

SUPPLEMENTARY PROSPECTUS, dated October 31, 2006

(To the Base Prospectus dated May 12, 2006)



Established in 1841

SBERBANK

U.S. \$10,000,000,000

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

This Supplementary Prospectus (the “**Supplementary Prospectus**”) supplements the Base Prospectus dated May 12, 2006 (the “**Base Prospectus**”) and constitutes a supplementary prospectus for the purposes of Article 16 of Directive 2003/71/EC of the European Parliament and the Council (the “**Prospectus Directive**”). This Supplementary Prospectus is prepared in connection with the Programme for the issuance of Loan Participation Notes (the “**Programme**”) described in the Base Prospectus. This Supplementary Prospectus has been prepared to inform investors of significant developments since May 12, 2006, particularly of the issue of unaudited condensed interim financial information as of and for the six months ended June 30, 2006 prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) and of financial information related to them. The unaudited condensed interim financial information as of and for the six months ended June 30, 2006 forms part of the Supplementary Prospectus.

This Supplementary Prospectus constitutes a supplement to, and should be read in conjunction with, the Base Prospectus. Terms defined in the Base Prospectus have the same meaning when used in this Supplementary Prospectus.

Each of the Issuer and Sberbank accepts responsibility for the information contained in this Supplementary 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 Supplementary Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplementary Prospectus and (b) any other statement in the Base Prospectus, the statement in this Supplementary Prospectus will prevail. Except as disclosed in this Supplementary Prospectus, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

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 THE 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” IN THE BASE PROSPECTUS.

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. 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 Supplementary 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 Supplementary Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, Sberbank, the Dealers or the Arrangers to subscribe for or purchase any of the Notes.

The distribution of this Supplementary Prospectus and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplementary Prospectus comes are required by the Issuer, Sberbank, the Dealers and the Arrangers to inform themselves about and to observe any such restrictions.

No person is authorised to provide any information or make any representation not contained in this Supplementary Prospectus and any information or representation not contained in this Supplementary 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, any of the Dealers or the Arrangers. The delivery of this Supplementary 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 Supplementary Prospectus.

Neither the delivery of this Supplementary 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 Supplementary Prospectus.

The Arrangers and the Dealers have not separately verified the information contained in this Supplementary 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 Supplementary Prospectus. This Supplementary 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 Supplementary 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 Supplementary 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 Supplementary 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 Supplementary 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 Supplementary Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to 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**”). The Notes are only 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.

The Notes are securities of a foreign issuer under Russian law and are not eligible for initial offering and public circulation in the Russian Federation. 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 FSFM. The information provided in this Supplementary 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.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE DEALERS OR THE ARRANGERS AS TO THE ACCURACY OR COMPLETENESS 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 OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS SUPPLEMENTARY PROSPECTUS.

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 SUPPLEMENTARY PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

RECENT DEVELOPMENTS

Financial Developments

Results of Operations and Financial Condition as of and for the Six Months Ended June 30, 2006

The following discussion and analysis should be read in conjunction with Sberbank's unaudited condensed interim financial information as at and for the six months ended June 30, 2006 prepared in accordance with IAS 34 appearing elsewhere herein. Unless otherwise specified, the financial data set forth below have been extracted, without adjustments, but subject to rounding, from the unaudited condensed interim financial information as at and for the six months ended June 30, 2006, prepared in accordance with IAS 34.

Sberbank's interest income for the six months ended June 30, 2006 was RUR144.2 billion, compared to RUR110.5 billion for the six months ended June 30, 2005, an increase of 30.5% resulting primarily from the increase in interest income on loans and advances to customers by 35.7%, to RUR128.9 billion for the six months ended June 30, 2006, from RUR95.0 billion for the six months ended June 30, 2005. This increase resulted primarily from an increase in the average balances of loans and advances to customers in the ordinary course of Sberbank's business in the six months ended June 30, 2006.

Sberbank's interest expense for the six months ended June 30, 2006 was RUR54.0 billion, compared to RUR43.1 billion for the six months ended June 30, 2005, an increase of 25.4%. This increase was primarily due to an increase in interest expense on term deposits of individuals by 17.8%, to RUR42.7 billion in the six months ended June 30, 2006, from RUR36.3 billion in the six months ended June 30, 2005, which resulted primarily from an increase in the average balances of deposits.

Sberbank's charge for provision for loan impairment increased by 2.2% in the six months ended June 30, 2006 to RUR7.4 billion, from RUR7.3 billion in the six months ended June 30, 2005, as a result of the growth in Sberbank's loan portfolio during these six months. Net interest income after provision for loan impairment increased by 37.6% as a result of the significant increase in interest income for the reasons described above.

In the six months ended June 30, 2006, Sberbank's net fee and commission income increased by 41.8% to RUR22.2 billion, from RUR15.7 billion in the six months ended June 30, 2005, primarily as a result of the increase in the volume of Sberbank's cash transactions, plastic card operations, settlement transactions, foreign currency operations and cash collection operations.

In the six months ended June 30, 2006, Sberbank had a net gain from trading in foreign currencies and foreign exchange translation gains (net of losses) of RUR1.9 billion, compared to RUR2.1 billion for the six months ended June 30, 2005, which resulted from fluctuations in the value of the rouble against the U.S. dollar and the euro during that six months.

Operating profit increased by 39.5% in the six months ended June 30, 2006, to RUR116.9 billion, from RUR83.9 billion in the six months ended June 30, 2005, as the total administrative and other operating expenses increased by 32.2% during the latter period compared to the former period (RUR67.9 billion versus RUR51.4 billion), primarily as a result of the continuing expansion of Sberbank's retail lending business.

Profit after tax for the six months ended June 30, 2006 totalled RUR37.0 billion as opposed to RUR24.6 billion for the six months ended June 30, 2005, an increase of 50.4%, as income tax expense increased by 53.0% to RUR12.0 billion in the six months ended June 30, 2006 from RUR7.9 billion for the six months ended June 30, 2005. This increase was primarily due to an increase in Sberbank's profit before tax.

Sberbank's cash and cash equivalents amounted to RUR76.2 billion as of June 30, 2006, compared to RUR123.4 billion as of December 31, 2005. This decrease is primarily due to the fact that Sberbank accumulated cash and cash equivalents at the end of 2005 to support its operations during the Russian holidays in the first half of January 2006.

Sberbank's total assets were RUR2,909.1 billion as of June 30, 2006, compared to RUR2,513.1 billion as of December 31, 2005, an increase of 15.8%. This increase resulted primarily from a 15.1% increase, to RUR2,056.3 billion, from RUR1,787.3 billion as of December 31, 2005, in loans and advances to customers granted by Sberbank in the ordinary course of its business. The increase in total assets also resulted from a 99.0% increase, to RUR262.4 billion, from RUR131.8 billion as of December 31, 2005, in trading securities, primarily due to investments in short-term bonds issued by the CBR for the purposes of

liquidity management and a 131.2% increase, to RUR60.0 billion, from RUR25.9 billion as of December 31, 2005, in amounts due from other banks, primarily due to an increase in deposit balances with the CBR.

Sberbank's total liabilities were RUR2,646.3 billion as of June 30, 2006, compared to RUR2,282.1 billion as of December 31, 2005, an increase of 16.0%. This increase resulted primarily from a 15.0% increase, to RUR2,370.7 billion, from RUR2,061.1 billion as of December 31, 2005, in deposits from individuals and customer accounts and from a 17.1% increase, to RUR73.7 billion, from RUR63.0 billion as of December 31, 2005, in other borrowed funds. Other borrowed funds increased primarily due to the receipt of a U.S.\$500 million loan in connection with the issue in May 2006 of U.S.\$500 million of Notes under the Programme. Sberbank's total liabilities also increased as a result of a 94.9% rise, to RUR28.2 billion, from RUR14.5 billion as of December 31, 2005, in other liabilities, primarily due to outstanding dividends payable that were approved by Sberbank's general shareholders' meeting on June 16, 2006 and an increase in liabilities related to plastic card and settlement transactions.

Developments Following June 30, 2006

On 20 October 2006, Sberbank entered into a syndicated loan agreement with a consortium of foreign banks. This agreement provides for a U.S.\$1.5 billion loan that has a three-year term and bears interest at LIBOR plus 0.3% per annum. Sberbank expects that the loan will be fully drawn down by the end of 2006.

Other Developments

Acquisition of a Bank in Kazakhstan

In August 2006, Sberbank acquired an 80% interest in JSC Texakabank in Kazakhstan, whose assets represent approximately 0.2% of Sberbank's assets.

Increase of Share Capital

In August 2006, Sberbank increased the par value of its ordinary and preference shares sixty times through capitalisation of the statutory revaluation reserve for premises. The par value of Sberbank's ordinary shares was increased to RUR3,000 per share and the par value of its preference shares, to RUR60 per share. As a result, under IFRS, Sberbank's share capital increased to RUR80 billion and Sberbank will record a decrease in retained earnings.

Change in Rating

In July 2006, Fitch upgraded the long-term issuer default rating of Sberbank from "BBB" to "BBB+".

Change in Governing Body Composition

The composition of the Supervisory Board changed following its annual meeting of shareholders on June 16, 2006. Mr. Generalov and Mr. Pyatkin were not re-elected to the Supervisory Board. Three new members, Mr. Afanasiev, Mr. Danilov-Danilyan and Mrs. Aleshkina, were elected to the Supervisory Board. All the other members of the Supervisory Board were re-elected. The name, age, qualifications and certain other information for Messrs. Afanasiev and Danilov-Danilyan is set forth below. For the name, age, qualifications and certain other information for Mrs. Aleshkina, please see "Management—The Board" in the Base Prospectus.

Mstislav P. Afanasiev (39) has been a member of the Supervisory Board since June 16, 2006. From July 1, 2001 to October 23, 2004, Mr. Afanasiev was the chief of staff of the Audit Chamber of the Russian Federation. Since October 2004, he has been the chairman of the public finance department and a professor at the State University of the Higher School of Economics. Mr. Afanasiev graduated from the Economics department of Moscow State University in 1991. He received a master's degree from the Economics department of the University Paris VII Jussieux in 1992. Mr. Afanasiev completed full-time post-graduated studies at the Economics department of Moscow State University in 1994 and a doctorate at the Economics department of the Institute of Political Studies (IEP) of Paris in 1997.

Anton V. Danilov-Danilyan (40) has been a member of the Supervisory Board since June 16, 2006. From July 1, 2001 to May 31, 2004, he was head of the Economics Department at the Administration of the President of Russia. Since June 2004, Mr. Danilov-Danilyan has been a chief analyst at OJSC Military-Industrial Complex Oboronprom. He graduated from the Economic Cybernetics department of Moscow State University in 1988 and has a Ph.D. in Economics.

Taxation

The definition of a non-resident Noteholder below supersedes the definition of a non-resident Noteholder included in “Taxation—Russian Federation—General” in the Base Prospectus.

A “**non-resident Noteholder**” means:

- an individual Noteholder actually present in Russia for an aggregate period of less than 183 days in a given calendar year excluding days of arrival in Russia, but including days of departure from Russia (starting from 1 January 2007 an individual would not be regarded as tax resident in Russia if he/she is present in Russia for an aggregate period of less than 183 days in any 12 consecutive months); or
- a legal entity or organisation in each case not organised under Russian law which holds and disposes of the Notes otherwise than through a permanent establishment in Russia.

Sberbank
(Savings Bank of the Russian Federation)

**Condensed Interim Financial Information and
Review Report**

30 June 2006

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Review Report

Condensed Interim Financial Information

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Selected Notes to the Condensed Interim Financial Information

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REVIEW REPORT

To the Shareholders and Supervisory Board of Sberbank (Savings Bank of the Russian Federation):

We have reviewed the accompanying condensed interim balance sheet of Sberbank (Savings Bank of the Russian Federation) (hereinafter - the "Bank") as of 30 June 2006, and the related condensed interim statements of income, changes in equity and cash flows for the six months then ended. This condensed interim financial information is the responsibility of the Bank's management. Our responsibility is to issue a report on this condensed interim financial information based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the condensed interim financial information is free of material misstatement. A review is limited primarily to inquiries of the Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
27 October 2006

Sberbank (Savings Bank of the Russian Federation)
Condensed Interim Balance Sheet

| | Note | 30 June 2006 (Unaudited) | 31 December 2005 |
|---|------|--------------------------------|----------------------|
| <i>In thousands of Russian Roubles</i> | | | |
| ASSETS | | | |
| Cash and cash equivalents | | 76 197 662 | 123 368 671 |
| Mandatory cash balances with the Central Bank of the Russian Federation | | 68 086 393 | 56 808 779 |
| Trading securities | | 262 370 146 | 131 815 427 |
| Other securities at fair value through profit or loss | | 228 180 199 | 227 280 891 |
| Due from other banks | | 59 950 308 | 25 932 229 |
| Loans and advances to customers | 5 | 2 056 300 491 | 1 787 288 224 |
| Repurchase receivable | | - | 1 658 705 |
| Investment securities held to maturity | | 26 810 372 | 28 398 916 |
| Premises and equipment | | 108 429 637 | 106 849 836 |
| Other assets | | 22 766 867 | 23 725 839 |
| TOTAL ASSETS | | 2 909 092 075 | 2 513 127 517 |
| LIABILITIES | | | |
| Due to other banks | | 29 830 554 | 24 912 260 |
| Deposits from individuals | 6 | 1 720 540 949 | 1 514 301 804 |
| Customer accounts | 6 | 650 141 583 | 546 805 963 |
| Debt securities in issue | | 113 220 708 | 86 889 528 |
| Other borrowed funds | 7 | 73 717 252 | 62 963 865 |
| Deferred income tax liability | | 3 069 719 | 2 330 419 |
| Other liabilities | | 28 181 928 | 14 462 112 |
| Subordinated debt | | 27 632 853 | 29 393 050 |
| TOTAL LIABILITIES | | 2 646 335 546 | 2 282 059 001 |
| EQUITY | | | |
| Share capital | 8 | 20 980 583 | 20 980 583 |
| Share premium | 8 | 10 016 190 | 10 016 190 |
| Treasury shares | 8 | (396) | (301) |
| Revaluation reserve for premises | | 15 608 871 | 15 873 431 |
| Retained earnings | | 216 151 281 | 184 198 613 |
| TOTAL EQUITY | | 262 756 529 | 231 068 516 |
| TOTAL LIABILITIES AND EQUITY | | 2 909 092 075 | 2 513 127 517 |

Approved for issue and signed on behalf of the Board on 27 October 2006.


A.K. Aleshkina
Acting CEO


A.V. Kuzhalov
Chief Accountant

Sberbank (Savings Bank of the Russian Federation)
Condensed Interim Income Statement

| | Note | Six months ended 30 June 2006 (Unaudited) | Six months ended 30 June 2005 (Unaudited) |
|---|------|--|--|
| <i>(In thousands of Russian Roubles)</i> | | | |
| Interest income | 9 | 144 182 350 | 110 476 684 |
| Interest expense | 9 | (54 040 668) | (43 106 998) |
| Net interest income | | 90 141 682 | 67 369 686 |
| Provision for loan impairment | 5 | (7 434 446) | (7 274 750) |
| Net interest income after provision for loan impairment | | 82 707 236 | 60 094 936 |
| Gains less losses arising from trading securities and other securities at fair value through profit or loss | | 4 053 361 | 4 077 282 |
| Gains less losses arising from investment securities available for sale | | - | 4 709 |
| Net gains / (losses) arising from trading in foreign currencies | | 3 237 378 | (4 026 744) |
| Foreign exchange translation (losses net of gains) / gains net of losses | | (1 363 105) | 6 147 046 |
| Fee and commission income | 10 | 22 890 772 | 16 107 688 |
| Fee and commission expense | 10 | (674 091) | (441 885) |
| Gain on settlement of a receivable | 14 | 3 346 348 | - |
| Other operating income | | 2 739 876 | 1 887 441 |
| Operating profit | | 116 937 775 | 83 850 473 |
| Administrative and other operating expenses | | (67 885 695) | (51 363 124) |
| Profit before tax | | 49 052 080 | 32 487 349 |
| Income tax expense | | (12 014 972) | (7 854 638) |
| Profit for the reporting period | | 37 037 108 | 24 632 711 |
| Earnings per ordinary share, basic and diluted (expressed in RR per share) | 11 | 1 934 | 1 287 |

Sberbank (Savings Bank of the Russian Federation)
Condensed Interim Statement of Changes in Equity

| | Note | Share capital | Share premium | Treasury shares | Revaluation reserve for premises | Fair value reserve for investment securities available for sale | Retained earnings | Total equity |
|---|------|-------------------|-------------------|-----------------|----------------------------------|---|--------------------|--------------------|
| <i>In thousands of Russian Roubles</i> | | | | | | | | |
| Balance as at 1 January 2005 | | 20 980 583 | 10 016 190 | (312) | 453 397 | 4 655 | 121 864 071 | 153 318 584 |
| Investment securities available for sale: | | | | | | | | |
| - Fair value losses net of gains | | - | - | - | - | (1 416) | - | (1 416) |
| - Disposals | | - | - | - | - | (4 709) | - | (4 709) |
| Premises and equipment: | | | | | | | | |
| - Depreciation of revalued premises | | - | - | - | (13 556) | - | 13 556 | - |
| - Income tax recorded in equity | | - | - | - | 3 254 | 1 470 | (3 254) | 1 470 |
| Profit for the reporting period | | - | - | - | - | - | 24 632 711 | 24 632 711 |
| Disposal of treasury shares | | - | - | 11 | - | - | - | 11 |
| Dividends declared | 12 | - | - | - | - | - | (3 493 600) | (3 493 600) |
| Balance as at 30 June 2005 (Unaudited) | | 20 980 583 | 10 016 190 | (301) | 443 095 | - | 143 013 484 | 174 453 051 |
| Balance as at 1 January 2006 | | 20 980 583 | 10 016 190 | (301) | 15 873 431 | - | 184 198 613 | 231 068 516 |
| Premises and equipment: | | | | | | | | |
| - Depreciation of revalued premises | | - | - | - | (348 103) | - | 348 103 | - |
| Income tax recorded in equity | | - | - | - | 83 543 | - | (83 543) | - |
| Profit for the reporting period | | - | - | - | - | - | 37 037 108 | 37 037 108 |
| Purchase of treasury shares | | - | - | (95) | - | - | - | (95) |
| Dividends declared | 12 | - | - | - | - | - | (5 349 000) | (5 349 000) |
| Balance as at 30 June 2006 (Unaudited) | | 20 980 583 | 10 016 190 | (396) | 15 608 871 | - | 216 151 281 | 262 756 529 |

Sberbank (Savings Bank of the Russian Federation)
Condensed Interim Statement of Cash Flows

| | Note | Six months ended 30 June 2006 (Unaudited) | Six months ended 30 June 2005 (Unaudited) |
|---|------|---|---|
| <i>(In thousands of Russian Roubles)</i> | | | |
| Cash flows from operating activities | | | |
| Interest received | | 144 225 384 | 111 195 764 |
| Interest paid | | (48 963 713) | (42 847 504) |
| Income received / (expenses paid) from trading securities and other securities at fair value through profit or loss | | 3 951 781 | (146 441) |
| Income received / (expenses paid) from trading in foreign currencies | | 3 669 157 | (3 966 074) |
| Fees and commissions received | | 23 103 226 | 16 316 691 |
| Fees and commissions paid | | (674 091) | (542 237) |
| Income received on settlement of a receivable | 14 | 2 676 233 | - |
| Other operating income received | | 1 820 292 | 1 417 456 |
| Administrative and other operating expenses paid | | (60 225 754) | (45 606 464) |
| Income tax paid | | (10 832 070) | (6 233 641) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 58 750 445 | 29 587 550 |
| Changes in operating assets and liabilities | | | |
| Net increase in mandatory cash balances with the Central Bank of the Russian Federation | | (11 277 614) | (5 033 857) |
| Net increase in trading securities | | (131 125 732) | (41 828 896) |
| Net decrease/(increase) in other securities at fair value through profit or loss | | 75 993 | (28 275 862) |
| Net increase in due from other banks | | (34 121 735) | (40 968 106) |
| Net increase in loans and advances to customers | | (278 707 781) | (204 459 041) |
| Net decrease/(increase) in repurchase receivable | | 1 658 705 | (10 938 945) |
| Net decrease/(increase) in other assets | | 2 925 519 | (2 847 975) |
| Net increase in due to other banks | | 4 907 058 | 27 079 656 |
| Net increase in deposits from individuals | | 203 492 099 | 134 404 255 |
| Net increase in customer accounts | | 102 700 657 | 64 918 985 |
| Net increase/(decrease) in debt securities in issue | | 25 584 416 | (2 157 641) |
| Net increase in other liabilities | | 6 403 374 | 6 107 751 |
| Net cash used in operating activities | | (48 734 596) | (74 412 126) |
| Cash flows from investing activities | | | |
| Proceeds from disposal and redemption of investment securities available for sale | | - | 107 641 |
| Acquisition of premises and equipment | | (9 205 381) | (6 935 476) |
| Proceeds from disposal of premises and equipment | | 416 770 | 372 199 |
| Dividend income received | | 40 164 | 8 253 |
| Net cash used in investing activities | | (8 748 447) | (6 447 383) |
| Cash flows from financing activities | | | |
| Other borrowed funds received | | 14 360 105 | 564 028 |
| Redemption of other borrowed funds | | (914 639) | (37 783) |
| Repayment of interest on other borrowed funds | | (1 524 591) | (594 267) |
| Proceeds from subordinated debt | | - | 27 987 001 |
| Repayment of interest on subordinated debt | | (879 710) | - |
| (Acquisition)/disposal of treasury shares | | (95) | 11 |
| Dividends paid | 12 | (4 139) | (2 102) |
| Net cash from financing activities | | 11 036 931 | 27 916 888 |
| Effect of exchange rate changes on cash and cash equivalents | | (724 897) | (518 629) |
| Net decrease in cash and cash equivalents | | (47 171 009) | (53 461 250) |
| Cash and cash equivalents at the beginning of the reporting period | | 123 368 671 | 109 136 991 |
| Cash and cash equivalents as at the end of the reporting period | | 76 197 662 | 55 675 741 |

1 Introduction

This condensed interim financial information for the six months ended 30 June 2006 for Sberbank (Savings Bank of the Russian Federation) (the "Bank") has been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34").

The Bank is an open joint stock company established in 1841 and has 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 (the "CBRF"), owns 63.8% of ordinary shares or 60.6% of the issued and outstanding shares at 30 June 2006.

The Supervisory Board of the Bank is headed by the Chairman of the CBRF. The Supervisory Board also includes representatives from the Bank's other shareholders. Two Deputy Chairmen of the CBRF are Deputy Chairmen of the Supervisory Board.

Principal activity. The Bank's principal business activity is corporate and retail banking operations within the Russian Federation. The Bank has operated under a full banking license issued by the CBRF since 1991.

The Bank has 17 (31 December 2005: 17) regional head offices, 902 (31 December 2005: 992) branches and 19 326 (31 December 2005: 19 261) sub-branches within the Russian Federation as at 30 June 2006. The average number of the Bank's employees during the first six months of 2006 was 241 172 (2005 year: 235 116).

Registered address and place of business. The Bank's registered address is: Vavilova str., 19, Moscow, Russian Federation.

2 Operating Environment of the Bank

The Russian Federation displays certain characteristics of an emerging market, including the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, relatively high inflation and economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions. The Russian economy occasionally experiences falls in confidence in the banking sector accompanied by reductions in liquidity.

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

3 Basis of Preparation

This condensed interim financial information has been prepared in accordance with IAS 34. This condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2005.

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

At 30 June 2006 the principal rate of exchange used for translating foreign currency monetary balances was USD 1 = RR 27.0789 (31 December 2005: USD 1 = RR 28.7825).

4 Accounting Policies and Critical Accounting Estimates and Judgements

The accounting policies and methods of computation applied in the preparation of this condensed interim financial information are consistent with those disclosed in the annual financial statements of the Bank for the year ended 31 December 2005.

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the financial statements for the year ended 31 December 2005, became effective for the Bank from 1 January 2006. The application of the new accounting pronouncements did not change the value and/or classification of financial instruments of the Bank.

IAS 39 (Amendment) – The Fair Value Option. IAS 39 (as revised in 2003) permitted entities to designate irrevocably on initial recognition practically any financial instrument as one to be measured at fair value with gains and losses recognised in profit or loss ('fair value through profit or loss'). The amendment changes the definition of financial instruments 'at fair value through profit or loss' and restricts the ability to designate financial instruments as part of this category. As in 2005, the Management continues to manage a portfolio of financial instruments designated into the category 'at fair value through profit or loss' based on their fair value.

IAS 39 (Amendment) – Financial Guarantee Contracts. Issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, will have to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred and (ii) the amount recognised under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Judgements made by management in the process of applying the accounting policies were consistent with the judgements disclosed in the annual financial statements for the year ended 31 December 2005. Management has not identified new areas of judgement. Critical estimates, as disclosed in the most recent annual financial statements, have not resulted in a material adjustment to the Bank's assets, income or profit during the interim period ended 30 June 2006.

Interim period measurement. Income tax expense is recognised in this condensed interim financial information 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.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

IFRIC 7, "Applying the Restatement Approach under IAS 29", effective for annual periods beginning on or after 1 March 2006. This interpretation is not relevant for the Bank;

IFRIC 8, "Scope of IFRS 2", effective for annual periods beginning on or after 1 May 2006. Management does not expect the interpretation to be relevant for the Bank;

IFRIC 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after 1 June 2006. Management does not expect the interpretation to be relevant for the Bank;

IFRIC 10, "Interim Financial Reporting and Impairment", effective for annual periods beginning on or after 1 November 2006. The Interpretation states that an entity should not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. Management does not expect the interpretation has any material impact for the Bank; and

IFRS 7, "Financial instruments: Disclosures", and a complementary Amendment to IAS 1 "Presentation of Financial Statements - Capital Disclosures", both effective for annual periods beginning on or after 1 January 2007. The Bank currently is assessing the impact of IFRS 7 and the amendment to IAS 1 on its financial statements. The Bank will apply IFRS 7 and the amendment to IAS 1 for annual periods beginning 1 January 2007.

Sberbank (Savings Bank of the Russian Federation)
Selected Notes to the Condensed Interim Financial Information – 30 June 2006

5 Loans and Advances to Customers

| <i>In thousands of Russian Roubles</i> | 30 June 2006 (Unaudited) | 31 December 2005 |
|--|-------------------------------------|-----------------------------|
| Current loans | 2 126 442 349 | 1 856 803 176 |
| Overdue loans | 23 496 640 | 19 723 473 |
| Reverse sale and repurchase agreements | 5 173 405 | 3 839 710 |
| Less: Provision for loan impairment | (98 811 903) | (93 078 135) |
| Total loans and advances to customers | 2 056 300 491 | 1 787 288 224 |

Overdue loans represent the amount of overdue loan payments and do not include the entire outstanding balance of the loans with overdue payments.

Movements in the provision for loan impairment for the six months of 2006 and 2005 are as follows:

| <i>In thousands of Russian Roubles</i> | Six months ended 30 June 2006 (Unaudited) | Six months ended 30 June 2005 (Unaudited) |
|--|--|--|
| Provision for loan impairment at 1 January | 93 078 135 | 79 359 047 |
| Provision for loan impairment during the six months | 7 434 446 | 7 274 750 |
| Loans and advances to customers written off during the six months as uncollectible | (1 700 678) | (1 236 077) |
| Provision for loan impairment as at 30 June | 98 811 903 | 85 397 720 |

6 Deposits from Individuals and Customer Accounts

| <i>(In thousands of Russian Roubles)</i> | 30 June 2006 (Unaudited) | 31 December 2005 |
|--|-------------------------------------|-----------------------------|
| State and public organisations | | |
| - Current/settlement accounts | 65 033 790 | 53 411 194 |
| - Term deposits | 21 906 661 | 16 125 577 |
| Other legal entities | | |
| - Current/settlement accounts | 414 944 907 | 352 348 281 |
| - Term deposits | 148 256 225 | 124 920 911 |
| Individuals | | |
| - Current/demand accounts | 162 566 635 | 136 100 326 |
| - Term deposits | 1 557 974 314 | 1 378 201 478 |
| Total deposits from individuals and customer accounts | 2 370 682 532 | 2 061 107 767 |

7 Other Borrowed Funds

| <i>(In thousands of Russian Roubles)</i> | 30 June 2006 (Unaudited) | 31 December 2005 |
|--|-----------------------------|-------------------|
| Long-term borrowings received | 67 969 146 | 57 597 510 |
| Other term borrowings | 5 748 106 | 5 366 355 |
| Total other borrowed funds | 73 717 252 | 62 963 865 |

In May 2006 the Bank attracted USD 500 000 thousand within a MTN programme at a fixed interest rate of 6.48% p.a. maturing on 15 May 2013. As at 30 June 2006 this borrowing is recorded at amortised cost of RR 13 628 583 thousand. The transaction was structured as an issue of notes by SB Capital S.A. for the purpose of financing a loan to the Bank.

Included in long-term borrowings received are floating rate (three month LIBOR +1.75%) notes issued in October 2003 maturing in October 2006 with effective interest rate of 5.8% p.a. (31 December 2005: 5.6% p.a.). The transaction was structured as an issue of notes by UBS Luxembourg S.A. for the purpose of financing a loan to the Bank. These notes had a par value of USD 1 000 000 thousand and pay quarterly interest. At 30 June 2006 the loan has been accounted for at amortised cost of RR 27 198 220 thousand (31 December 2005: RR 28 881 656 thousand).

Also included in long-term loans received is a syndicated loan in the amount of USD 1 000 000 thousand which was received by the Bank in December 2005 from a consortium of foreign banks. At 30 June 2006 the loan was accounted for at amortised cost of RR 27 142 343 thousand (31 December 2005: RR 28 715 854). This loan has a maturity date on 10 November 2008 and contractual floating interest rate of LIBOR + 0.55%. As at 30 June 2006 the effective interest rate on the loan was 6.7% p.a. (31 December 2005: 5.4% p.a.).

Term borrowings represent funding received by the Bank from foreign export agencies via foreign banks, which was used by Sberbank for direct lending to Russian companies in accordance with the terms of the agreements. At 30 June 2006 these term borrowings were accounted for at amortised cost of RR 5 748 106 thousand (31 December 2005: RR 5 366 355 thousand), had floating interest rates varying from 3.4% to 6.8% (31 December 2005: from 2.8% to 6.4%) and maturity dates from July 2007 to January 2016 (31 December 2005: from February 2006 to January 2016).

8 Share Capital and Share Premium

| | 30 June 2006 (Unaudited) | | | 31 December 2005 | | |
|----------------------------|----------------------------------|-------------------|---------------------------------|----------------------------------|-------------------|---------------------------------|
| | Number of shares, in units | Nominal amount | Inflation adjusted amount | Number of shares, in units | Nominal amount | Inflation adjusted amount |
| Ordinary shares | 19 000 000 | 950 000 | 19 525 646 | 19 000 000 | 950 000 | 19 525 646 |
| Preference shares | 50 000 000 | 50 000 | 1 454 937 | 50 000 000 | 50 000 | 1 454 937 |
| Less: Treasury shares | | | | | | |
| - Ordinary shares | (1 851) | (93) | (309) | (1 787) | (89) | (243) |
| - Preference shares | (3 000) | (3) | (87) | (1 144) | (1) | (58) |
| Total share capital | 68 995 149 | 999 904 | 20 980 187 | 68 997 069 | 999 910 | 20 980 282 |

All ordinary shares have a nominal value of RR 50 per share and rank equally. Each share carries one vote. Also refer to Note 18.

8 Share Capital and Share Premium (Continued)

Preference shares have a nominal value of RR 1 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 by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders but lose this right when the next dividend is paid. Preference share dividends rank above ordinary dividends.

Share premium of RR 10 016 190 thousand (31 December 2005: RR 10 016 190 thousand) represents the excess of contributions received over the nominal value of shares issued.

9 Interest Income and Expense

| <i>In thousands of Russian Roubles</i> | Six months ended 30 June 2006 (Unaudited) | Six months ended 30 June 2005 (Unaudited) |
|---|--|--|
| Interest income | | |
| Loans and advances to customers | 128 921 342 | 94 977 079 |
| Debt trading securities and other securities at fair value through profit or loss | 11 238 821 | 12 060 665 |
| Due from other banks | 2 048 936 | 865 932 |
| Investment securities held to maturity | 1 934 310 | 2 546 731 |
| Correspondent accounts with other banks | 38 941 | 23 993 |
| Debt investment securities available for sale | - | 2 284 |
| Total interest income | 144 182 350 | 110 476 684 |
| Interest expense | | |
| Term deposits of individuals | 42 737 091 | 36 274 293 |
| Term deposits of legal entities | 4 030 943 | 3 413 922 |
| Current/settlement accounts | 3 270 567 | 1 478 820 |
| Other borrowed funds | 1 761 463 | 497 422 |
| Debt securities in issue | 1 015 643 | 417 739 |
| Subordinated debt | 856 512 | 663 338 |
| Correspondent accounts of other banks | 249 942 | 162 191 |
| Term placements of other banks | 118 507 | 199 273 |
| Total interest expense | 54 040 668 | 43 106 998 |
| Net interest income | 90 141 682 | 67 369 686 |

10 Fee and Commission Income and Expense

| <i>In thousands of Russian Roubles</i> | Six months ended 30 June 2006 (Unaudited) | Six months ended 30 June 2005 (Unaudited) |
|---|--|--|
| Fee and commission income | | |
| Cash transactions | 13 257 974 | 9 652 778 |
| Settlement transactions | 3 529 981 | 2 269 730 |
| Plastic cards operations | 3 055 176 | 1 706 135 |
| Operations with foreign currency | 1 200 230 | 1 060 140 |
| Cash collection | 1 047 392 | 810 693 |
| Guarantees issued | 212 292 | 139 204 |
| Transactions with securities | 196 646 | 211 749 |
| Other | 391 081 | 257 259 |
| Total fee and commission income | 22 890 772 | 16 107 688 |
| Fee and commission expense | | |
| Settlement transactions | 413 951 | 158 344 |
| Operations with foreign currency | 147 849 | 182 880 |
| Transactions with securities | 56 339 | 54 683 |
| Cash collection | 50 601 | 42 715 |
| Other | 5 351 | 3 263 |
| Total fee and commission expense | 674 091 | 441 885 |
| Net fee and commission income | 22 216 681 | 15 665 803 |

11 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders 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 equal the basic earnings per share.

| <i>In thousands of Russian Roubles</i> | Six months ended 30 June 2006 (Unaudited) | Six months ended 30 June 2005 (Unaudited) |
|--|--|--|
| Profit attributable to equity holders of the Bank | 37 037 108 | 24 632 711 |
| Less: preference dividends | (295 000) | (189 500) |
| Profit attributable to the Bank's ordinary shareholders | 36 742 108 | 24 443 211 |
| Weighted average number of ordinary shares in issue (thousands) | 18 998 | 18 998 |
| Basic and diluted ordinary earnings per share (expressed in RR per share) | 1 934 | 1 287 |

12 Dividends

| | Six months ended 30 June 2006 (Unaudited) | | Six months ended 30 June 2005 (Unaudited) | |
|--|--|----------------|--|----------------|
| <i>(In thousands of Russian Roubles)</i> | Ordinary | Preference | Ordinary | Preference |
| Dividends payable at 1 January | 40 733 | 12 110 | 28 038 | 7 942 |
| Dividends declared during the six months ended 30 June | 5 054 000 | 295 000 | 3 304 100 | 189 500 |
| Dividends paid during the six months ended 30 June | (2 518) | (1 621) | (1 370) | (732) |
| Dividends payable as at 30 June | 5 092 215 | 305 489 | 3 330 768 | 196 710 |
| Dividends per share declared during the reporting period (RR per share) | 266.00 | 5.90 | 173.90 | 3.79 |

All dividends are declared and paid in Russian Roubles.

13 Segment Analysis

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

Business Segments. The Bank is organised on a basis of two main business segments:

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

The Bank does not allocate in its internal management accounting system certain types of the Bank's assets and liabilities as well as income and expenses between the segments. Such items have been presented as "unallocated" in the table below.

Segment information for the main reportable business segments of the Bank as at 30 June 2006 and 31 December 2005, as well as for the six months ended 30 June 2006 and six months ended 30 June 2005 follows:

13 Segment Analysis (Continued)

Segment reporting per business segments for the six months ended 30 June 2006 is set out below:

| <i>(Unaudited)</i> <i>In thousands of Russian Roubles</i> | Corporate banking | Retail banking | Unallocated | Total |
|---|------------------------------|-----------------------|--------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | - | - | 76 197 662 | 76 197 662 |
| Mandatory cash balances with the Central Bank of the Russian Federation | - | - | 68 086 393 | 68 086 393 |
| Trading securities | 262 370 146 | - | - | 262 370 146 |
| Other securities at fair value through profit or loss | 228 180 199 | - | - | 228 180 199 |
| Due from other banks | 59 950 308 | - | - | 59 950 308 |
| Loans and advances to customers | 1 530 251 213 | 526 049 278 | - | 2 056 300 491 |
| Investment securities held to maturity | 26 810 372 | - | - | 26 810 372 |
| Premises and equipment | - | - | 108 429 637 | 108 429 637 |
| Other assets | - | - | 22 766 867 | 22 766 867 |
| Total assets | 2 107 562 238 | 526 049 278 | 275 480 559 | 2 909 092 075 |
| Liabilities | | | | |
| Due to other banks | 29 830 554 | - | - | 29 830 554 |
| Deposits from individuals | - | 1 720 540 949 | - | 1 720 540 949 |
| Customer accounts | 650 141 583 | - | - | 650 141 583 |
| Debt securities in issue | 101 715 257 | 11 505 451 | - | 113 220 708 |
| Other borrowed funds | 73 717 252 | - | - | 73 717 252 |
| Deferred income tax liability | - | - | 3 069 719 | 3 069 719 |
| Other liabilities | - | - | 28 181 928 | 28 181 928 |
| Subordinated debt | 27 632 853 | - | - | 27 632 853 |
| Total liabilities | 883 037 499 | 1 732 046 400 | 31 251 647 | 2 646 335 546 |

Income and expense for the six months ended 30 June 2006 are set out below:

| <i>(Unaudited)</i> <i>In thousands of Russian Roubles</i> | Corporate banking | Retail banking | Unallocated | Total |
|---|------------------------------|-----------------------|--------------------|--------------|
| Interest income | 94 166 275 | 50 016 075 | - | 144 182 350 |
| Interest expense | (11 303 577) | (42 737 091) | - | (54 040 668) |
| Gains less losses arising from trading securities and other securities at fair value through profit or loss | 4 053 361 | - | - | 4 053 361 |
| Net gains arising from trading in foreign currencies | 1 362 944 | 1 874 434 | - | 3 237 378 |
| Fee and commission income | 18 570 929 | 4 319 843 | - | 22 890 772 |
| Fee and commission expense | (674 091) | - | - | (674 091) |

13 Segment Analysis (Continued)

Segment reporting per business segments as at 31 December 2005 follows:

| <i>In thousands of Russian Roubles</i> | Corporate banking | Retail banking | Unallocated | Total |
|---|------------------------------|-----------------------|--------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | - | - | 123 368 671 | 123 368 671 |
| Mandatory cash balances with the Central Bank of the Russian Federation | - | - | 56 808 779 | 56 808 779 |
| Trading securities | 131 815 427 | - | - | 131 815 427 |
| Other securities at fair value through profit or loss | 227 280 891 | - | - | 227 280 891 |
| Due from other banks | 25 932 229 | - | - | 25 932 229 |
| Loans and advances to customers | 1 334 613 222 | 452 675 002 | - | 1 787 288 224 |
| Repurchase receivable | 1 658 705 | - | - | 1 658 705 |
| Investment securities held to maturity | 28 398 916 | - | - | 28 398 916 |
| Premises and equipment | - | - | 106 849 836 | 106 849 836 |
| Other assets | - | - | 23 725 839 | 23 725 839 |
| Total assets | 1 749 699 390 | 452 675 002 | 310 753 125 | 2 513 127 517 |
| Liabilities | | | | |
| Due to other banks | 24 912 260 | - | - | 24 912 260 |
| Deposits from individuals | - | 1 514 301 804 | - | 1 514 301 804 |
| Customer accounts | 546 805 963 | - | - | 546 805 963 |
| Debt securities in issue | 78 776 895 | 8 112 633 | - | 86 889 528 |
| Other borrowed funds | 62 963 865 | - | - | 62 963 865 |
| Deferred income tax liability | - | - | 2 330 419 | 2 330 419 |
| Other liabilities | - | - | 14 462 112 | 14 462 112 |
| Subordinated debt | 29 393 050 | - | - | 29 393 050 |
| Total liabilities | 742 852 033 | 1 522 414 437 | 16 792 531 | 2 282 059 001 |

Income and expense for the six months ended 30 June 2005 are set out below:

| <i>(Unaudited) In thousands of Russian Roubles</i> | Corporate banking | Retail banking | Unallocated | Total |
|--|------------------------------|-----------------------|--------------------|--------------|
| Interest income | 80 102 608 | 30 374 076 | - | 110 476 684 |
| Interest expense | (6 832 705) | (36 274 293) | - | (43 106 998) |
| Gains less losses arising from trading securities and other securities at fair value through profit or loss | 4 077 282 | - | - | 4 077 282 |
| Gains less losses from investment securities available for sale | 4 709 | - | - | 4 709 |
| Losses net of gains from trading in foreign currencies | (5 213 585) | 1 186 841 | - | (4 026 744) |
| Fee and commission income | 10 801 637 | 5 306 051 | - | 16 107 688 |
| Fee and commission expense | (441 885) | - | - | (441 885) |

14 Contingencies and Commitments

In December 2005 the Bank has performed a set-off transaction following its claim for premature termination of a secured borrowing agreement with a foreign counterparty. The netting of mutual obligations performed by the Bank resulted in a receivable in the amount of USD 120 million (RR equivalent of 3 457 202 thousand), which represented the difference between the fair value of the securities pledged and the amount of borrowings plus accrued interest.

In 2006 the Bank was successful in UK High Court and in the US District Court for the Southern District of New York for the amount of USD 124 million in respect of its court claim against the above counterparty. In June 2006 the Bank signed a settlement agreement with its foreign counterparty-defendant following the Court ruling and recorded a gain in the income statement in the amount of USD 124 million (RR equivalent of 3 346 348 thousand). The item was disclosed as a contingent asset as at 31 December 2005. In accordance with the payment schedule under the above mentioned agreement in June 2006 the Bank received USD 99 million (RR equivalent of 2 676 233 thousand).

As at 30 June 2006 the remaining receivable due from the foreign counterparty in the amount of RR 670 115 thousand has been recorded within other assets. The above receivable has been collected by the Bank in full in October 2006.

15 Related Party Transactions

For the purposes of this interim condensed financial information, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Transactions with related parties are entered into in the normal course of business and are priced at market rates.

The Bank's principal shareholder is the Central Bank of the Russian Federation (refer to Note 1). Consequently, in accordance with IAS 24 "Related Party Disclosures" (revised) ("IAS 24"), state-controlled entities and government bodies are considered as related parties of the Bank.

The table in this note represents balances and results of operations with the Bank's principal shareholder, the CBRF, and related parties other than state-controlled entities and government bodies. As required by IAS 24, balances and results of operations with state-controlled entities and government bodies are disclosed in this condensed interim financial information in Note 16.

15 Related Party Transactions (Continued)

As at 30 June 2006 and 31 December 2005, the outstanding balances with related parties were as follows:

| <i>In thousands of Russian Roubles</i> | 30 June 2006 (unaudited) | | 31 December 2005 | |
|---|--------------------------|-----------------------|------------------|-----------------------|
| | The CBRF | Other related parties | The CBRF | Other related parties |
| Assets | | | | |
| Account with the Central Bank of Russian Federation (other than mandatory reserve deposits) | 3 629 508 | - | 26 946 095 | - |
| Mandatory cash balances with the Central Bank of Russian Federation | 68 086 393 | - | 56 808 779 | - |
| Discount debt securities | 145 367 917 | - | 24 461 159 | - |
| Due from other banks | 56 569 503 | - | 3 497 680 | - |
| Total loans and advances to customers (before provision for impairment) | - | 17 729 732 | - | 17 717 472 |
| Provision for loan impairment | - | (478 470) | - | (479 517) |
| Other assets | - | 39 | - | 10 322 |
| Liabilities | | | | |
| Customer accounts | - | 493 578 | - | 502 566 |
| Credit related commitments | | | | |
| Import letters of credit at the year end | - | 312 339 | - | 359 404 |

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

| <i>In thousands of Russian Roubles</i> | Six months ended 30 June 2006 (Unaudited) | | Six months ended 30 June 2005 (Unaudited) | |
|--|--|-----------------------|--|-----------------------|
| | The CBRF | Other related parties | The CBRF | Other related parties |
| Interest income | 1 273 158 | 1 047 598 | 431 800 | 864 353 |
| Interest expense | (33 130) | (9 709) | (16 111) | (12 635) |
| Other operating income | 6 | 28 243 | 338 | 62 660 |
| Other operating expenses | (115 852) | (38 003) | (103 482) | (52 335) |

For the six-months period ended 30 June 2006, the remuneration of the members of the key management personnel comprised salaries and bonuses totalling RR 572 960 thousand (six-month period ended 30 June 2005: RR 127 822 thousand).

16 Operations 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. Under these circumstances the Management of the Bank disclosed only information that its current internal management accounting system allows 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. This financial information discloses 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 Bank'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 the share capital.

Transactions with government bodies and state-controlled entities are entered into in the normal course of business and priced at market rates. At 30 June 2006 and 31 December 2005, the outstanding balances with state-controlled entities and government bodies were as follows:

| | 30 June 2006 (Unaudited) | | 31 December 2005 | |
|---|---|---|---|---|
| | 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 |
| <i>(In thousands of Russian Roubles)</i> | | | | |
| Cash and cash equivalents | - | 552 798 | - | 3 260 632 |
| Due from other banks | - | 4 935 000 | - | 240 031 |
| Trading securities | 111 372 151 | 2 679 266 | 101 236 063 | 3 378 605 |
| Other securities at fair value through profit or loss | 212 566 902 | 10 512 966 | 210 925 430 | 10 716 318 |
| Total loans and advances to customers (before provision for impairment) | 97 136 640 | 24 760 653 | 84 131 924 | 24 178 213 |
| Provision for loan impairment | (3 474 681) | (742 820) | (1 053 924) | (795 840) |
| Repurchase receivable | - | - | 1 658 705 | - |
| Investment securities held to maturity | 26 810 372 | - | 28 298 916 | - |
| Customer accounts | 86 940 451 | 15 640 553 | 69 536 771 | 121 225 393 |

16 Operations with State-Controlled Entities and Government Bodies (Continued)

Income and expense items with State subsidiaries and government bodies for the reporting period were as follows:

| | Six months ended 30 June 2006 (Unaudited) | | Six months ended 30 June 2005 (Unaudited) | |
|---|---|---|--|---|
| | 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 |
| <i>In thousands of Russian Roubles</i> | | | | |
| Interest income | 17 591 105 | 212 742 | 13 386 596 | 161 894 |
| Interest expense | (806 686) | (263 577) | (642 351) | (209 882) |
| Gains less losses arising from trading securities and other securities at fair value through profit or loss | 4 282 159 | 47 439 | 2 757 717 | 46 737 |
| Gains less losses arising from securities available for sale | - | - | 4 709 | - |
| Fee and commission income | 569 366 | 50 821 | 644 067 | 35 662 |

Transactions with the State also include taxes. Income tax expense amounts to RUR 12 014 972 thousand for the period ended 30 June 2006 (RUR 7 854 638 thousand for the period ended 30 June 2005).

17 Capital Adequacy Ratio

As of 30 June 2006, Capital Adequacy Ratio calculated by the Bank in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to April 1998) (or Basel Capital Accord) requirements was as follows:

| | 30 June 2006 (Unaudited) | 31 December 2005 |
|--|-----------------------------|------------------|
| Core capital adequacy ratio (Tier 1) | 10.4% | 10.3% |
| Total capital adequacy ratio (Tier 1 and Tier 2) | 12.2% | 12.5% |

18 Subsequent events

In August 2006 the Bank increased the nominal value of its ordinary and preference shares sixty times via capitalisation of the statutory revaluation reserve for premises. Consequently, all ordinary shares have nominal value of RR 3 000 per share and the preference shares have a nominal value of RR 60 per share.

On 20 October 2006, the Bank entered into a syndicated loan agreement with a consortium of foreign banks. Under this agreement, Bank received a USD 1.5 billion loan that has a three-year term and bears interest at LIBOR plus 0.3% per annum.