies arising on securities classification	3 413	1 202	-	-	2 176	35
Accounting for derivatives at fair value	13 549	-	-	-	-	11 224
Additional interest accrued on loans	(4 620)	1 094	-	-	-	-
Adjustment of depreciation and cost or revalued amount of premises and equipment	(4 434)	-	-	-	-	-
Adjustment of amortised cost and partial repurchase of other borrowed funds	(456)	(675)	482	(378)	218	49
Other adjustments	(1 958)	(171)	97	519	(67)	(326)
The Group's total amount under IFRS	**230 135**	**795 646**	**(299 825)**	**130 949**	**23 970**	**14 072**

30 Segment Analysis (Continued)

Reconciliation of profit before tax, interest income and expense, fee and commission income, gains from operations with securities and gains from operations with foreign currencies for the reportable segments with the Group's income statement items under IFRS for the year ended 31 December 2009 as follows:

In millions of Russian Roubles	Profit before tax	Interest income	Interest expense	Fee and commission income	Net gains/ (losses) arising from operations with securities	Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains
Total amount per reportable segment	**41 281**	**776 519**	**(313 219)**	**148 315**	**17 395**	**24 239**
Adjustment of provisions	1 274	-	-	-	-	-
Staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	(1 407)	-	-	-	-	-
Differencies arising on securities' classification	18 946	351	-	-	19 011	(585)
Accounting for derivatives at fair value	(8 376)	-	-	-	-	(7 294)
Additional interest accrued on loans	(394)	(394)	-	-	-	-
Differences arising on reporting of fee and commission income and expense	(2 584)	39 726	-	(42 310)	-	-
Adjustment of depreciation and cost or revalued amount of premises and equipment	(17 485)	-	-	-	-	-
Adjustment of amortised cost and partial repurchase of other borrowed funds and subordinated debt	697	(1 595)	720	-	-	(118)
Other adjustments	(2 088)	355	254	(282)	57	(14)
The Group's total amount under IFRS	**29 864**	**814 962**	**(312 245)**	**105 723**	**36 463**	**16 228**

30 Segment Analysis (Continued)

The differences shown above arise from classification variances as well as different accounting policies.

Adjustment of provisions is related to the difference between estimation methodology applied in statutory accounting records used as a basis for management reporting and estimation methodology according to IFRS.

Differences arising on securities' classification relate to gains/(losses) on revaluation of securities designated at fair value through profit or loss in IFRS reporting but classified as available for sale in statutory accounting records used as a basis for management reporting.

For the year ended 31 December 2010 the Group's revenues from customers in the Russian Federation amounted to RR 960 441 million (for the year ended 31 December 2009: RR 979 859 million). Revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 20 954 million (for the year ended 31 December 2009: RR 7 703 million).

As at 31 December 2010 the carrying value of premises and equipment located in the Russian Federation amounted to RR 276 827 million (2009: RR 243 752 million). Carrying value of premises and equipment of the Group located in foreign countries amounted to RR 6 929 million (2009: RR 6 129 million).

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2010 or 2009.

31 Financial Risk Management

The risk management function within the Group is carried out in respect of major types of risks: credit, market, liquidity and operational risks. Market risk includes interest rate risk, equity risk and currency risk. The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor and manage the risks and limits. The operational risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational risk.

The Group's Management Board under authority delegated by the Shareholders Meeting sets the Group's general risk policy as well as specific policies for managing each type of major risk. The Bank's Assets and Liabilities Management Committee (ALMC) and Credit and Investment Committee (CIC) in Head Office set limits for operations that create risk exposure according to principles determined by risk policies of the Group and initiated by the departments responsible for risk monitoring and control. The risk-controlling departments operate separately from the business departments involved in developing operations with clients.

The Group performs stress-testing for all major types of risk at least once a year. Test results are reviewed and discussed by Group Management.

The Supervisory Board is informed about all main types of risk on a quarterly basis.

Credit Risk. The Group is exposed to credit risk, which is a risk of a counterparty being unable to meet its credit obligations in whole or in part when due. The Group manages credit risk in accordance with internal policies and procedures, which are reviewed and updated periodically, as well as on an ad-hoc basis. The credit risk management as a component of the general risk management system is aimed to maintain a sustainable development of the Group.The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 32.

The Group's lending policies focus on the improvement of the credit quality and profitability of the loan portfolio, optimisation of its regional, product and industry structure as well as minimization and diversification of credit risks. To minimize exposure to credit risk at the branch level, the CIC at the Bank's Head Office sets limits on loan transactions for the Regional Head Offices. The Regional Head Offices then allocate these limits among branches, sub-branches and outlets that report to them. Loans that exceed these lending limits must be approved by the CIC of the Bank's Head Office.

31 Financial Risk Management (Continued)

The Group defines the following stages of credit risks management:

- Identification of credit risks;
- Analysis and assessment of credit risks;
- Elaborating and carrying out measures for minimisation, decrease and prevention of the risk;
- Monitoring of the Group's credit risk level, control of compliance with the established procedures of risk assessment;
- Reporting to the Management on the Group's credit risk level;
- Monitoring and optimisation of procedures of risk identification and assessment, as well as methods of risk minimisation, restriction and control, taking into account assessment of the Group's performance.

The Group usually requires collateral and/or guarantees for loans. Acceptable collateral includes real estate, securities, transportation and production equipment, inventory, precious metals, contract rights and personal property. The Group accepts guarantees from controlling shareholders, government entities, banks, other solvent legal entities, individuals. In order to reduce credit risk, several types of collateral may be used simultaneously. A guarantor is evaluated on the same basis as the borrower.

The Group assesses value of collateral on the basis of an internal expert evaluation performed by the Group's specialists, an independent appraiser's evaluation or on the basis of the discounted book value of the collateral. In accordance with the Group's policy the value of collateral or the amount of guarantee must cover the principal and interest on the loan for a period of three months.

The estimation of individual credit risk of corporate clients, individual entrepreneurs, banks, state bodies of the Russian Federation, insurance companies is made on the basis of internal credit ratings system, definition of classes of counterparties' creditworthiness, as well as on the basis of forecast cash flow models or other indicators.

The system of internal credit ratings classifies borrowers in certain categories of credit risk depending on assessment of external and internal factors of credit risk (groups of factors) and degree of their influence on the ability of the borrower to serve and repay the accepted obligations. To cover credit risks the Group structures its credit products which includes requirements for particular quality collateral, level of interest rates and control over sources of loan repayment. In the process of credit decision the Group uses the principle of independent review of credit risk by credit risk management division.

Exposure Limits. Principles of credit risk minimization are performed through a system of exposure limits, segregation of duties on setting up exposure limits and carrying out operations bearing credit risk. To manage its credit risk, the Group places its counterparties into risk groups, which reflect the probability of default on obligations. Counterparties placed into particular risk groups are assigned exposure limits. The Group has procedures for calculation and review of risk limits for the following categories: corporate clients, subfederal and municipal bodies, domestic and foreign banks, individuals. Exposure limits are also set for foreign countries, single borrower and group of related borrowers and one-off banking operations bearing credit risk.

Exposure limits for corporate clients are set on the basis of their ownership structure, business reputation, credit history, financial position, expected financial trends, quality of financial management, transparency, industry and regional position and facilities and equipment quality. On the basis of these factors, corporate clients are placed into risk groups and assigned long-term and short-term exposure limits.

Credit risk of subfederal and municipal bodies is evaluated on the basis of their financial position and the level of region development. The financial position is evaluated on the basis of credit history, debt level, dependence on higher level budgets and budget quality compliance indicators. The level of development is evaluated on the basis of dynamics of gross regional product, quality of tax proceeds' sources and other indicators of social and economic development level. Exposure limits are calculated on the basis of subfederal and municipal bodies' budgets taking into account legal basis for borrowing.

31 Financial Risk Management (Continued)

Exposure limits for counterparty banks are set on the basis of their financial position, ranking among comparable banks, transparency of asset and liability structure and operations, operating environment (for non-resident counterparty banks), capital structure, concentration of banking operations, credit history, business reputation and relationship with the Group.

The amount of a loan granted to an individual is limited by his/her creditworthiness, which is calculated individually for each client by using reducing ratios to the amount of his/her income taking into account the amount of his/her previous loans received and guarantees given. Also the amount of a loan depends on collateral provided by the client. In addition, while calculating amount of a loan to be provided to an individual, his/her family income is also taken into account as well as additional income and other social-demographic data.

In 2010 the Bank launched the new lending technology for individuals – Credit Factory which covers three loan goups - consumer loans, car loans and credit cards. Such technology provides an overall analysis of information about participants of a deal taken from different sources, centralization of analytical and decision taking functions as well as high automatisation of loan application process.

Risk Concentration. In order to minimize and diversify its credit risk, the Group monitors its credit risk concentration, sets exposure limits for single borrowers and groups of related borrowers that are more strict than those set by the standards of the Bank of Russia and sets limits for loans and bank guarantees granted to related parties. Concentration and exposure limits for large credit operations and groups of related borrowers as well as high-risk credit operations are approved by the Bank's Head Office.

Monitoring. The Group constantly monitors credit risks and exposure limits of various counterparties. Exposure limits for corporate clients are reviewed at least twice a year based on their year-end and interim financial information. Exposure limits for subfederal and municipal bodies are reviewed twice a year on the basis of analysis of the budgets execution and depend on the amount and structure of a loan. For resident banks exposure limits are reviewed on a monthly basis and for non-resident banks and foreign countries at least once a year. Exposure limits may also be reviewed on an ad-hoc basis, if required.

The Group monitors actual losses and expected losses on operations exposed to credit risk and their compensation by the provision for impairment. The Group controls credit risk level of counterparties by monitoring of their financial position, their assessment of solvency throughout life of the limit and/or other covenants of credit product.

To monitor exposure to credit risk credit departments compile regular reports based on a structured analysis of the client's business and financial results. All information about the existing exposures on customers with deteriorating creditworthiness is reported to the Management for further consideration. The Group uses formalized internal credit ratings for monitoring credit risk. Management of the Group carry out follow-up control of past due balances.

Credit risk for financial instruments not recognised in the statement of financial position is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in making conditional obligations as it does for financial instruments recognised in the statement of financial position through established credit approvals, risk control limits and monitoring procedures.

Market Risk. Market risk is the possibility of the Group's financial losses as a result of unfavorable movements in exchange rates, equity prices, interest rates, precious metal prices. The Group manages its market risk in accordance with the Policy of the Bank on Market Risk Management. The main goal of Market Risk Management is to optimize risk/return ratio, minimize loss given unfavorable developments and to reduce the deviation of actual financial result from the expected result.

31 Financial Risk Management (Continued)

The Group categorises market risk into:

- interest rate risk,
- equity risk and
- currency risk.

The Group manages its market risks through securities portfolios management and control over positions in currencies, interest rates and derivatives. For this purpose the ALMC sets limits on securities portfolios, open positions, stop-loss and other limits. Market risk limits are updated at least once a year and controlled constantly. The ALMC develops market risk management methodologies and sets limits on particular operations for the Bank's Head Office and Regional Head Offices. The Regional Head Offices have their own assets and liabilities management committees that set limits for operations of the Regional Head Offices on the basis of the methodologies and limits set by ALMC of the Bank's Head Office. If necessary, the Regional Head Offices develop their own methodologies based on the methodology of the Head Office. Subsidiary banks and companies manage market risks individually based on the principles set by the Head Office.

Market risk limits are set on the basis of the value-at-risk analysis, scenario analysis and stress testing as well as regulatory requirements of the Bank of Russia.

The Group makes market risk assessment both by components and in aggregate, determining the diversification effect.

Market risks are controlled by monitoring of operations on foreign exchange and securities market performed by trading division of the Treasury Operations and Financial Markets Department (hereafter the Treasury) of the Bank. Monitoring of market risks is performed by departments independent of trading division and implies continual control over trading deals.

Interest Rate Risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on the value of debt securities and cash flows.

The Group defines two types of interest rate risk:

1. Interest rate risk on debt securities at fair value through profit or loss or other comprehensive income.

The Group is exposed to interest rate risk of its investments in debt securities portfolio, when changing interest rates impact the fair value of bonds. Trading operations with bonds are performed only by the Bank's Head Office.

For managing and limiting interest rate risk across the debt securities portfolio, the ALMC guided by the market risk policy sets the following limits and controls: aggregate limits for bond categories and currencies; limits on investing in one issue of the issuer, loss limits on trading operations, limits on the maturities structure of investments in bonds, minimum return of investments, limits on repo and reverse repo agreements.

This type of interest rate risk is assessed using Value-at-Risk (hereinafter - VaR) methodology described below.

The Group also assesses interest rate risk by bonds type: aggregate for the securities at fair value through profit or loss and for the securities available for sale.

31 Financial Risk Management (Continued)

2. Interest rate risk resulting from maturities mismatch (interest rates repricing) across assets and liabilities that are interest rate sensitive (interest rate risk of non-trading positions).

The Group accepts risk of market interest rate fluctuations effect on cash flows. Interest rate risk of non-trading positions is a result of unfavourable interest rate movement and includes:

- the risk of a parallel shift, change in the slope and shape of the yield curve resulting from the maturities (repricing) mismatch of assets and liabilities sensitive to interest rate changes;
- basis risk, which results from a mismatch in the degree of interest rate sensitivity, of assets and liabilities with similar maturity (repricing term); and
- risk of early repayment (repricing) of interest rate sensitive assets and liabilities.

Increasing interest rates can drive the cost of borrowed funds up faster and at a higher growth rate than return on investments, thus worsening financial results and interest rate margin, whereas decreasing interest rates can decrease return on working assets faster than the cost of borrowed funds.

The objective of managing this type of market risk is to reduce the impact of market interest rates on net interest income. To manage interest rate risk the ALMC sets maximum interest rates on corporate deposits/ current accounts and minimum rates on corporate loans, minimum rate of return on investments into securities and limits on investments into long-term assets bearing inherently the maximum interest rate risk. The Group's Management Board approves fixed interest rates on deposits from individuals and individual loans for the Bank's Head Office and Regional Head Offices, which require preliminary approval from the ALMC. As a rule interest rates on retail loans and deposits depend on loan and deposit maturity date, amount and the client's category.

ALMC of each regional bank approves interest rates for corporate clients taking into account the regional market situation and the efficiency of the regional bank's transactions on the assets and liabilities side as well as the limits on interest rates set by the ALMC of the Bank's Head Office for corporate funds and placements.

This type of interest rate risk is assessed using the scenario analysis. Forecasting of possible changes in interest rates is carried out separately for Russian Rouble positions and positions in foreign currency. The indicative rate for 3 month-term loans at the Moscow interbank market (MOSPRIME 3M) is used as the base rate for an estimation of rates volatility on rouble positions and LIBOR 3M and EURIBOR 3M – for positions in foreign currency.

The table below shows the impact of bps interest rates increase and decrease on profit before tax as at 31 December 2010:

Change in profit before tax as at 31 December 2010 *(in millions of Russian Roubles)*	**RR positions**	**Foreign currency position**	**Total**
Decrease in interest rates by 173 bps	4 943	-	4 943
Increase in interest rates by 311 bps	(8 887)	-	(8 887)
Decrease in interest rates by 25 bps	-	299	299
Increase in interest rates by 55 bps	-	(672)	(672)

31 Financial Risk Management (Continued)

The table below shows the impact of bps interest rates increase and decrease on profit before tax as at 31 December 2009:

Change in profit before tax as at 31 December 2009 *(in millions of Russian Roubles)*	**RR positions**	**Foreign currency position**	**Total**
Decrease in interest rates by 330 bps	(2 956)	-	(2 956)
Increase in interest rates by 410 bps	3 673	-	3 673
Decrease in interest rates by 20 bps	-	580	580
Increase in interest rates by 30 bps	-	(870)	(870)

The sensitivity analysis above shows changes in profit before tax given a parallel shift of the yield curve across all interest rate sensitive positions, i.e. when interest rates move by the same value for all maturities. In addition, interest rate risk is assessed considering the following simplifications: the calculation disregards possible early repayment or call of instruments.

Equity Price Risk. The Group is exposed to equity price risk through investments in corporate shares that may lose value when their market quotations change. In order to limit equity price risk the ALMC shortlists the issuers eligible for investing (this list includes exclusively “blue chips”), sets limits for the aggregate investments in equities, limits on investment into a single issuer, stop-loss limits for the aggregate trading portfolio. The regional offices do not perform trading operations with shares.

Equity price risk analysis is based of the VaR methodology described below.

Currency Risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign exchange risk on open positions (mainly US dollar/RUB and EUR/RUB exchange rate fluctuations).

As part of managing foreign exchange risk the Group sets sublimits for open foreign exchange positions for Regional Head Offices. Besides, limits and control system are in place for Treasury arbitrage operations which sets open position limits for foreign currencies, limits on operations on the international and domestic markets, and stop-loss limits.

The Bank’s Treasury undertakes daily aggregation of the currency position of the Group and takes measures for maintaining of the Group’s currency risk exposure at a minimum level. The Group uses swaps, forwards and USD futures contracts tradable on MICEX as the main instruments for risk management.

31 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign exchange risk in respect of monetary assets, liabilities and notional positions on currency and precious metals derivatives as at 31 December 2010. Foreign exchange risk on forward and future contracts is represented by their notional positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates.

In millions of Russian Roubles	Russian Roubles	USD	Euro	Other	Total
Assets					
Cash and cash equivalents	519 447	111 079	41 781	47 294	719 601
Mandatory cash balances with the Bank of Russia	50 532	-	-	-	50 532
Debt trading securities	52 516	9 354	1 510	17	63 397
Debt securities designated at fair value through profit or loss	78 738	-	4 233	-	82 971
Due from other banks	2 086	8 452	2 484	13	13 035
Loans and advances to customers	4 322 771	954 172	123 606	88 838	5 489 387
Debt securities pledged under repurchase agreements	15	72 646	-	556	73 217
Debt investment securities available for sale	1 020 150	55 075	38 179	17 165	1 130 569
Debt investment securities held to maturity	352 996	4 478	298	419	358 191
Other financial assets (less fair value of derivatives)	98 217	7 449	1 288	371	107 325
Total monetary assets	**6 497 468**	**1 222 705**	**213 379**	**154 673**	**8 088 225**
Liabilities					
Due to other banks	63 932	118 574	2 053	3 872	188 431
Due to individuals	4 214 842	262 845	267 768	89 004	4 834 459
Due to corporate customers	1 265 948	407 369	88 167	55 188	1 816 672
Debt securities in issue	110 350	1 352	2 236	5 488	119 426
Other borrowed funds	-	250 395	7 332	13 038	270 765
Other financial liabilities (less fair value of derivatives)	44 018	1 752	720	1 131	47 621
Subordinated debt	303 299	214	-	-	303 513
Total monetary liabilities	**6 002 389**	**1 042 501**	**368 276**	**167 721**	**7 580 887**
Net monetary assets/(liabilities)	**495 079**	**180 204**	**(154 897)**	**(13 048)**	**507 338**
Foreign exchange derivatives	**63 914**	**(215 079)**	**128 121**	**13 573**	**(9 471)**
Credit related commitments (Note 32)	**621 754**	**561 599**	**107 667**	**35 122**	**1 326 142**

31 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign exchange risk in respect of monetary assets, liabilities and notional positions on currency and precious metals derivatives as at 31 December 2009:

In millions of Russian Roubles	Russian Roubles	USD	Euro	Other	Total
Assets					
Cash and cash equivalents	585 295	63 753	50 270	26 203	725 521
Mandatory cash balances with the Bank of Russia	40 572	-	-	-	40 572
Debt trading securities	61 716	26 357	1 074	-	89 147
Debt securities designated at fair value through profit or loss	100 640	-	4 644	-	105 284
Due from other banks	7 014	125	-	3 080	10 219
Loans and advances to customers	4 021 182	695 047	111 750	36 052	4 864 031
Securities pledged under repurchase agreements	-	583	-	-	583
Debt investment securities available for sale	662 264	113 643	42 074	10 188	828 169
Other financial assets (less fair value of derivatives)	55 496	4 395	1 306	359	61 556
Total monetary assets	**5 534 179**	**903 903**	**211 118**	**75 882**	**6 725 082**
Liabilities					
Due to other banks	40 601	6 151	2 080	5 115	53 947
Due to individuals	3 152 717	253 309	318 294	62 992	3 787 312
Due to corporate customers	1 137 729	335 422	139 555	38 853	1 651 559
Debt securities in issue	117 408	3 131	2 733	1 327	124 599
Other borrowed funds	-	108 686	6 522	5	115 213
Other financial liabilities (less fair value of derivatives)	21 956	250	198	125	22 529
Subordinated debt	504 346	14 715	-	-	519 061
Total monetary liabilities	**4 974 757**	**721 664**	**469 382**	**108 417**	**6 274 220**
Net monetary assets/(liabilities)	**559 422**	**182 239**	**(258 264)**	**(32 535)**	**450 862**
Foreign exchange derivatives	**34 289**	**(302 897)**	**242 940**	**16 203**	**(9 465)**
Credit related commitments (Note 32)	**430 229**	**383 716**	**117 288**	**25 409**	**956 642**

The Group provides loans and advances to customers in foreign currency. Fluctuations of foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss.

31 Financial Risk Management (Continued)

The Group's analysis of currency risk is based on the VaR methodology described below.

Value-at-Risk, VaR. The VaR methodology is one of the main instruments of assessing market risk of the Group. VaR allows to estimate the maximum financial loss with a defined confidence level of probability and time horizon. The Group calculates VaR using the historical modeling methodology. This method allows to evaluate probability scenarios of future price fluctuations on the basis of past changes taking into account market indicators correlations (e.g. interest rates and foreign exchange rates).

VaR is calculated using the following assumptions:

- historical data on changes in financial market indicators comprise 500 trading days preceding the reporting date;
- the market indicators used include currency exchange rates, bond, equity and precious metal prices;
- movements in financial market indicators are calculated over a 10-day period, i.e. an average period when the Group is able to close or hedge its positions exposed to market risk; and
- a 99% one-way confidence level is used, which means that losses in the amount exceeding VaR are expected by the Group maximum once every 100 trading days or not more than 5 times within 2 years.

For evaluating the adequacy of the applied VaR calculation model the Group regularly back-tests the model by comparing the modeled losses with actual losses.

Despite the fact that VaR allows to measure risk, its shortcomings must be taken into account such as:

- past price fluctuations are not sufficient to assess accurately future price fluctuations;
- calculation of financial market price indicators over a 10-day period is based on the assumption that the Group will be able to close (or hedge) all positions within this period. This assessment may be far from accurate in measuring risk exposure at the time of reduced market liquidity, when the period of closing (or hedging) the Group's positions may increase;
- using 99% one-way confidence level of probability does not provide for estimating losses with a probability below 1%; and
- VaR is calculated based on end-of-day position and misses the intra-day risks accepted by the Group.

Taking into account the shortcomings of the VaR methodology the Group applies scenario analysis and stress-testing to have a better understanding of market risk exposure.

To measure interest rate risk for non-trading positions, the Group applies scenario analysis rather than the VaR methodology.

31 Financial Risk Management (Continued)

The table below shows the interest rate, equity and currency risk calculation using the VaR methodology as at 31 December 2010:

In millions of Russian Roubles	Value as at 31 December 2010	Average value for 2010	Maximum value for 2010	Minimum value for 2010	Impact on equity	Impact on profit
Interest rate risk on debt securities	40 074	48 428	56 852	33 768	3.23%	23.0%
Equity price risk	9 439	13 165	20 675	5 252	0.76%	5.4%
Currency risk	1 910	2 431	3 064	1 359	0.15%	1.1%
Market risk including diversification effect	46 621	56 140	67 639	38 572	3.75%	26.8%
Diversification effect	4 802	7 884	17 832	3 146	0.39%	2.8%

The table below shows the interest rate, equity and currency risk calculation using the VaR methodology as at 31 December 2009:

In millions of Russian Roubles	Value as at 31 December 2009	Average value for 2009	Maximum value for 2009	Minimum value for 2009	Impact on equity	Impact on profit
Interest rate risk on debt securities	45 589	29 200	49 851	19 566	3.75%	137.0%
Equity price risk	5 507	4 492	5 775	2 679	0.42%	15.2%
Currency risk	1 560	1 437	2 414	37	0.12%	4.3%
Market risk including diversification effect	52 845	31 158	53 393	20 223	3.99%	146.0%
Diversification effect	3 811	3 972	11 526	1 243	0.29%	10.5%

Data in the tables above are calculated on the basis of the Bank's internal management accounting system which is based on the statutory accounting reports of the Bank.

Liquidity Risk. Liquidity risk is defined as the risk of mismatch between the maturities of assets and liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, customer's current accounts, term deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of the above mentioned needs, as according to historical data a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the ALMC.

The Group liquidity risk management is aimed at ensuring timely and complete fulfillment of its payment obligations at minimum cost. For this purpose the Group:

- maintains a stable and diversified liabilities structure including both term resources and funds on demand,
- reserves capacity for immediate borrowing of funds on financial markets, and
- invests in highly liquid assets diversified by currencies and maturities for quick and effective coverage of unexpected gaps in liquidity.

31 Financial Risk Management (Continued)

Policy and Procedures. The Treasury of the Bank together with the Finance department perform analysis and forecasts, and advise Management on regulation of current and short-term liquidity of the Group. Analysis, forecasts and proposals on regulation of medium-term and long-term liquidity are produced by the Finance department of the Bank. Liquidity position and execution of requirements on managing the liquidity risk are controlled by the ALMC of the Bank. Liquidity risk is assessed, managed and controlled on the basis of "Policies of the Bank for Management and Control of Liquidity" and the guidelines of the Bank of Russia and the Basel Committee for Banking Supervision.

Provisions of this Policy lay down the guidelines for organizing the liquidity management in the Regional Head Offices of the Bank. The Management Board of the Bank's Regional Head Office is responsible for efficiently managing and controlling the Regional Head Office liquidity. It is also responsible for monitoring limits and controls required by the Group's internal regulations. Guided by the limits, controls, requirements and policies, the Regional Head Office selects evaluation methods and the necessary level of liquidity and develops and implements measures to ensure liquidity. In case of an insufficient liquidity the Treasury provides funds to the Regional Head Office (according to an established procedure) in the required amount.

Liquidity risk management includes the following procedures:

- forecasting payment flows by major currencies to ensure the necessary volume of liquid assets to cover liquidity deficit;
- forecasting assets and liabilities structure based on scenario analysis to control the required volume of liquid assets in medium-term and long-term perspective;
- forecasting and monitoring liquidity ratios compliance with regulatory and internal policy requirements;
- control over liquidity reserves of the Group to assess maximum opportunities for the Group to attract funds from various sources in different currencies;
- diversification of funding sources in different currencies taking into account maximum amounts, cost of funding and maturity; and
- stress-testing and planning actions for restoring the required liquidity level in unfavorable conditions or during crisis periods.

The tables below show distribution of undiscounted contractual cash flows (taking into account future interest payments) on liabilities by remaining contractual maturities.

31 Financial Risk Management (Continued)

The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity at 31 December 2010 is set out below:

In millions of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Total
Liabilities						
Due to other banks	69 865	57 329	60 927	787	2 648	191 556
Due to individuals	1 157 004	1 302 046	891 456	1 475 067	256 027	5 081 600
Due to corporate customers	1 442 153	124 428	92 195	173 099	2 003	1 833 878
Debt securities in issue	35 994	50 175	36 200	3 251	3 691	129 311
Other borrowed funds	1 771	4 885	66 624	108 214	116 639	298 133
Other liabilities (including derivative financial instruments)	44 069	5 785	302	1 329	253	51 738
Subordinated debt	2	8	19 509	39 223	420 392	479 134
Total liabilities	**2 750 858**	**1 544 656**	**1 167 213**	**1 800 970**	**801 653**	**8 065 350**
Credit related commitments	1 326 142	-	-	-	-	1 326 142

The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity at 31 December 2009 is set out below:

In millions of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Total
Liabilities						
Due to other banks	49 619	628	2 342	370	1 997	54 956
Due to individuals	794 755	834 616	1 092 847	1 130 781	178 910	4 031 909
Due to corporate customers	1 255 098	238 998	77 489	92 868	83	1 664 536
Debt securities in issue	35 905	45 711	43 731	7 067	9	132 423
Other borrowed funds	571	2 512	3 642	89 048	29 685	125 458
Other liabilities (including derivative financial instruments)	19 439	10 659	1 234	1 520	306	33 158
Subordinated debt	-	442	24 442	81 780	812 738	919 402
Total liabilities	**2 155 387**	**1 133 566**	**1 245 727**	**1 403 434**	**1 023 728**	**6 961 842**
Credit related commitments	956 642	-	-	-	-	956 642

31 Financial Risk Management (Continued)

The above analysis is based on undiscounted cash flows on liabilities of the Group taking into account all future payments (including future payments of interest throughout life of the relevant liability). The liabilities were included in the time intervals according to the earliest possible repayment date. For example:

- Demand liabilities (including demand deposits) are included in the earliest time interval; and
- Guarantees issued are included in the earliest period when they may be called.

However, in accordance with the Civil Code of the Russian Federation individuals have the right to withdraw their deposits from any accounts (including time deposits) prior to maturity if they forfeit their right to accrued interest. The Group utilises a wide range of market instruments to maintain its liquidity on the level sufficient for timely execution of the current and forecasted financial obligations including the disposal of liquid assets or funding in domestic and international markets.

The derivative contracts entered into by the Group may be deliverable or settled on net basis. If the derivatives are closed by delivery of underlying asset, inflow and outflow of funds occur simultaneously.

The table below shows assets and liabilities at 31 December 2010 by their remaining expected maturity. Following principles underlying gap analysis presentation and the Group liquidity risk management are based on the mix of CBR initiatives and the Bank's practice:

- Cash and cash equivalents represent highly liquid assets and are classified as "on demand and less than 30 days"
- Trading securities, securities designated at fair value through profit or loss, securities pledged under repurchase agreements and highly liquid portion of investment securities available for sale are considered to be liquid assets as these securities could be easily converted into cash within short period of time. Such financial instruments are disclosed in gap analysis table as "on demand and less than 30 days"
- Investment securities available for sale which are less liquid are disclosed according to remaining contractual maturities (for debt instruments) or as "no stated maturity" (for equities)
- Investment securities held to maturity are classified based on the remaining maturities
- Loans and advances to customers, amounts due from other banks, other assets, debt securities in issue, amounts due to other banks, other borrowed funds and other liabilities are included into gap analysis table based on remaining contractual maturities
- Customer deposits diversification by number and type of depositors and the past experience of the Group indicate that such accounts and deposits provide a long-term and stable source of funding, and as a result they are allocated per expected time of funds outflow in the gap analysis table on the basis of statistical data accumulated by the Group during the previous periods and assumptions regarding the "permanent" part of current account balances.

31 Financial Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 31 December 2010 is set out below:

In millions of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
Assets							
Cash and cash equivalents	719 601	-	-	-	-	-	719 601
Mandatory cash balances with the Bank of Russia	10 880	8 987	6 089	20 949	3 627	-	50 532
Trading securities	66 168	-	-	-	-	-	66 168
Securities designated at fair value through profit or loss	106 875	-	-	-	-	-	106 875
Due from other banks	150	9 998	2 111	345	431	-	13 035
Loans and advances to customers	186 302	745 278	998 398	1 960 855	1 598 554	-	5 489 387
Securities pledged under repurchase agreements	81 493	-	-	-	-	-	81 493
Investment securities available for sale	1 183 231	1 460	2 404	13 748	7 543	2 535	1 210 921
Investment securities held to maturity	-	13 069	5 541	177 661	161 920	-	358 191
Deferred income tax asset	-	-	-	-	-	7 518	7 518
Premises and equipment	-	-	-	-	-	283 756	283 756
Other assets	122 498	14 745	20 080	8 733	21 395	53 599	241 050
Total assets	**2 477 198**	**793 537**	**1 034 623**	**2 182 291**	**1 793 470**	**347 408**	**8 628 527**
Liabilities							
Due to other banks	68 222	57 730	59 116	1 555	1 808	-	188 431
Due to individuals	1 040 936	859 810	582 571	2 004 184	346 958	-	4 834 459
Due to corporate customers	861 805	34 828	18 788	897 122	4 129	-	1 816 672
Debt securities in issue	34 706	44 831	33 077	4 572	2 240	-	119 426
Other borrowed funds	83	2 060	63 446	99 414	105 762	-	270 765
Deferred income tax liability	-	-	-	-	-	15 921	15 921
Other liabilities	45 165	23 870	10 513	4 179	492	7 954	92 173
Subordinated debt	-	-	-	214	303 299	-	303 513
Total liabilities	**2 050 917**	**1 023 129**	**767 511**	**3 011 240**	**764 688**	**23 875**	**7 641 360**
Net liquidity surplus/(gap)	**426 281**	**(229 592)**	**267 112**	**(828 949)**	**1 028 782**	**323 533**	**987 167**
Cumulative liquidity surplus/(gap) at 31 December 2010	**426 281**	**196 689**	**463 801**	**(365 148)**	**663 634**	**987 167**	**-**

31 Financial Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 31 December 2009 is set out below:

In millions of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
Assets							
Cash and cash equivalents	725 521	-	-	-	-	-	725 521
Mandatory cash balances with the Bank of Russia	10 669	4 175	5 343	17 977	2 408	-	40 572
Trading securities	91 022	-	-	-	-	-	91 022
Securities designated at fair value through profit or loss	124 439	-	-	-	-	-	124 439
Due from other banks	4 065	3 706	68	1 693	687	-	10 219
Loans and advances to customers	205 924	730 974	968 615	1 539 964	1 418 554	-	4 864 031
Securities pledged under repurchase agreements	2 699	-	-	-	-	-	2 699
Investment securities available for sale	835 937	-	-	64	-	9 974	845 975
Premises and equipment	-	-	-	-	-	249 881	249 881
Other assets	72 525	8 949	2 912	1 167	21 289	43 865	150 707
Total assets	**2 072 801**	**747 804**	**976 938**	**1 560 865**	**1 442 938**	**303 720**	**7 105 066**
Liabilities							
Due to other banks	49 570	574	2 177	281	1 345	-	53 947
Due to individuals	356 084	513 251	697 007	1 901 545	319 425	-	3 787 312
Due to corporate customers	1 088 570	52 884	19 588	490 270	247	-	1 651 559
Debt securities in issue	35 603	43 841	38 910	6 245	-	-	124 599
Other borrowed funds	88	395	1 308	83 762	29 660	-	115 213
Deferred income tax liability	-	-	-	-	-	4 598	4 598
Other liabilities	32 060	9 414	7 067	1 392	2 215	17 693	69 841
Subordinated debt	-	14 504	-	-	504 557	-	519 061
Total liabilities	**1 561 975**	**634 863**	**766 057**	**2 483 495**	**857 449**	**22 291**	**6 326 130**
Net liquidity surplus/(gap)	**510 826**	**112 941**	**210 881**	**(922 630)**	**585 489**	**281 429**	**778 936**
Cumulative liquidity surplus/ (gap) at 31 December 2009	**510 826**	**623 767**	**834 648**	**(87 982)**	**497 507**	**778 936**	**-**

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

Operational Risk. Operational risk is a possibility of a loss from deficiencies in operational management, technologies and information systems in use, unauthorised actions or errors of the staff, or by external events.

The Group considers management of operational risk as part of its overall risk management system. To manage operational risk the Group uses appropriate Policies for prevention and/or minimisation of operational risk.

31 Financial Risk Management (Continued)

The Group's Policies for Operational Risk Management include segregation of duties, overall reglamentation of business processes and internal procedures, control over credit limit discipline, rules and procedures for deals and transactions execution; action plan for information security, continuity and recovery in case of emergency and ongoing professional development of staff across the Group's hierarchy.

Management of operational risk depends on the volume of transactions, multi-branch operational structure and diversity of information systems in place.

The Group monitors operational risk data, collects, analyses and systematises the loss data and monitors losses caused by processes and operations exposed to operational risk.

32 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 internal professional advice the Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated financial statements.

Tax legislation. Major part of the Group's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation is subject to varying interpretations and changes, which could occur frequently, at short notice and have retroactive effect. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. The Russian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. It is possible that transactions and activities that have not been challenged in the past may be challenged in the future. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review and investigations by the authorities in respect of taxes for three calendar years preceding the year in which the decision to conduct the review is taken. Under certain circumstances tax reviews may cover longer periods.

Transfer pricing legislation in Russia allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions (except for those conducted at state regulated prices and tariffs), if the transaction price differs upwards or downwards from the market price by more than 20 percent. Under current transfer pricing legislation "controlled" transactions include transactions with related parties, barter transactions, foreign trade transactions and transactions with unrelated parties characterised by significant price fluctuations (i.e., if the price applied under these transactions differs from prices applied under similar transactions by more than 20 percent within a short period of time). Special transfer pricing rules apply to transactions with securities and derivatives. Transfer pricing rules as currently in effect are vaguely drafted, generally leaving wide scope for their interpretation by the tax authorities and courts in practice.

There is a plan to introduce substantial amendments to the Russian transfer pricing legislation. A new draft law introducing a wholesale reform to the transfer pricing legislation was approved by the Russian Parliament in the first reading on 19 February 2010 with the second and third readings initially expected in December 2010 but then postponed until 2011. At this point it cannot be predicted with the absolute certainty when these amendments will be enacted, if at all, what will be their exact content and what effect they may have on taxpayers, including the Group.

Capital expenditure commitments. At 31 December 2010 the Group has contractual capital expenditure commitments in respect of premises and equipment totalling RR 12 546 million (2009: RR 7 394 million) and in respect of computer equipment acquisition of RR 406 million (2009: RR 635 million). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

32 Contingencies and Commitments (Continued)

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

	2010		2009	
In millions of Russian Roubles	**Lease payments under cancellable operating lease**	**Lease payments under non-cancellable operating lease**	**Lease payments under cancellable operating lease**	**Lease payments under non-cancellable operating lease**
Not later than 1 year	6 413	1 069	4 261	785
Later than 1 year and not later than 5 years	10 527	3 327	7 943	1 242
Later than 5 years	6 626	1 689	6 784	982
Total operating lease commitments	**23 566**	**6 085**	**18 988**	**3 009**

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group. The Group is in compliance with covenants as at 31 December 2010 and as at 31 December 2009.

Credit related commitments. The primary purpose of credit related commitments instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet the obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than direct lending. Commitments to extend credit represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss equal to the total amount of unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the maturities of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In millions of Russian Roubles	**2010**	**2009**
Commitments to extend credit	488 029	328 013
Export letters of credit	353 366	264 196
Undrawn credit lines	182 220	108 448
Guarantees issued	159 158	137 522
Import letters of credit and letters of credit for domestic settlements	143 369	118 463
Total credit related commitments	**1 326 142**	**956 642**

At 31 December 2010 included in Due to corporate customers are deposits of RR 78 749 million (31 December 2009: RR 82 068 million) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 17.

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

32 Contingencies and Commitments (Continued)

Fiduciary assets. These assets are not included in the consolidated statement of financial position as they are not assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

In millions of Russian Roubles	**2010 Nominal value**	**2009 Nominal value**
State savings bonds and OFZ bonds	315 649	269 324
Corporate shares	196 605	179 261
Bonds of the Bank of Russia	31 197	-
Promissory notes	17 930	23 119
Corporate bonds	8 281	3 586
Eurobonds of the Russian Federation	1 406	796
Debt securities of municipal and subfederal bodies of the Russian Federation	636	620
State domestic loan bonds (OVGVZ)	31	31
Other securities	205	468

Assets under management. In December 2010 the Group incorporated three mutual investment funds under the management of Sberbank Asset Management Company, a member of the Group. The company was established in June 2010 to provide professional asset management services to a broad client base.

As at 31 December 2010 the value of net assets of each mutual investment fund was as follows:

In millions of Russian Roubles	**Value of net assets**
Mutual investment fund 'Sberbank – shares fund'	73
Mutual investment fund 'Sberbank – 'balanced fund'	49
Mutual investment fund 'Sberbank – 'bonds fund'	18
Total	**140**

Assets pledged and restricted. As at 31 December 2010 the Group has pledged federal loan bonds (OFZ bonds) and Eurobonds of the Russian Federation on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. The carrying value of assets pledged is as follows:

In millions of Russian Roubles	**Notes**	**2010**	**2009**
Trading securities	8		
- Federal loan bonds (OFZ bonds)		14 715	18 105
- Russian Federation Eurobonds		-	6 348
Securities designated at fair value through profit or loss	9		
- Federal loan bonds (OFZ bonds)		31 520	39 658
Investment securities available for sale	12		
- Federal loan bonds (OFZ bonds)		42 498	65 299
- Russian Federation Eurobonds		5	13 768
Investment securities held to maturity	13		
- Federal loan bonds (OFZ bonds)		37 044	-
Total		**125 782**	**136 830**

32 Contingencies and Commitments (Continued)

Mandatory cash balances with the Bank of Russia in the amount of RR 50 532 million (2009: RR 40 572 million) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

The Group also had assets pledged as collateral under repurchase agreements with other banks and corporate customers with the following carrying value:

		2010		2009	
In millions of Russian Roubles	**Notes**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Securities pledged under repurchase agreements	11	81 493	67 323	2 699	2 285
Total		**81 493**	**67 323**	**2 699**	**2 285**

Refer to Note 11 for more detailed information on securities pledged under repurchase agreements.

33 Derivative Financial Instruments

Foreign exchange and other derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties. Derivatives 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. Fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

Fair value of forward contracts is calculated as present value of amounts receivable less present value of amounts payable. The inputs in the discounted cash flows model used are forward exchange rate quotations and quoted implied depo rates. Such instruments are classified as level 2 of fair value hierarchy. Refer to Note 34.

Fair value of option contracts is calculated using the Black-Scholes model. Adjustments for credit risk are made where appropriate. The main inputs of this model are current market price and implied volatility. Where these inputs could be observed on the open market, the carrying amounts are disclosed as level 2 of fair value hierarchy. Otherwise, the amounts are disclosed as level 3. Refer to Note 34.

33 Derivative Financial Instruments (Continued)

The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature.

	Domestic counterparties				Foreign counterparties			
As at 31 December 2010: *(in millions of Russian Roubles)*	**Principal or agreed amount at fair value of assets receivable**	**Principal or agreed amount at fair value of assets payable**	**Assets Positive fair value**	**Liabilities Negative fair value**	**Principal or agreed amount at fair value of assets receivable**	**Principal or agreed amount at fair value of assets payable**	**Assets Positive fair value**	**Liabilities Negative fair value**
Forwards								
Currency								
- purchase EUR/sale CHF	-	-	-	-	2 040	(2 461)	-	(421)
- purchase EUR/sale RUR	286	(283)	3	-	-	-	-	-
- purchase EUR/sale USD	194	(197)	-	(3)	146 888	(145 614)	1 613	(339)
- purchase RUR/sale USD	9 952	(9 872)	96	(16)	95 008	(94 062)	1 119	(173)
- purchase USD/sale RUR	14 932	(15 061)	20	(149)	24 740	(25 065)	10	(335)
- purchase USD/sale BYR	-	-	-	-	2 867	(2 862)	59	(54)
- purchase UAH/sale USD	-	-	-	-	1 723	(1 725)	-	(2)
- purchase USD/sale UAH	-	-	-	-	305	(305)	-	-
- purchase BYR/sale USD	-	-	-	-	124	(122)	2	-
Precious metals								
- purchase precious metals/sale RUR	255	(253)	2	-	-	-	-	-
- purchase precious metals/sale USD	-	-	-	-	19 173	(18 361)	814	(2)
- purchase USD/sale precious metals	-	-	-	-	1 584	(1 575)	9	-

33 Derivative Financial Instruments (Continued)

As at 31 December 2010: *(in millions of Russian Roubles)*	Domestic counterparties: Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Assets Positive fair value	Liabilities Negative fair value	Foreign counterparties: Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Assets Positive fair value	Liabilities Negative fair value
Options purchased								
Currency								
- purchase EUR / sale RUR	242	(250)	5	-	403	(415)	3	-
- purchase RUR / sale EUR	-	-	-	-	415	(403)	10	-
- purchase RUR / sale USD	-	-	-	-	534	(518)	16	-
- purchase USD / sale RUR	152	(158)	2	-	1 432	(1 534)	6	-
Equity								
- purchase shares / sale RUR	-	-	-	-	1 277	(2 323)	81	-
- purchase shares / sale USD	-	-	-	-	1 048	(660)	400	-
- purchase RUR / sale shares	7 227	(4 265)	3 377	-	-	-	-	-
- purchase USD / sale shares	10 179	(6 430)	1 596	-	-	-	-	-
Options sold								
Currency								
- purchase EUR / sale RUR	-	-	-	-	403	(432)	-	(2)
- purchase RUR / sale EUR	-	-	-	-	402	(403)	-	(4)
- purchase RUR/sale USD	-	-	-	-	1 966	(1 981)	-	(24)
- purchase USD/sale RUR	9	(9)	-	(15)	1 067	(1 115)	-	(6)
Interest rate swaps								
- receive fixed rate / pay floating rate	494	(480)	14	-	27	(28)	-	(1)
- receive floating rate / pay fixed rate	-	-	-	-	432	(439)	-	(7)
Total	**43 922**	**(37 258)**	**5 115**	**(183)**	**303 858**	**(302 403)**	**4 142**	**(1 370)**

33 Derivative Financial Instruments (Continued)

As at 31 December 2009: *(in millions of Russian Roubles)*	Domestic counterparties: Principal or agreed amount at fair value of assets receivable	Domestic counterparties: Principal or agreed amount at fair value of assets payable	Domestic counterparties: Assets Positive fair value	Domestic counterparties: Liabilities Negative fair value	Foreign counterparties: Principal or agreed amount at fair value of assets receivable	Foreign counterparties: Principal or agreed amount at fair value of assets payable	Foreign counterparties: Assets Positive fair value	Foreign counterparties: Liabilities Negative fair value
Forwards								
Foreign currency								
- purchase EUR/sale CHF	-	-	-	-	2 126	(2 198)	-	(72)
- purchase EUR/sale RUR	217	(217)	-	-	-	-	-	-
- purchase EUR/sale USD	-	-	-	-	242 352	(251 734)	79	(9 461)
- purchase JPY/sale USD	-	-	-	-	63	(64)	-	(1)
- purchase RUR/sale EUR	237	(237)	-	-	-	-	-	-
- purchase RUR/sale USD	7 384	(7 484)	-	(100)	32 317	(32 441)	265	(389)
- purchase USD/sale EUR	-	-	-	-	1 410	(1 406)	4	-
- purchase USD/sale RUR	1 849	(1 837)	39	(27)	3 637	(3 507)	131	-
- purchase EUR/sale BYR	-	-	-	-	1 615	(1 241)	375	-
- purchase USD/sale BYR	-	-	-	-	1 600	(1 572)	29	-
Precious metals								
- purchase precious metals/sale USD	-	-	-	-	18 272	(18 609)	-	(337)
- purchase USD/sale precious metals	-	-	-	-	335	(337)	-	(2)
Options purchased								
Foreign currency								
- purchase USD/sale RUR	-	-	-	-	302	(311)	15	-
Equity								
- purchase shares/ sale RUR	-	-	-	-	818	(2 323)	97	-
- purchase shares/ sale USD	-	-	-	-	1 474	(3 115)	691	-
- purchase USD/sale shares	-	-	-	-	5 824	(381)	2 240	-
Options sold								
Foreign currency								
- purchase RUR/sale USD	-	-	-	-	2 430	(2 420)	-	(200)
- purchase RUR/sale EUR	70	(65)	-	-	-	-	-	-
Total	**9 757**	**(9 840)**	**39**	**(127)**	**314 575**	**(321 659)**	**3 926**	**(10 462)**

During the year the Group has incurred a net loss on foreign currency derivatives in the amount of RR 9 175 million (2009: a net loss of RR 12 135 million) and earned net gain on precious metals derivatives in the amount of RR 679 million (2009: a net gain of RR 1 082 million), which is recorded in the Group's consolidated income statement within net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains, and net gains/(losses) arising from operations with precious metals and precious metals derivatives correspondingly.

34 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets				
Trading securities	65 704	464	-	66 168
Securities designated at fair value through profit or loss	81 486	21 945	3 444	106 875
Securities pledged under repurchase agreements	81 493	-	-	81 493
Investment securities available for sale	1 193 158	5 866	11 897	1 210 921
Derivative financial instruments	-	4 285	4 972	9 257
Total financial assets at fair value	**1 421 841**	**32 560**	**20 313**	**1 474 714**
Financial liabilities				
Derivative financial instruments	-	1 553	-	1 553
Total financial liabilities at fair value	**-**	**1 553**	**-**	**1 553**

At 31 December 2009	Level 1	Level 2	Level 3	Total
Financial assets				
Trading securities	90 507	515	-	91 022
Securities designated at fair value through profit or loss	103 673	4 776	15 990	124 439
Securities pledged under repurchase agreements	2 699	-	-	2 699
Investment securities available for sale	833 084	2 982	9 909	845 975
Derivative financial instruments	-	3 965	-	3 965
Total financial assets at fair value	**1 029 963**	**12 238**	**25 899**	**1 068 100**
Financial liabilities				
Derivative financial instruments	-	10 589	-	10 589
Total financial liabilities at fair value	**-**	**10 589**	**-**	**10 589**

34 Fair Value of Financial Instruments (Continued)

Level 2 includes debt securities of first-class borrowers that are not actively traded on the market. Fair value of the securities was calculated using techniques for which all inputs which have a significant effect on the recorded fair value are observable. Financial characteristics of comparable financial instruments actively traded on the market were used as inputs for the fair valuation models.

Corporate bonds recorded in trading portfolio and in portfolio of investment securities available for sale at fair value of RR 858 million were transferred from Level 1 to Level 2 during the year ended 31 December 2010. There were no transfers between level 1 and level 2 during the year ended 31 December 2009.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value as at 31 December 2010:

	At 1 January 2010	Total gains reported in income statement	Total gains reported in other comprehensive income	Purchases	Transfers from Level 3	Transfers to Level 3	At 31 December 2010
Financial assets							
Securities designated at fair value through profit or loss	15 990	678	-	159	(13 383)	-	3 444
Investment securities available for sale	9 909	212	4 472	252	(2 948)	-	11 897
Derivative financial instruments	-	601	-	2 131	-	2 240	4 972
Total level 3 financial assets	**25 899**	**1 491**	**4 472**	**2 542**	**(16 331)**	**2 240**	**20 313**

Certain financial instruments were transferred from Level 3 to Level 2 during the year ended 31 December 2010 as additional observable market data became available.

For the year ended 31 December 2010 all the gains reported in income statement and reported in other comprehensive income on Level 3 financial assets were unrealized.

Total gains recognized as profit or loss on securities designated at fair value through profit or loss which are presented in the table above are reported in income statement within net gains arising from securities designated at fair value through profit or loss.

Total gains recognized as profit or loss on investment securities available for sale which are presented in the table above are reported in income statement within net gains arising from investment securities available for sale.

Total gains recognized as profit or loss on derivative financial instruments investment which are presented in the table above are reported in income statement within net gains arising from operations with other derivatives.

34 Fair Value of Financial Instruments (Continued)

Investments in shares of a company involved in construction business at fair value through profit and loss of RR 3 340 million using a valuation technique based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of the weighted average cost of capital (hereinafter – "WACC"); volume of construction of housing premises and hotels, terms of construction and subsequent sale, sale price per square meter of housing premises and respective cost of sale, booking rates for hotel rooms.

When determining the sale prices per square meter of housing premises and booking rates for hotel rooms the Group used comparable analogues and estimation of the annual increase in prices.

Should the WACC used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 229 million lower / RR 247 million higher.

Investments in shares of a company involved in machine building at fair value through profit and loss of RR 104 million using a valuation technique based on non-observable inputs

The Group determined fair value of investments based on estimation of fair value of net assets of the company as at the reporting date. The Group applied share of ownership to fair value of assets ratio to determine fair value of shares.

Valuation of available for sale shares in a construction company of RR 731 million using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash-flow model. The principal input of the model used is the estimation of fair value of assets and liabilities of the company.

Should the fair value of net assets used by the Group in the valuation model increase / decrease by 5%, the carrying value of the financial instrument would be RR 37 million lower / RR 37 million higher.

Valuation of available for sale shares in a stock exchange of RR 4 683 million using valuation techniques based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of the weighted average cost of capital (hereinafter – "WACC") and estimated future operating cash flows.

Should the WACC used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 336 million lower / RR 395 million higher.

Valuation of available for sale shares of a transportation company of RR 6 442 million using valuation techniques based on non-observable inputs

The principal assumptions underlying the estimation of the fair value include the WACC, commission for transshipment/storage of the goods, annual volume of service and capacity utilization.

The principal assumptions and the impact of reasonable possible changes in these assumptions on the fair value (with all other variables being determined as fixed values) are as follows:

- The volume of the commission for transshipment / storage of the goods will change in the range from -1.5% to +2%;
- The annual production volume will increase by 10%; and
- Capacity utilization ratio will be in the range from 60% to 70%.

34 Fair Value of Financial Instruments (Continued)

As at 31 December 2010 the estimated value of the WACC denominated in US Dollars used by the Group comprised 11.13%.

Should the WACC used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 586 million lower / RR 703 million higher.

Valuation of available for sale shares of a venture company of RR 41 million using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash-flow model. The principal input of the model used is the discount rate used, production volumes and cost of production, terms and sale price of goods, and costs of development.

As at 31 December 2010 the estimated value of the discount rate used by the Group and represented by required rate of return for venture investments comprised 41.96%. Should the discount rate used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 3 million lower / RR 3 million higher.

Valuation of a put option on unquoted retail trading company shares of RR 1 189 million using non-observable inputs

The fair value of the option was determined using the Black-Scholes option pricing model. The inputs of the model include current market price of underlying shares and its historical volatility, option strike price and market risk-free rate of return, the principal input being the price of the shares.

Fair value of the underlying shares as at 31 December 2010 was estimated using the discounted cash flow model and comprised RR 10 663 million. Should the estimated value of shares used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 23 million lower / RR 23 million higher.

Valuation of a put option on shares of RR 2 187 million using non-observable inputs

The fair value of the option was determined using the Black-Scholes option pricing model. The principal inputs of the model include current market price of underlying shares, share price volatility and market risk-free rate of return.

Should the share price volatility used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 19 million lower / RR 19 million higher.

Valuation of a put/call option on shares of RR 1 596 million using non-observable inputs

The fair value of the option was determined using the Black-Scholes option pricing model. The principal inputs of the model include share price volatility of publicly traded companies operating in the same industry, share price valuation made using the discounted cash flow model and market risk-free rate of return.

Should the estimated value of shares used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 16 million lower / RR 16 million higher.

34 Fair Value of Financial Instruments (Continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value as at 31 December 2009:

	At 1 January 2009	Total gains/(losses) recorded in income statement	Total gains recorded in other comprehensive income	Purchases	At 31 December 2009
Financial assets					
Securities designated at fair value through profit or loss	-	63	-	15 927	15 990
Investment securities available for sale	4 545	(864)	49	6 179	9 909
Total level 3 financial assets	**4 545**	**(801)**	**49**	**22 106**	**25 899**

For the year ended 31 December 2009 all the gains reported in income statement and reported in other comprehensive income on Level 3 financial assets were unrealized.

Investment in shares of a company involved in construction business at fair value through profit and loss of RR 2 608 million using a valuation technique based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type and volume of construction of housing premises and hotels, terms of construction and subsequent sale, sale price per square meter of housing premises and respective cost of sale, booking rates for hotel rooms.

When determining the sale prices per square meter of housing premises and booking rates for hotel rooms the Group used comparable analogues and estimation of the annual increase of prices.

Should the weighted average cost of the capital (hereinafter – “WACC”) used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 237 million lower / RR 258 million higher.

Investment in shares of a company involved in oil and gas production at fair value through profit and loss of RR 13 383 million using valuation technique based on non-observable inputs

The Management of the Group applied the comparative approach using valuation multiples for comparable publicly traded companies.

The principal assumption for determining fair value of the company was that multiples of publicly traded companies operating in the same industry, oil and gas production, provide the best basis for estimating the asset’s fair value.

34 Fair Value of Financial Instruments (Continued)

The Management of the Group applied an enterprise value to reserves ratio as the valuation multiple for calculating the company's fair value, and the resulting asset value was then discounted by 20% due to the asset's illiquidity.

Should the weighted multiples and the discount rate used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 21 million lower / RR 16 million higher.

Valuation of available for sale shares in a construction company of RR 731 million using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash-flow model. The principal input of the model used is the estimation of fair value of assets and liabilities of the company.

Should the fair value of net assets used by the Group in the valuation model increase / decrease by 5%, the carrying value of the financial instrument would be RR 37 million lower / RR 37 million higher.

Valuation of available for sale shares in an oil and gas producing company of RR 166 million using valuation techniques based on non-observable inputs

The Management of the Group applied the comparative approach using valuation multiples for comparable publicly traded companies.

The principal assumption for determining fair value of the company was that multiples of publicly traded companies operating in the same industry, oil and gas production in the Commonwealth of Independent States, provide the best basis for estimating the asset's fair value.

The Management of the Group applied an enterprise value to reserves ratio as the valuation multiple for calculating the company's fair value, and the resulting asset value was then discounted by 20% due to the asset's illiquidity.

Should the weighted multiples and the discount rate used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 3 million higher / RR 4 million lower.

Valuation of available for sale shares of a transportation company of RR 6 230 million using valuation techniques based on non-observable inputs

The principal assumptions underlying the estimation of the fair value include: commission for transshipment / storage of the goods, production volume and capacity utilization.

The principal assumptions are as follows:

- The volume of the commission for transshipment / storage of the goods will change in the range from -1,5% to +2%;
- The annual production volume will increase by 10%; and
- Capacity utilization ratio will be in the range from 80% to 100%.

Should the WACC used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 609 million lower / RR 736 million higher.

34 Fair Value of Financial Instruments (Continued)

Valuation of available for sale shares in a telecommunication company of RR 2 753 million using valuation techniques based on non-observable inputs

The Management of the Group applied the comparative approach with the use of multiples of comparable publicly traded companies.

The principal assumption for determining fair value of the company was that multiples of publicly traded companies operating in the same industry provide the best basis for estimating the asset's fair value.

The Management of the Group applied two types of multiples for calculating fair value:

- EV/EBITDA as an income generation multiple; and
- EV/Number of the customers for economic sector multiple.

The Management of the Group applied 30% EV/EBITDA and 70% EV/Number of customers weighting coefficients for estimating fair value and then discounted the result by 20% in view of the asset's illiquidity.

Should the weighted multiples and discount coefficients used by the Group in the valuation model increase / decrease by 1%, the carrying value of the financial instrument would be RR 3 million lower / RR 4 million higher.

34 Fair Value of Financial Instruments (Continued)

Fair values of financial assets are as follows:

In millions of Russian Roubles	2010 Carrying value	2010 Fair value	2009 Carrying value	2009 Fair value
Financial assets carried at amortised cost				
Cash and cash equivalents:				
- Cash on hand	297 956	297 956	240 641	240 641
- Cash balances with the Bank of Russia (other than mandatory reserve deposits)	77 447	77 447	70 007	70 007
- Correspondent accounts and overnight placements with other banks with original maturities up to 30 days	309 704	309 704	388 295	388 295
- Reverse-repo agreements with original maturities up to 30 days	34 494	34 494	26 578	26 578
Mandatory cash balances with the Bank of Russia	50 532	50 532	40 572	40 572
Due from other banks	13 035	13 035	10 219	10 219
Loans and advances to customers:				
- Commercial loans to legal entities	2 395 763	2 409 594	1 984 834	2 028 298
- Specialized loans to legal entities	1 842 704	1 875 248	1 772 925	1 702 977
- Consumer and other loans to individuals	599 604	621 434	526 126	526 126
- Mortgage loans to individuals	574 499	599 206	484 012	484 012
- Car loans to individuals	76 817	76 993	96 134	96 134
Investment securities held to maturity	358 191	357 060	-	-
Other financial assets carried at amortised cost:				
- Receivables on plastic cards settlements	91 219	91 219	52 324	52 324
- Settlements on currency conversion operations	6 196	6 196	4 645	4 645
- Trade receivables	5 259	5 259	1 603	1 603
- Accrued fees and commissions	1 164	1 164	1 153	1 153
- Funds in settlement	41	41	1 117	1 117
- Other financial assets carried at amortised cost	3 446	3 446	714	714
Financial assets carried at fair value				
Trading securities	66 168	66 168	91 022	91 022
Securities designated at fair value through profit or loss	106 875	106 875	124 439	124 439
Securities pledged under repurchase agreements	81 493	81 493	2 699	2 699
Investment securities available for sale	1 210 921	1 210 921	845 975	845 975
Other financial assets carried at fair value	9 257	9 257	3 965	3 965
Total financial assets	**8 212 785**	**8 304 742**	**6 769 999**	**6 743 515**

34 Fair Value of Financial Instruments (Continued)

Fair values of financial liabilities are as follows:

	2010		2009	
In millions of Russian Roubles	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities carried at amortised cost				
Due to other banks:				
- Correspondent accounts and overnight placements of other banks	38 716	38 716	35 621	35 621
- Term placements of other banks	87 912	87 912	18 215	18 215
- Sale and repurchase agreements with other banks	61 803	61 803	111	111
Due to individuals:				
- Current/demand accounts	785 750	785 750	540 455	540 455
- Term deposits	4 048 709	4 075 185	3 246 857	3 228 747
Due to corporate customers:				
- Current/settlement accounts of state and public organisations	116 827	116 827	104 004	104 004
- Term deposits of state and public organisations	40 475	40 691	32 900	33 152
- Current/settlement accounts of other corporate customers	1 082 754	1 082 754	861 028	861 028
- Term deposits of other corporate customers	576 616	610 231	653 627	657 858
Debt securities in issue:				
- Promissory notes	96 505	94 615	101 294	95 996
- Savings certificates	13 102	13 102	17 844	17 844
- Deposit certificates	1 889	1 889	5 461	5 461
- Other debentures	7 930	8 081	-	-
Other borrowed funds:				
- Loan participation notes issued under the MTN programme	153 273	153 968	46 149	48 484
- Syndicated loans received	96 904	96 947	58 703	58 703
- Other long-term borrowings	20 588	20 588	10 361	10 361
Other financial liabilities carried at amortised cost:				
- Plastic card payables	25 425	25 425	13 170	13 170
- Trade payables	9 318	9 318	2 970	2 970
- Funds in settlement	5 071	5 071	1 579	1 579
- Deposit insurance system fees payable	4 476	4 476	3 449	3 449
- Deferred commissions received on guarantees issued	1 222	1 222	799	799
- Other financial liabilities carried at amortised cost	2 109	2 109	562	562
Subordinated debt:				
- Subordinated debt received by the Group from the Bank of Russia	303 299	303 299	504 346	504 346
- Subordinated debt received by the Group on international financial markets	-	-	14 504	14 562
- Subordinated debt received by subsidiaries	214	213	211	200
Financial liabilities carried at fair value				
Other financial liabilities carried at fair value	1 553	1 553	10 589	10 589
Total financial liabilities	**7 582 440**	**7 641 745**	**6 284 809**	**6 268 266**

34 Fair Value of Financial Instruments (Continued)

Financial instruments carried at fair value. Trading securities, other assets at fair value through profit or loss, financial derivatives, available for sale financial assets are carried in the consolidated statement of financial position at fair value.

Cash and cash equivalents are carried at amortised cost which approximately equals their current fair value.

Refer to Note 3 for accounting policy on financial instruments carried at fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. Due to significant changes in market situation interest rates for loans and advances to customers and due from other banks issued at fixed interest rates can be revised. Therefore interest rates for loans issued just before reporting date do not differ significantly from interest rates for new credit instruments with similar credit risk and remaining maturity. If under the Group assessment interest rates for the loans issued before reporting date differ significantly from current interest rates for similar credit instruments the fair value for these loans is estimated. The estimation is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty.

Contractual interest rates on loans and advances to customers and due from other banks as at 31 December 2010 and 31 December 2009 were as follows:

	2010	2009
Due from other banks	2.5% to 10.0% p.a.	8.0% to 9.2% p.a.
Loans and advances to customers:		
Corporate loans	5.4% to 18.0% p.a.	6.2% to 15.8% p.a.
Loans to individuals	9.0% to 20.5% p.a.	11.2% to 15.0% p.a.

Estimated fair value of other financial assets including trade debtors equals their carrying amount considering short-term nature of these assets.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Discount rates used were consistent with the Group's credit risk and also depend on currency and maturity of the instrument and ranged from 0.03% p.a. to 18.0% p.a. (2009: from 0.04% p.a. to 10.2% p.a.).

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Refer to Note 33.

35 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise key management personal and their close family members and associated companies of the Group.

35 Related Party Transactions (Continued)

Disclosures are also made in Note 36 for transactions with state-controlled entities and government bodies.

As at 31 December 2010 and 31 December 2009, the outstanding balances with the Bank of Russia and other related parties were as follows:

		2010		2009	
In millions of Russian Roubles	Note	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Assets					
Cash and cash equivalents (contractual interest rate: 3.0%)		212 451	-	345 035	-
Mandatory cash balances with the Bank of Russia		50 532	-	40 572	-
Bonds of the Bank of Russia (yield to maturity: 4.0%)	12	433 585	-	221 080	-
Gross amount of loans and advances to customers (contractual interest rates: 9.5%-20.0%)		-	528	-	-
Impairment provision for loans and advances to customers		-	(7)	-	-
Other assets		-	-	45	-
Liabilities					
Due to corporate customers (contractual interest rate: 0.01%-3.44%)		-	1 163	-	-
Subordinated debt (effective interest rate: 6.5%)	21	303 299	-	504 346	-

As at 31 December 2010 the Group has pledged federal loan bonds (OFZ bonds) and Eurobonds of the Russian Federation on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. Refer to Notes 8, 9, 12, 13 and 32. The carrying value of assets pledged is as follows:

In millions of Russian Roubles	Notes	2010	2009
Trading securities	8		
- Federal loan bonds (OFZ bonds)		14 715	18 105
- Russian Federation Eurobonds		-	6 348
Securities designated at fair value through profit or loss	9		
- Federal loan bonds (OFZ bonds)		31 520	39 658
Investment securities available for sale	12		
- Federal loan bonds (OFZ bonds)		42 498	65 299
- Russian Federation Eurobonds		5	13 768
Investment securities held to maturity	13		
- Federal loan bonds (OFZ bonds)		37 044	-
Total		**125 782**	**136 830**

35 Related Party Transactions (Continued)

The income and expense items with the Bank of Russia and other related parties for the year ended 31 December 2010 and 31 December 2009 were as follows:

	2010		2009	
In millions of Russian Roubles	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Interest income	32 158	59	2 640	-
Interest expense on subordinated debt	(27 851)	-	(39 989)	-
Interest expense other than on subordinated debt	(343)	(8)	(8 292)	-
Net provision charge for loan impairment	-	(7)	-	-
Net gains arising from trading securities	8	-	-	-
Net gains arising from investment securities available for sale	570	-	-	-
Other operating income	-	6	-	-
Operating expenses	(1 005)	(12)	(848)	-

For the year ended 31 December 2010, remuneration of the members of the key management personnel comprised salaries, bonuses and other staff related expenses totalling RR 1 043 million (the year ended 31 December 2009: RR 506 million).

36 Operations with State-Controlled Entities and Government Bodies

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. Under these circumstances the Management of the Group disclosed only information that its current internal management and accounting systems allow to present in relation to operations with state-controlled entities and where the Management believes such entities could be considered as state-controlled based on its best knowledge. These consolidated financial statements disclose operations with government bodies and entities, in which the government directly owns more than 50% of the share capital. In relation to state-controlled entities, Management analysed the Group’s transactions with its largest customers and extracted balances and results of operations in relation to the following groups of entities which were included in the tables below: 1) 100% State subsidiaries and government bodies and 2) largest entities where the State controls over 50% of its share capital. All transactions with government bodies and state-controlled entities are entered into in the normal course of business and priced at market rates.

36 Operations with State-Controlled Entities and Government Bodies (Continued)

As at 31 December 2010 and 31 December 2009, the outstanding balances with state-controlled entities and government bodies were as follows:

	2010		2009	
In millions of Russian Roubles	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital
Cash and cash equivalents (contractual interest rate: 0.5%)	2 001	8	-	1 747
Trading securities (yield to maturity: 2.0% - 18.0%)	48 213	4 634	72 642	6 876
Securities designated at fair value through profit or loss (yield to maturity: 1.0% - 8.0%)	78 323	4 871	98 131	5 383
Due from other banks (contractual interest rates: 2.5% - 10.0%)	-	10 198	4 073	2 516
Gross amount of loans and advances to customers (contractual interest rates: 5.5% - 16.8%)	326 359	114 872	247 522	197 813
Impairment for loans and advances to customers	(12 036)	(7 281)	(4 675)	(4 402)
Securities pledged under repurchase agreements (yield to maturity: 1.3% - 1.7%)	59 224	3 747	-	31
Investment securities available for sale (yield to maturity: 1.5% - 14.0%)	457 975	92 499	416 665	65 883
Investment securities held to maturity (yield to maturity: 4.0% - 8.6%)	313 380	18 070	-	-
Due to other banks (contractual interest rates: 0.4% - 3.3%)	472	5 988	-	205
Due to corporate customers (contractual interest rates: 0.3% - 10.8%)	187 240	94 990	152 369	90 693
Other liabilities	-	-	3 449	-
Guarantees issued	76 458	4 138	9 633	2 662

Income and expense items with State subsidiaries and government bodies for the year ended 31 December 2010 and 31 December 2009 were as follows:

	2010		2009	
In millions of Russian Roubles	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital
Interest income on loans	27 995	13 491	40 510	28 215
Interest income on securities	52 688	5 637	37 191	1 858
Interest expense	(4 116)	(1 902)	(12 829)	(7 516)
Net provision charge for loan impairment	(7 361)	(2 879)	(443)	(2 182)
Net gains/(losses) arising from trading securities	4 399	(165)	10 254	781
Net gains/(losses) arising from securities designated at fair value through profit or loss	5 514	(356)	5 316	1 782
Net gains arising from investment securities available for sale	3 288	3 649	9 138	5 407
Net gains arising from investment securities held to maturity	5	-	-	-
Fee and commission income	5 938	2 057	4 242	837
State deposit insurance system membership fee	16 255	-	13 047	-

36 Operations with State-Controlled Entities and Government Bodies (Continued)

Transactions with the State also include taxes. Income tax expense attributable to operations taxable in the Russian Federation amounted to RR 46 763 million for the year ended 31 December 2010 (for the year ended 31 December 2009: RR 4 113 million).

37 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 31 December 2010:

Name	Nature of business	Percentage of ownership	Country of registration
Subsidiaries:			
OJSC Belpromstroy Bank (OAO BPS Bank)	banking	97.91%	Belarus
SB JSC Sberbank	banking	100.00%	Kazakhstan
JSC Sberbank of Russia	banking	100.00%	Ukraine
CJSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	finance	100.00%	Russia
Sberbank Asset Management Company	asset management services	100.00%	Russia
OJSC Holding company GVSU Center	construction	97.03%	Russia
CJSC NK Dulisma	oil company	100.00%	Russia
LLC Khrustalnye Bashni	construction	50.01%	Russia
OJSC Pavlovskaya Keramika	construction materials	93.44%	Russia
LLC Pavlovo-Posadskoe Gornodobyvauchee Obiedinenie	construction materials	93.44%	Russia
CJSC GOTEK Group Management Company	packaging materials	60.00%	Russia
Vester Retail N.V.	retail trading	51.00%	Netherlands

In December 2009 the Bank acquired a 93.3% share of the share capital of OJSC BPS Bank, which was previously controlled by Government of Republic of Belarus. During the year ended 31 December 2010 the Group acquired an additional 4.61% share in the OJSC BPS Bank. Amount of non-controlling interest acquired during 2010 comprised RR 367 million.

In January 2010 under the settlement of the loan the Group repossessed a 50.01% share in a single-asset company – LLC Khrustalnye Bashni. The asset of the company is represented by undergoing construction of business centre in Moscow.

In April 2010 under the settlement of the loan to its borrowers the Group repossessed a 93.44% share in OJSC Pavlovskaya Keramika, a 93.44% share in LLC Pavlovo-Posadskoe Gornodobyvauchee Obiedinenie. These companies are involved in production and sale of construction materials. Also during 2010 the Group repossessed a 51.0% share in Vester Retail N.V., a holding company of a retail trading group operating mainly in Russia, as well as controlling interests in some other companies. The Group plans to develop and dispose of the subsidiaries in the foreseeable future.

37 Principal Subsidiaries (Continued)

The details of the fair value of net assets of OJSC Pavlovskaya Keramika, LLC Pavlovo-Posadskoe Gornodobyvauchee Obiedinenie, Vester Retail N.V. and other companies acquired during the year ended 31 December 2010, and goodwill arising on acquisition are as follows:

(In millions of Russian Roubles)	**Fair value**
Fair value of net assets of subsidiaries	**1 587**
Total purchase consideration	**6 914**
Non-controlling interest's proportionate share of net assets acquired	49
Total purchase consideration and non-controlling interest	**6 963**
(Gain from bargain purchase)	**(511)**
Goodwill arising on acquisition	**5 887**

In April 2010 under the settlement of the loan to its borrower the Group repossessed a 60.0% share in CJSC GOTEK Group Management Company which is a holding company of a group involved in production of packaging materials. The Group plans to develop the business of the subsidiary and has further plans to dispose of it in the foreseeable future.

The details of the fair value of net assets of CJSC GOTEK Group Management Company, acquired during the year ended 31 December 2010, and goodwill arising on acquisition are as follows:

In millions of Russian Roubles	**Fair value**
Fair value of net assets of subsidiary	**4 941**
Total purchase consideration	**5 777**
Non-controlling interest at fair value	1 977
Total purchase consideration and non-controlling interest	**7 754**
Goodwill arising on acquisition	**2 812**

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 31 December 2010 was 4.2% (31 December 2009: 3.3%).

38 Capital Adequacy Ratio

The Group's objectives when managing capital are (i) to comply with the regulatory capital requirements set by the Bank of Russia and (ii) to safeguard the Group's ability to continue as a going concern. The Group also monitors capital adequacy ratio based on Basel Accord to make sure it maintains a level of at least 8%.

Under the current capital requirements set by the Bank of Russia banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. According to requirements set by the Bank of Russia statutory capital ratio has to be maintained above the minimum level of 10%. The Bank's Assets and Liabilities Management Committee (ALMC) sets the minimum level of the capital ratio of 11%. This level exceeds both the minimum level set by the Bank of Russia (10%) and Basel Committee (8%) and allows the Bank to participate in the State deposit insurance scheme, which was introduced by the Federal Law №177-FZ "Guarantees on Bank Deposits of Individuals in the Russian Federation" dated 23 December 2003. As at 31 December 2010 the regulatory capital adequacy ratio was 17.7% (2009: 21.5%). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining the calculation. Regulatory capital based on the Bank's reports prepared under Russian accounting standards totalled RR 1 241 876 million as of 31 December 2010 (2009: RR 1 317 771 million).

38 Capital Adequacy Ratio (Continued)

As at 31 December 2010 and 31 December 2009, Capital Adequacy Ratios calculated by the Group in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel 1 requirements, were as follows:

In millions of Russian Roubles	**2010**	**2009**
Tier 1 capital		
Share capital	87 742	87 742
Share premium	232 553	232 553
Retained earnings	585 819	403 934
Less goodwill	(8 251)	(469)
Total Tier 1 capital	**897 863**	**723 760**
Tier 2 capital		
Revaluation reserve for premises	53 648	55 540
Fair value reserve for investment securities available for sale	13 437	(329)
Foreign currency translation reserve	(1 136)	(1 009)
Subordinated capital	303 513	362 115
Less investments in associates	(2 479)	(31)
Total Tier 2 capital	**366 983**	**416 286**
Total capital	**1 264 846**	**1 140 046**
Risk weighted assets (RWA)		
Credit risk	7 327 090	6 005 088
Market risk	199 883	298 725
Total risk weighted assets (RWA)	**7 526 973**	**6 303 813**
Core capital adequacy ratio (Total Tier 1 capital to Total RWA)	**11.9**	**11.5**
Total capital adequacy ratio (Total capital to Total RWA)	**16.8**	**18.1**

39 Subsequent Events

In January 2011 the Group repossessed development projects of Capital Group in the amount of RR 10 788 million under the settlement of a loan and an investment agreement.

In January 2011 the Group started issuance of interest-bearing bonds denominated in UAH at nominal value RR 2 871 million with maturity date in January 2013, 12.75% interest rate with quarterly coupon payment. As at 21 March 2011 the Group actually placed bonds with nominal value RR 1 651 million and cash proceeds from the issuance amounted to RR 1 655 million.

In February 2011 the Group acquired 25% plus one share of Nitol Solar Ltd., a company specialising in use of solar energy.

In February 2011 the Group acquired 5.6% of ordinary shares in OJSC RTS stock exchange.

In March 2011 the Group signed a memorandum of understanding on acquisition of 100% shares of Troyka Dialog, a leading Russian company specializing in investment banking and asset management. Under the agreed terms, the Group will acquire the shares for a cash consideration of USD 1 000 million by the end of 2011. Additional amount could be payable in 2013 and depends on net earnings of Troyka Dialog in the years 2011 – 2013. The deal is subject to regulatory approval in Russia and other jurisdictions.

ISSUER

SB Capital S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg

BORROWER

Sberbank
19 Vavilova Street
117997 Moscow
Russian Federation

ARRANGERS AND PERMANENT DEALERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London
E14 4BB
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London
E14 5JP
United Kingdom

PERMANENT DEALERS

BNP Paribas
10 Harewood Avenue
London
NW1 6AA
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street, London
EC2N 2DB
United Kingdom

DZ BANK AG Deutsche Zentral-Genossenschaftsbank Frankfurt am Main
Platz der Republik
60265 Frankfurt am Main
Germany

Goldman Sachs International
Peterborough Court
133 Fleet Street
London
EC4A 2BB
United Kingdom

HSBC Bank plc
8 Canada Square
London
E14 5HQ
United Kingdom

ING Bank N.V., London Branch
60 London Wall
London
EC2M 5TQ
United Kingdom

Merrill Lynch International
2 King Edward Street
London
EC1A 1HQ
United Kingdom

Mitsubishi UFJ Securities International plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR
United Kingdom

SIB (Cyprus) Limited
57 Digeni AkritaAvenue
Zachariades Building
Office 301 CY-1070 Nicosia
Cyprus

UBS Limited
1 Finsbury Avenue
London
EC2M 2PP
United Kingdom

LEGAL ADVISERS TO SBERBANK

As to U.S. and English law

Clifford Chance LLP
10 Upper Bank Street
Canary Wharf
London E14 5JJ
United Kingdom

As to Russian law

Clifford Chance CIS Limited
Ul. Gasheka 6
125047 Moscow
Russian Federation

LEGAL ADVISERS TO THE ARRANGERS AND PERMANENT DEALERS

As to U.S. and English law

Linklaters LLP

One Silk Street
London EC2Y 8HQ
United Kingdom

As to Luxembourg law

Linklaters LLP

35, Avenue J.F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

As to Russian law

Linklaters CIS

Paveletskaya Square 2
Bld. 2 Moscow 115054
Russian Federation

LEGAL ADVISER TO THE TRUSTEE

As to English Law

Linklaters LLP
One Silk Street
London
EC2Y 8HQ
United Kingdom

TRUSTEE

BNY Corporate

Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon

London Branch
One Canada Square
London E14 5AL
United Kingdom

PAYING AGENT, REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon

New York Branch
101 Barclay Street
New York, NY 10286
United States of America

AUDITORS TO SBERBANK

CJSC Ernst & Young Vneshaudit
Sadovnicheskaya Naberezhnaya 77
Building 1
Moscow 115035
Russian Federation

AUDITORS TO THE ISSUER

FPS Audit S.à.r.l
Réviseurs d'entreprises
46, Boulevard Grande-Duchesse Charlotte
B.P. 2650
L-1330 Luxembourg
Grand Duchy of Luxembourg

LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland