

Sberbank of Russia

Condensed Interim Consolidated Financial Statements
and Review Report

31 March 2011

Condensed Interim Consolidated Financial Statements and Review Report

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Review Report

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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 statement of financial position of Sberbank (the "Bank") and its subsidiaries (together "the Group") as at 31 March 2011 and the related condensed interim consolidated income statement and statement of comprehensive income for the three-month period then ended, condensed interim consolidated statements of changes in equity and of cash flows for the three-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 the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim consolidated financial statements 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

30 May 2011

Condensed Interim Consolidated Statement of Financial Position

<i>In millions of Russian Roubles</i>	Note	31 March 2011 (Unaudited)	31 December 2010
ASSETS			
Cash and cash equivalents		668 438	719 601
Mandatory cash balances with central banks		67 895	51 678
Trading securities	5	53 981	66 168
Securities designated at fair value through profit or loss	6	87 075	106 875
Due from other banks		19 092	13 035
Loans and advances to customers	7	5 661 096	5 489 387
Securities pledged under repurchase agreements	8	65 443	81 493
Investment securities available for sale	9	1 209 891	1 210 921
Investment securities held to maturity	10	395 934	358 191
Deferred income tax asset		7 146	7 518
Premises and equipment		280 759	283 756
Other financial assets	11	62 340	115 436
Other non-financial assets	11	117 221	124 468
TOTAL ASSETS		8 696 311	8 628 527
LIABILITIES			
Due to other banks		107 311	134 668
Due to individuals	12	4 887 641	4 834 459
Due to corporate customers	12	1 759 545	1 816 672
Debt securities in issue		251 835	272 699
Other borrowed funds		163 127	171 255
Deferred income tax liability		17 484	15 921
Other financial liabilities	13	59 234	49 174
Other non-financial liabilities	13	64 320	42 999
Subordinated debt		308 244	303 513
TOTAL LIABILITIES		7 618 741	7 641 360
EQUITY			
Share capital		87 742	87 742
Share premium		232 553	232 553
Revaluation reserve for office premises		53 167	53 648
Fair value reserve for investment securities available for sale		29 741	24 431
Foreign currency translation reserve		(2 926)	(1 136)
Retained earnings		673 102	585 819
Total equity attributable to shareholders of the Bank		1 073 379	983 057
Non-controlling interest		4 191	4 110
TOTAL EQUITY		1 077 570	987 167
TOTAL LIABILITIES AND EQUITY		8 696 311	8 628 527

Approved for issue and signed on behalf of the Management Board on 30 May 2011.



Herman Gref, Chairman of the Management Board and CEO



Andrey Kruzhalov, Chief Accountant

Condensed Interim Consolidated Income Statement

<i>(Unaudited)</i> In millions of Russian Roubles	Note	Three months ended 31 March	
		2011	2010
Interest income	14	197 760	207 829
Interest expense	14	(67 836)	(78 675)
Net interest income		129 924	129 154
Net recovery of provision/(net provision charge) for loan impairment	7	14 193	(54 340)
Net interest income after provision charge for loan impairment		144 117	74 814
Fee and commission income	15	31 858	26 801
Fee and commission expense	15	(2 207)	(1 210)
Net gains arising from trading securities		392	4 169
Net (losses)/gains arising from securities designated at fair value through profit or loss		(1 544)	7 288
Net gains/(losses) arising from investment securities available for sale		3 792	(165)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	16	43	2 115
Net gains arising from operations with precious metals and precious metals derivatives		1 364	781
Net (losses)/gains arising from operations with other derivatives		(1 205)	243
Provision charge for impairment of other assets		(131)	(1 327)
Other operating income		7 501	1 988
Operating income		183 980	115 497
Operating expenses	17	(76 244)	(61 391)
Profit before tax		107 736	54 106
Income tax expense		(20 959)	(10 611)
Profit for the reporting period		86 777	43 495
Attributable to:			
- shareholders of the Bank		86 802	43 441
- non-controlling interest		(25)	54
Earnings per ordinary share for profit attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	18	4.02	2.01

Approved for issue and signed on behalf of the Management Board on 30 May 2011.



Herman Gref, Chairman of the Management Board and CEO



Andrey Kruzhalov, Chief Accountant

Condensed Interim Consolidated Statement of Other Comprehensive Income

(Unaudited)

In millions of Russian Roubles

Three months ended 31 March

	2011	2010
Profit for the reporting period recognised in the income statement	86 777	43 495
Components of other comprehensive income:		
Investment securities available for sale:		
- Net gains on revaluation of investment securities available for sale	10 394	34 246
- Accumulated gains transferred to Income statement upon disposal of securities	(3 792)	165
Net foreign currency translation losses	(1 813)	(820)
Deferred income tax relating to components of other comprehensive income:		
- Investment securities available for sale	(1 292)	(6 876)
Total components of other comprehensive income for the reporting period, net of tax	3 497	26 715
Total comprehensive income for the reporting period	90 274	70 210
Attributable to:		
- shareholders of the Bank	90 322	70 201
- non-controlling interest	(48)	9

Condensed Interim Consolidated Statement of Changes in Equity

<i>In millions of Russian Roubles</i>	Attributable to shareholders of the Bank						Total	Non-controlling interest	Total equity
	Share capital	Share premium	Revaluation reserve for office premises	Fair value reserve for investment securities available for sale	Foreign currency translation reserve	Retained earnings			
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 three months ended 31 March 2010 (Unaudited)									
Amortisation of revaluation reserve for office premises, net of tax	-	-	(498)	-	-	498	-	-	-
Acquisition of a single-asset company	-	-	-	-	-	-	-	2 194	2 194
Total comprehensive income recognised for the three months ended 31 March 2010	-	-	-	27 535	(775)	43 441	70 201	9	70 210
Balance as at 31 March 2010 (Unaudited)	87 742	232 553	55 042	26 937	(1 784)	447 873	848 363	2 977	851 340
Balance as at 1 January 2011	87 742	232 553	53 648	24 431	(1 136)	585 819	983 057	4 110	987 167
Changes in equity for the three months ended 31 March 2011 (Unaudited)									
Amortisation of revaluation reserve for office premises, net of tax	-	-	(481)	-	-	481	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	129	129
Total comprehensive income recognised for the three months ended 31 March 2011	-	-	-	5 310	(1 790)	86 802	90 322	(48)	90 274
Balance as at 31 March 2011 (Unaudited)	87 742	232 553	53 167	29 741	(2 926)	673 102	1 073 379	4 191	1 077 570

Condensed Interim Consolidated Statement of Cash Flows

<i>(Unaudited)</i>	Three months ended 31 March	
<i>In millions of Russian Roubles</i>	2011	2010
Cash flows from operating activities		
Interest received	195 629	208 068
Interest paid	(58 681)	(54 182)
Fees and commissions received	32 409	26 848
Fees and commissions paid	(2 449)	(1 210)
Net gains received/(losses incurred) from trading securities	394	(272)
Net (losses incurred)/gains received from securities designated at fair value through profit or loss	(20)	3 072
Net gains received/(losses incurred) from trading in foreign currencies and from operations with foreign currency derivatives	9 338	(17 173)
Net gains received from operations with other derivatives	469	-
Net gains received from operations with precious metals and precious metals derivatives	1 800	456
Other operating income received	9 109	1 587
Operating expenses paid	(54 041)	(35 940)
Income tax paid	(18 024)	(11 195)
Cash flows from operating activities before changes in operating assets and liabilities	115 933	120 059
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with central banks	(16 786)	(2 430)
Net decrease/(increase) in trading securities	13 111	(13 718)
Net decrease/(increase) in securities designated at fair value through profit or loss	17 611	(3 592)
Net increase in due from other banks	(5 945)	(11 778)
Net (increase)/decrease in loans and advances to customers	(223 313)	56 782
Net decrease in other assets	64 429	37 351
Net (decrease)/increase in due to other banks	(20 424)	16 238
Net increase in due to individuals	72 875	116 305
Net decrease in due to corporate customers	(33 716)	(25 445)
Net (decrease)/increase in debt securities in issue except for loan participation notes issued under the MTN programme	(9 390)	21 961
Net increase in other liabilities	7 138	10 090
Net cash (used in)/from operating activities	(18 477)	321 823
Cash flows from investing activities		
Purchase of investment securities available for sale	(466 015)	(483 297)
Proceeds from disposal and redemption of investment securities available for sale	481 284	6 513
Purchase of investment securities held to maturity	(38 834)	(1 276)
Acquisition of premises and equipment	(5 986)	(7 380)
Proceeds from disposal of premises and equipment including insurance payments	4 513	75
Acquisition of investment property	(410)	-
Dividends received	15	1
Net cash used in investing activities	(25 433)	(485 364)
Cash flows from financing activities		
Redemption of other borrowed funds	(464)	(461)
Repayment of interest on other borrowed funds	(104)	(454)
Redemption of subordinated debt	-	(14 227)
Repayment of interest on subordinated debt	-	(9 767)
Dividends paid	(32)	(3)
Net cash used in financing activities	(600)	(24 912)
Effect of exchange rate changes on cash and cash equivalents	(6 653)	(4 935)
Net decrease in cash and cash equivalents	(51 163)	(193 388)
Cash and cash equivalents at the beginning of the reporting period	719 601	725 521
Cash and cash equivalents as at the end of the reporting period	668 438	532 133

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

1 Introduction

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 “*Interim Financial Reporting*” for the three months ended 31 March 2011 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 condensed interim consolidated financial statements is disclosed in Note 24.

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 March 2011 (31 December 2010: 60.3% of ordinary shares or 57.6% of the issued and outstanding shares).

As at 31 March 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 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 in 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 by 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, 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 31 March 2011 the Group conducts its business in Russia through Sberbank with its network of 17 (31 December 2010: 17) regional head offices, 518 (31 December 2010: 522) branches and 18 759 (31 December 2010: 18 883) sub-branches, and through principal subsidiaries located in Russia such as CJSC Sberbank Leasing and LLC Sberbank Capital. The Group operates outside of Russia through 3 banking subsidiaries, located in Ukraine, Belarus and Kazakhstan, a branch office in India and a representative office in Germany.

The average number of the Group’s employees during the three months ended 31 March 2011 was 254 884 (during the year ended 31 December 2010: 260 805).

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 millions of Russian Roubles (“RR millions”) unless otherwise stated.

At 31 March 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:

	<u>/RUR</u>	<u>/UAH</u>	<u>/BYR</u>	<u>/KZT</u>
RUR/	1	0.280	106.898	5.126
USD/	28.429	7.972	3039.001	145.735
EUR/	40.022	11.222	4278.300	205.166

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

1 Introduction (Continued)

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:

	<u>/RUR</u>	<u>/UAH</u>	<u>/BYR</u>	<u>/KZT</u>
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

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.

In the first quarter 2011 the Russian economy continued its recovery from the financial crisis which promoted demand for loans from both corporate and retail customers. At the same time relatively high liquidity in the banking market in Russia stimulates strong competition for quality borrowers.

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

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 2010.

These condensed interim consolidated financial statements do not contain all the explanatory notes as required for a full set of consolidated financial statements.

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 2010, except for the changes introduced due to implementation of new and/or revised standards and interpretations as of 1 January 2011, noted below:

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.

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of New or Revised Standards and Interpretations, and Reclassifications (Continued)

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 23.

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.

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);
- 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 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.

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of New or Revised Standards and Interpretations, and Reclassifications (Continued)

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 2010. 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. For a more detailed 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 condensed interim consolidated statement of financial position as at 31 December 2010 is as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	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 condensed interim consolidated statement of cash flows for the three months ended 31 March 2010 is as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Net increase in mandatory cash balances with central banks	-	(2 430)	(2 430)
Net increase in other assets	37 807	(456)	37 351
Net increase in mandatory cash balances with the Bank of Russia	(2 886)	2 886	-

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 condensed interim consolidated statement of financial position as at 31 December 2010 is as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	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

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

4 Accounting Policies, Critical Accounting Estimates and Judgements, Adoption of New or Revised Standards and Interpretations, and Reclassifications (Continued)

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 three months ended 31 March 2010 is as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Interest expense			
Debt securities in issue	(2 115)	(691)	(2 806)
Other borrowed funds	(1 159)	628	(531)
Term placements of other banks	(536)	63	(473)

The effect of corresponding reclassifications on the condensed interim consolidated statement of cash flows for the three months ended 31 March 2010 is as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Interest paid	(53 694)	(488)	(54 182)
Repayment of interest on other borrowed funds	(942)	488	(454)

For a more detailed disclosure of net gains on operations with other derivatives in the condensed interim consolidated income statement, the presentation of comparative figures have been adjusted to conform to the presentation of the current period amounts. The effect of reclassifications on the condensed interim consolidated income statement for the three months ended 31 March 2010 is as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Net gains arising from trading securities	4 412	(243)	4 169
Net (losses)/gains arising from operations with other derivatives	-	243	243

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

5 Trading securities

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)	31 December 2010
Federal loan bonds (OFZ bonds)	24 000	32 037
Corporate bonds	12 934	14 931
Municipal and subfederal bonds	10 385	11 484
Russian Federation Eurobonds	2 741	2 935
Foreign government bonds	2 488	1 994
State domestic loan bonds (OVGVZ)	15	16
Total debt trading securities	52 563	63 397
Corporate shares	1 418	2 771
Total trading securities	53 981	66 168

As at 31 March 2011 corporate bonds are mostly represented by debt securities issued by telecommunication, metallurgy, mining, transportation, oil and gas companies and banks. 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.

As at 31 March 2011 corporate shares are mostly represented by oil and gas, energy and mining companies. At 31 December 2010 corporate shares are mostly represented by metallurgy and oil and gas companies.

6 Securities Designated at Fair Value through Profit or Loss

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)	31 December 2010
Federal loan bonds (OFZ bonds)	57 936	76 698
Corporate bonds	4 078	4 648
Municipal and subfederal bonds	1 592	1 625
Total debt securities designated at fair value through profit or loss	63 606	82 971
Corporate shares	23 469	23 904
Total securities designated at fair value through profit or loss	87 075	106 875

As at 31 March 2011 corporate bonds are mostly represented by debt securities issued by oil and gas company and a bank. As at 31 December 2010 corporate bonds are mostly represented by debt securities issued by telecommunication and oil and gas companies and a bank.

As at 31 March 2011 and at 31 December 2010 corporate shares are mostly represented by oil and gas and construction companies.

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

7 Loans and Advances to Customers

The tables below show credit quality of the Group's loan portfolio by loan classes as at 31 March 2011 and 31 December 2010. 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 the borrower under the respective loan agreement including accrued interest and commissions is recognised as past due.

31 March 2011:

(Unaudited)

<i>In millions of Russian Roubles</i>	Not past due loans	Past due loans	Total
Commercial loans to legal entities	2 670 654	189 381	2 860 035
Specialised loans to legal entities	1 852 755	268 900	2 121 655
Consumer and other loans to individuals	620 374	41 216	661 590
Mortgage loans to individuals	589 356	33 229	622 585
Car loans to individuals	69 822	3 751	73 573
Total loans and advances to customers before provision for loan impairment	5 802 961	536 477	6 339 438
Less: Provision for loan impairment	(256 304)	(422 038)	(678 342)
Total loans and advances to customers net of provision for loan impairment	5 546 657	114 439	5 661 096

31 December 2010:

In millions of Russian Roubles

<i>In millions of Russian Roubles</i>	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.

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

7 Loans and Advances to Customers (Continued)

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.

The table below shows the analysis of loans and provisions for loan impairment as at 31 March 2011:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	2 608 830	(101 180)	2 507 650	3.9%
Loans up to 30 days overdue	8 303	(2 317)	5 986	27.9%
Loans 31 to 60 days overdue	5 244	(2 336)	2 908	44.5%
Loans 61 to 90 days overdue	5 951	(3 503)	2 448	58.9%
Loans 91 to 180 days overdue	11 395	(8 002)	3 393	70.2%
Loans over 180 days overdue	124 545	(119 074)	5 471	95.6%
Total collectively assessed loans	2 764 268	(236 412)	2 527 856	8.6%
Individually impaired				
Not past due	61 824	(36 170)	25 654	58.5%
Loans up to 30 days overdue	2 718	(2 372)	346	87.3%
Loans 31 to 60 days overdue	3 120	(2 025)	1 095	64.9%
Loans 61 to 90 days overdue	187	(111)	76	59.4%
Loans 91 to 180 days overdue	5 450	(4 178)	1 272	76.7%
Loans over 180 days overdue	22 468	(21 586)	882	96.1%
Total individually impaired loans	95 767	(66 442)	29 325	69.4%
Total commercial loans to legal entities	2 860 035	(302 854)	2 557 181	10.6%
Specialised loans to legal entities				
Collectively assessed				
Not past due	1 797 989	(71 132)	1 726 857	4.0%
Loans up to 30 days overdue	21 207	(3 869)	17 338	18.2%
Loans 31 to 60 days overdue	3 156	(1 531)	1 625	48.5%
Loans 61 to 90 days overdue	894	(385)	509	43.1%
Loans 91 to 180 days overdue	13 818	(8 697)	5 121	62.9%
Loans over 180 days overdue	56 723	(54 265)	2 458	95.7%
Total collectively assessed loans	1 893 787	(139 879)	1 753 908	7.4%
Individually impaired				
Not past due	54 766	(31 512)	23 254	57.5%
Loans up to 30 days overdue	1 286	(89)	1 197	6.9%
Loans 31 to 60 days overdue	4 776	(4 131)	645	86.5%
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 to 180 days overdue	5 177	(5 113)	64	98.8%
Loans over 180 days overdue	161 863	(126 278)	35 585	78.0%
Total individually impaired loans	227 868	(167 123)	60 745	73.3%
Total specialised loans to legal entities	2 121 655	(307 002)	1 814 653	14.5%
Total loans to legal entities	4 981 690	(609 856)	4 371 834	12.2%

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

7 Loans and Advances to Customers (Continued)

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Consumer and other loans to individuals				
Collectively assessed				
Not past due	620 374	(10 103)	610 271	1.6%
Loans up to 30 days overdue	8 587	(163)	8 424	1.9%
Loans 31 to 60 days overdue	2 711	(172)	2 539	6.3%
Loans 61 to 90 days overdue	2 700	(241)	2 459	8.9%
Loans 91 to 180 days overdue	2 367	(438)	1 929	18.5%
Loans over 180 days overdue	24 851	(24 851)	-	100.0%
Total consumer and other loans to individuals	661 590	(35 968)	625 622	5.4%
Mortgage loans to individuals				
Collectively assessed				
Not past due	589 356	(5 085)	584 271	0.9%
Loans up to 30 days overdue	4 908	(221)	4 687	4.5%
Loans 31 to 60 days overdue	2 350	(286)	2 064	12.2%
Loans 61 to 90 days overdue	1 542	(260)	1 282	16.9%
Loans 91 to 180 days overdue	1 664	(506)	1 158	30.4%
Loans over 180 days overdue	22 765	(22 765)	-	100.0%
Total mortgage loans to individuals	622 585	(29 123)	593 462	4.7%
Car loans to individuals				
Collectively assessed				
Not past due	69 822	(1 122)	68 700	1.6%
Loans up to 30 days overdue	772	(11)	761	1.4%
Loans 31 to 60 days overdue	285	(12)	273	4.2%
Loans 61 to 90 days overdue	164	(13)	151	7.9%
Loans 91 to 180 days overdue	334	(41)	293	12.3%
Loans over 180 days overdue	2 196	(2 196)	-	100.0%
Total car loans to individuals	73 573	(3 395)	70 178	4.6%
Total loans to individuals	1 357 748	(68 486)	1 289 262	5.0%
Total loans and advances to customers as at 31 March 2011	6 339 438	(678 342)	5 661 096	10.7%

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

7 Loans and Advances to Customers (Continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2010:

<i>In millions of Russian Roubles</i>	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%

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

7 Loans and Advances to Customers (Continued)

<i>In millions of Russian Roubles</i>	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%

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

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 31 March 2011 the outstanding non-performing loans were as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	163 858	(152 840)	11 018	93.3%
Specialised loans to legal entities	237 581	(194 353)	43 228	81.8%
Consumer and other loans to individuals	27 218	(25 289)	1 929	92.9%
Mortgage loans to individuals	24 429	(23 271)	1 158	95.3%
Car loans to individuals	2 530	(2 237)	293	88.4%
Total non-performing loans and advances to customers as at 31 March 2011	455 616	(397 990)	57 626	87.4%

As at 31 December 2010 the outstanding non-performing loans were as follows:

<i>In millions of Russian Roubles</i>	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 three months ended 31 March 2011 is presented in the table below:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	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 recovery of provision) / net provision charge for loan impairment during the reporting period	(1 008)	(13 296)	112	31	(32)	(14 193)
Loans and advances written off during the reporting period	(9 067)	(484)	(229)	(187)	(21)	(9 988)
Provision for loan impairment as at 31 March 2011	302 854	307 002	35 968	29 123	3 395	678 342

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

7 Loans and Advances to Customers (Continued)

The analysis of changes in provisions for loan impairment for the three months ended 31 March 2010 is presented in the table below:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	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	47 453	6 045	(206)	1 039	9	54 340
Loans and advances written off during the reporting period	(3 108)	(76)	(235)	(51)	(23)	(3 493)
Provision for loan impairment as at 31 March 2010	265 833	293 028	37 797	29 763	4 240	630 661

Renegotiated loans. Information on loans which terms have been renegotiated, as at 31 March 2011 and 31 December 2010 is presented in the table below. It shows the carrying amount for renegotiated loans by class.

<i>In millions of Russian Roubles</i>	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 March 2011: <i>(Unaudited)</i>						
Not past due collectively assessed loans	392 649	195 180	5 179	890	38	593 936
Other renegotiated loans	80 573	36 011	7 674	6 482	176	130 916
Total renegotiated loans before provision for loan impairment	473 222	231 191	12 853	7 372	214	724 852
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

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

7 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 March 2011 and as at 31 December 2010 is as follows:

<i>in millions of Russian Roubles</i>	31 March 2011 (Unaudited)	31 December 2010
Gross investment in finance lease	100 571	72 717
Unearned future finance income on finance lease	(35 394)	(21 274)
Net investment in finance lease before provision for impairment	65 177	51 443
Less provision for impairment	(1 257)	(1 033)
Net investment in finance lease after provision for impairment	63 920	50 410

The contractual maturity analysis of net investments in finance lease as at 31 March 2011 is as follows:

<i>(Unaudited) in millions of Russian Roubles</i>	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	20 932	(374)	20 558
Later than 1 year but not later than 5 years	34 936	(727)	34 209
Later than 5 years	9 309	(156)	9 153
Total as at 31 March 2011	65 177	(1 257)	63 920

The contractual maturity analysis of net investments in finance lease as at 31 December 2010 is as follows:

<i>In millions of Russian Roubles</i>	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

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

7 Loans and Advances to Customers (Continued)

The analysis of minimal finance lease receivables as at 31 March 2011 and as at 31 December 2010 per contractual maturity is as follows:

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)	31 December 2010
Not later than 1 year	22 751	19 662
Later than 1 year but not later than 5 years	52 870	41 593
Later than 5 years	24 950	11 462
Total	100 571	72 717

Economic sector risk concentration. Economic sector risk concentrations within the customer loan portfolio as at 31 March 2011 and as at 31 December 2010 are as follows:

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)		31 December 2010	
	Amount	%	Amount	%
Individuals	1 357 748	21.4	1 319 732	21.3
Services	1 036 355	16.3	1 001 330	16.2
Trade	1 018 329	16.1	1 008 025	16.3
Food and agriculture	601 763	9.5	585 394	9.5
Construction	414 779	6.5	404 601	6.5
Metallurgy	289 008	4.6	300 806	4.9
Machine building	270 440	4.3	317 588	5.1
Chemical industry	232 840	3.7	216 833	3.5
Energy	208 922	3.3	208 797	3.4
Transport, aviation, space industry	207 253	3.3	147 540	2.4
Telecommunications	196 402	3.1	168 042	2.7
Oil and gas	161 519	2.5	177 495	2.9
Government and municipal bodies	145 811	2.3	153 280	2.5
Timber industry	47 792	0.8	49 609	0.8
Other	150 477	2.3	132 838	2.0
Total loans and advances to customers before provision for loan impairment	6 339 438	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 March 2011 the Group had 20 largest corporate borrowers with aggregated loan amounts due from each of these borrowers exceeding RR 28 000 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 1 400 756 million or 22.1% of the total gross loan portfolio of the Group (31 December 2010: RR 1 401 637 million or 22.6%).

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

8 Securities Pledged under Repurchase Agreements

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)	31 December 2010
Trading securities pledged under repurchase agreements		
Russian Federation Eurobonds	9 488	12 150
Securities designated at fair value through profit or loss pledged under repurchase agreements		
Corporate shares	1 182	-
Investment securities available for sale pledged under repurchase agreements		
Russian Federation Eurobonds	28 843	47 027
Corporate bonds	13 712	13 484
Corporate shares	12 088	8 276
Foreign government bonds	130	556
Total securities pledged under repurchase agreements	65 443	81 493

As at 31 March 2011 included in Due to corporate customers are deposits in the amount of RR 11 661 million (31 December 2010: RR 5 968 million) received under sale and repurchase agreements with legal entities. Refer to Note 12. Deposits in the amount of RR 43 121 million (31 December 2010: RR 61 803 million) received under sale and repurchase agreements with other banks are included in Due to other banks.

As at 31 March 2011 corporate bonds pledged under repurchase agreements are mostly represented by debt securities issued by banks, oil and gas and telecommunication companies. 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.

As at 31 March 2011 corporate shares pledged under repurchase agreements are mostly represented by oil and gas and telecommunication companies. As at 31 December 2010 corporate shares are mostly represented by oil and gas companies.

9 Investment Securities Available for Sale

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)	31 December 2010
Federal loan bonds (OFZ bonds)	400 667	348 353
Bonds of the Bank of Russia	345 557	433 585
Corporate bonds	291 248	275 563
Municipal and subfederal bonds	50 246	50 219
Foreign government bonds	22 446	17 899
Russian Federation Eurobonds	18 517	4 950
Total debt investment securities available for sale	1 128 681	1 130 569
Corporate shares	81 210	80 352
Total investment securities available for sale	1 209 891	1 210 921

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

9 Investment Securities Available for Sale (Continued)

As at 31 March 2011 corporate bonds are mostly represented by debt securities issued by banks, oil and gas, metallurgy, telecommunication, transportation and energy companies. 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.

As at 31 March 2011 corporate shares are mostly represented by oil and gas, telecommunication, finance and energy companies. As at 31 December 2010 corporate shares are mostly represented by oil and gas, energy, telecommunication, transport, finance and metallurgy companies.

10 Investment Securities Held to Maturity

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)	31 December 2010
Federal loan bonds (OFZ bonds)	224 698	227 328
Municipal and subfederal bonds	85 940	86 052
Corporate bonds	85 084	44 512
Foreign government bonds	212	299
Total investment securities held to maturity	395 934	358 191

As at 31 March 2011 corporate bonds are mostly represented by debt securities issued by machine building, energy, telecommunication and oil and gas companies. As at 31 December 2010 corporate bonds are mostly represented by debt securities issued by energy and telecommunication companies.

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

11 Other Assets

	31 March 2011 (Unaudited)	31 December 2010
<i>In millions of Russian Roubles</i>		
Other financial assets		
Receivables on plastic cards settlements	29 346	91 219
Trade receivables	11 497	5 259
Derivative financial instruments	9 922	9 257
Settlements on currency conversion operations	5 772	6 196
Accrued fees and commissions	2 348	2 758
Funds in settlement	271	118
Other financial assets	5 363	2 791
Provision for impairment of other financial assets	(2 179)	(2 162)
Total other financial assets	62 340	115 436
Other non-financial assets		
Inventory of non-banking subsidiaries	24 956	11 589
Precious metals	22 489	34 767
Prepayments for premises and other assets	19 751	39 258
Goodwill	8 538	8 251
Tax settlements (other than on income)	7 630	4 230
Investment property	6 590	5 414
Investments in associates	4 729	2 479
Intangible assets acquired through business combinations	3 933	4 170
Non-exclusive licences	3 621	4 091
Prepaid expenses	3 095	2 840
Prepayment on income tax	1 619	929
Non-current assets held for sale	562	402
Other non-financial assets	12 376	8 658
Provision for impairment of other non-financial assets	(2 668)	(2 610)
Total other non-financial assets	117 221	124 468
Total other assets	179 561	239 904

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

12 Due to Individuals and Corporate Customers

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)	31 December 2010
Individuals:		
- Current/demand accounts	714 528	785 750
- Term deposits	4 173 113	4 048 709
Total due to individuals	4 887 641	4 834 459
State and public organisations:		
- Current/settlement accounts	127 111	116 827
- Term deposits	61 903	40 475
Total due to state and public organisations	189 014	157 302
Other corporate customers:		
- Current/settlement accounts	1 078 315	1 082 754
- Term deposits	492 216	576 616
Total due to other corporate customers	1 570 531	1 659 370
Total due to corporate customers	1 759 545	1 816 672
Total due to individuals and corporate customers	6 647 186	6 651 131

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)		31 December 2010	
	Amount	%	Amount	%
Individuals	4 887 641	73.5	4 834 459	72.7
Oil and gas	278 066	4.2	266 889	4.0
Services	272 845	4.1	254 117	3.8
Trade	224 601	3.4	260 559	3.9
Energy	139 543	2.1	104 246	1.6
Construction	130 906	2.0	166 905	2.5
Machine building	91 516	1.4	110 165	1.7
Food and agriculture	77 640	1.2	79 381	1.2
Municipal bodies and state organisations	71 790	1.1	82 717	1.2
Metallurgy	70 947	1.1	87 854	1.3
Chemical	43 688	0.7	44 269	0.7
Other	358 003	5.2	359 570	5.4
Total due to individuals and corporate customers	6 647 186	100.0	6 651 131	100.0

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

12 Due to Individuals and Corporate Customers (Continued)

As at 31 March 2011 included in term deposits of corporate customers are deposits in the amount of RR 11 661 million (31 December 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 12 879 million and was included in securities pledged under repurchase agreements (31 December 2010: RR 6 943 million). Refer to Note 8.

As at 31 March 2011 included in Due to corporate customers are deposits of RR 78 836 million (31 December 2010: RR 78 749 million) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 21.

As at 31 March 2011 the Group had 20 largest customers with balances above RR 9 500 million (31 December 2010: 20 customers with balances above RR 7 450 million). The aggregate balance of these customers was RR 573 773 million (31 December 2010: RR 561 760 million) or 8.6% (31 December 2010: 8.4%) of total due to individuals and corporate customers.

13 Other Liabilities

	31 March 2011 (Unaudited)	31 December 2010
<i>In millions of Russian Roubles</i>		
Other financial liabilities		
Plastic card payables	28 501	25 425
Trade payables	8 019	9 318
Funds in settlement	7 059	5 071
Derivative financial instruments	3 530	1 553
Deposit insurance system fees payable	3 269	4 476
Deferred commissions received on guarantees issued	1 366	1 222
Other	7 490	2 109
Total other financial liabilities	59 234	49 174
Other non-financial liabilities		
Accrued employee benefit costs	27 539	15 709
Taxes payable other than on income	11 057	8 573
Income tax payable	10 941	7 761
Advances received	7 522	5 648
Deferred gains on initial recognition of financial instruments	4 997	4 108
Other	2 264	1 200
Total other non-financial liabilities	64 320	42 999
Total other liabilities	123 554	92 173

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

14 Interest Income and Expense

(Unaudited)

In millions of Russian Roubles

	Three months ended 31 March	
	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	169 491	180 731
- Debt investment securities available for sale	18 066	19 994
- Debt investment securities held to maturity	5 997	48
- Due from other banks	2 021	2 495
- Correspondent accounts with other banks	34	40
	195 609	203 308
Interest income on financial assets carried at fair value through profit or loss:		
- Debt trading securities	1 113	2 723
- Debt securities designated at fair value through profit or loss	1 038	1 798
	2 151	4 521
Total interest income	197 760	207 829
Interest expense		
Term deposits of individuals	(48 990)	(53 468)
Term deposits of legal entities	(5 096)	(8 670)
Subordinated debt	(4 749)	(9 774)
Debt securities in issue	(3 235)	(2 806)
Current/settlement accounts of legal entities	(2 847)	(2 358)
Current/demand accounts of individuals	(1 368)	(494)
Term placements of other banks	(1 172)	(473)
Other borrowed funds	(289)	(531)
Correspondent accounts of other banks	(90)	(101)
Total interest expense	(67 836)	(78 675)
Net interest income	129 924	129 154

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

15 Fee and Commission Income and Expense

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Three months ended 31 March	
	2011	2010
Fee and commission income		
Cash and settlements transactions with individuals	9 944	8 634
Cash and settlements transactions with legal entities	8 871	8 566
Plastic cards operations	6 383	4 759
Agent commissions on selling insurance contracts	2 806	1 238
Operations with foreign currencies	1 429	1 231
Cash collection	979	920
Guarantees issued	708	762
Transactions with securities	263	321
Other	475	370
Total fee and commission income	31 858	26 801
Fee and commission expense		
Settlement transactions	(1 416)	(1 016)
Operations with foreign currencies	(89)	(17)
Cash collection	(48)	(35)
Other	(654)	(142)
Total fee and commission expense	(2 207)	(1 210)
Net fee and commission income	29 651	25 591

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

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Three months ended 31 March	
	2011	2010
Net gains arising from trading in foreign currencies	1 727	335
Net foreign exchange translation (losses)/ gains	(10 041)	9 316
Net gains/ (losses) from operations with foreign currency derivatives	8 357	(7 536)
Total net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	43	2 115

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.

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

17 Operating Expenses

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Three months ended 31 March	
	2011	2010
Staff costs	47 463	38 870
Depreciation of premises and equipment	9 483	7 304
State deposit insurance system membership fee	4 777	3 713
Repairs and maintenance of premises and equipment	3 878	3 270
Administrative expenses	3 449	2 651
Operating lease expenses for premises and equipment	2 104	1 519
Taxes other than on income	1 804	1 395
Telecommunication expenses	1 300	1 077
Advertising and marketing services	477	467
Consulting and assurance services	174	143
Other	1 335	982
Total operating expenses	76 244	61 391

18 Earnings per Share

Basic earnings per share are 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 equal the basic earnings per share.

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Three months ended 31 March	
	2011	2010
Profit for the reporting period attributable to the ordinary shareholders of the Bank	86 802	43 441
Weighted average number of ordinary shares in issue (millions)	21 587	21 587
Earnings per ordinary share, basic and diluted (expressed in RR per share)	4.02	2.01

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

19 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.

- **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 Ukraine,
- Subsidiaries located in Kazakhstan,
- Subsidiaries located in Belarus,
- A branch office in India.

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

19 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 March 2011 is as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	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	4 315 382	1 452 294	1 175 079	1 560 715	201 779	8 705 249
TOTAL LIABILITIES	2 907 444	1 743 356	1 251 261	1 543 746	144 707	7 590 514

Segment reporting of the Group's assets and liabilities as at 31 December 2010 is as follows:

<i>In millions of Russian Roubles</i>	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

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

19 Segment Analysis (Continued)

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 March 2011 and 31 December 2010 is as follows:

	Total assets		Total liabilities	
	31 March 2011 (Unaudited)	31 December 2010	31 March 2011 (Unaudited)	31 December 2010
<i>In millions of Russian Roubles</i>				
Total amount per segment information	8 705 249	8 661 265	7 590 514	7 627 791
Adjustment of provisions	76 396	55 642	(20 978)	(19 765)
Additional interest accrued on loans	1 796	1 889	(18)	(924)
Deferred commission income on loans	(25 780)	(28 753)	595	388
Deferred commission income on guarantees	-	-	1 337	1 135
Accounting for derivatives at fair value	6 234	4 749	3 189	3 867
Adjustment of depreciation and cost or revalued amount of premises and equipment including effect of deferred tax	(70 570)	(68 145)	(486)	(952)
Staff expenses accrued for the reporting period (bonuses, annual leave, pension liabilities)	203	184	22 132	14 831
Adjustment of income tax	-	-	20 547	7 018
Other adjustments	2 783	1 696	1 909	7 971
The Group's total amount under IFRS	8 696 311	8 628 527	7 618 741	7 641 360

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

19 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the three months ended 31 March 2011 is as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	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	75 118	37 965	32 665	42 817	5 083	193 648
Interest expense	(26 857)	(15 573)	(10 732)	(12 736)	(1 938)	(67 836)
Inter-segment (expense) / income	(11 298)	6 807	2 307	2 184	-	-
Fee and commission income	4 740	8 452	6 426	9 219	1 133	29 970
Fee and commission expense	(464)	(439)	(388)	(690)	(225)	(2 206)
Net gains/ (losses) arising from securities	2 823	-	-	-	(20)	2 803
Net (losses)/ gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains/ (losses)	(418)	766	470	807	15	1 640
Net losses arising from operations with other derivatives	(884)	-	-	-	-	(884)
Net gains / (losses) arising from operations with precious metals	751	153	130	194	(99)	1 129
Other net operating gains / (losses)	3 109	(207)	(7)	312	(320)	2 887
Operating income before provision charge for loan impairment	46 620	37 924	30 871	42 107	3 629	161 151
Net recovery of provision / (net provision charge) for loan impairment	2 252	(2 245)	(3 768)	2 054	446	(1 261)
Operating income	48 872	35 679	27 103	44 161	4 075	159 890
Operating expenses	(19 161)	(13 688)	(11 986)	(16 359)	(2 406)	(63 600)
Profit before tax (Segment result)	29 711	21 991	15 117	27 802	1 669	96 290
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	1 009	1 231	1 119	1 526	293	5 178
Depreciation of premises and equipment	(1 208)	(1 570)	(1 439)	(1 939)	(227)	(6 383)

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

19 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the three months ended 31 March 2010 is as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	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	75 736	38 298	32 736	45 969	3 650	196 389
Interest expense	(31 722)	(17 655)	(12 613)	(15 191)	(1 551)	(78 732)
Inter-segment income / (expense)	(8 588)	7 219	1 698	(329)	-	-
Fee and commission income	7 508	9 515	7 533	10 473	749	35 778
Fee and commission expense	(917)	(36)	(76)	(72)	(109)	(1 210)
Net gains/ (losses) arising from securities	4 323	-	-	-	(38)	4 285
Net (losses)/ gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	(10 205)	404	287	288	485	(8 741)
Net gains arising from operations with precious metals	95	109	100	143	-	447
Other net operating gains / (losses)	3 624	(129)	(610)	(324)	(157)	2 404
Operating income before provision charge for loan impairment	39 854	37 725	29 055	40 957	3 029	150 620
Net provision charge for loan impairment	(20 558)	(15 686)	(9 487)	(9 520)	(584)	(55 835)
Operating income	19 296	22 039	19 568	31 437	2 445	94 785
Operating expenses	(13 623)	(10 951)	(9 674)	(13 474)	(1 373)	(49 095)
Profit before tax (Segment result)	5 673	11 088	9 894	17 963	1 072	45 690
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	1 134	1 420	1 333	1 741	708	6 336
Depreciation of premises and equipment	(874)	(1 255)	(1 185)	(1 777)	(523)	(5 614)

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

19 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 three months ended 31 March 2011 and 31 March 2010 is as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	Three months ended 31 March	
	2011	2010
Total amount per segment information	96 290	45 690
Adjustment of provisions	20 165	31
Staff expenses accrued related to the reporting period (bonuses, annual leave, pension liabilities)	(8 346)	(11 185)
Differences arising on securities' classification	947	7 603
Accounting for derivatives at fair value	(686)	11 524
Additional interest accrued on loans	2 887	2 878
Adjustment of depreciation and cost of premises and equipment	(2 427)	(1 343)
Other adjustments	(1 094)	(1 092)
The Group's total amount under IFRS	107 736	54 106

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 three months ended 31 March 2011 the Group's revenues from customers in the Russian Federation amounted to RR 232 534 million (for the three months ended 31 March 2010: RR 245 537 million). Revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 7 363 million (for the three months ended 31 March 2010: RR 5 512 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 three months ended 31 March 2011 and the three months ended 31 March 2010.

20 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 2010.

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).

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

20 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 and precious metals derivatives as at 31 March 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.

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Russian Roubles	USD	Euro	Other	Total
Assets					
Cash and cash equivalents	527 346	27 440	35 549	78 103	668 438
Mandatory cash balances with central banks	67 209	129	95	462	67 895
Debt trading securities	43 445	7 126	1 629	363	52 563
Debt securities designated at fair value through profit or loss	59 528	-	4 078	-	63 606
Due from other banks	5 623	8 638	2 323	2 508	19 092
Loans and advances to customers	4 506 406	932 494	128 775	93 421	5 661 096
Debt securities pledged under repurchase agreements	-	51 876	167	130	52 173
Debt investment securities available for sale	1 000 517	69 518	39 228	19 418	1 128 681
Debt investment securities held to maturity	389 111	6 199	299	325	395 934
Other financial assets (less fair value of derivatives)	45 534	5 513	1 068	303	52 418
Total monetary assets	6 644 719	1 108 933	213 211	195 033	8 161 896
Liabilities					
Due to other banks	39 402	64 842	1 521	1 546	107 311
Due to individuals	4 250 347	283 254	264 143	89 897	4 887 641
Due to corporate customers	1 193 424	418 134	88 551	59 436	1 759 545
Debt securities in issue	97 257	133 163	1 448	19 967	251 835
Other borrowed funds	810	153 485	7 721	1 111	163 127
Other financial liabilities (less fair value of derivatives)	53 272	1 308	296	828	55 704
Subordinated debt	308 044	200	-	-	308 244
Total monetary liabilities	5 942 556	1 054 386	363 680	172 785	7 533 407
Net monetary assets/(liabilities)	702 163	54 547	(150 469)	22 248	628 489
Foreign exchange derivatives	(54 358)	(60 727)	139 029	(22 290)	1 654
Credit related commitments (Note 21)	719 730	475 112	110 276	33 088	1 338 206

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

20 Financial Risk Management (Continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of monetary assets, liabilities and foreign exchange derivatives as at 31 December 2010.

<i>In millions of Russian Roubles</i>	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 21)	621 754	561 599	107 667	35 122	1 326 142

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

20 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 31 March 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 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.

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

20 Financial Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 31 March 2011 is set out below.

<i>(Unaudited)</i> In millions of Russian Roubles	Demand and less than	From 1 to	From 6 to	From 1 to	More than	No stated	Total
	1 month	6 months	12 months	3 years	3 years	maturity	
Assets							
Cash and cash equivalents	668 438	-	-	-	-	-	668 438
Mandatory cash balances with central banks	13 532	9 500	7 922	32 354	4 587	-	67 895
Trading securities	53 981	-	-	-	-	-	53 981
Securities designated at fair value through profit or loss	87 075	-	-	-	-	-	87 075
Due from other banks	1 339	14 675	2 378	240	460	-	19 092
Loans and advances to customers	246 677	739 339	980 870	1 975 137	1 719 073	-	5 661 096
Securities pledged under repurchase agreements	65 443	-	-	-	-	-	65 443
Investment securities available for sale	1 191 257	1 157	233	3 980	3 519	9 745	1 209 891
Investment securities held to maturity	-	13 274	13 831	169 514	199 315	-	395 934
Deferred income tax asset	-	-	-	-	-	7 146	7 146
Premises and equipment	-	-	-	-	-	280 759	280 759
Other assets	68 612	11 673	6 476	18 279	8 902	65 619	179 561
Total assets	2 396 354	789 618	1 011 710	2 199 504	1 935 856	363 269	8 696 311
Liabilities							
Due to other banks	64 613	31 427	11 271	-	-	-	107 311
Due to individuals	974 106	683 909	570 318	2 329 095	330 213	-	4 887 641
Due to corporate customers	756 921	78 855	48 843	868 007	6 919	-	1 759 545
Debt securities in issue	43 900	30 419	50 023	33 908	93 585	-	251 835
Other borrowed funds	389	27 370	63 862	61 552	9 954	-	163 127
Deferred income tax liability	-	-	-	-	-	17 484	17 484
Other liabilities	54 625	48 378	7 313	6 322	310	6 606	123 554
Subordinated debt	1	-	-	-	308 243	-	308 244
Total liabilities	1 894 555	900 358	751 630	3 298 884	749 224	24 090	7 618 741
Net liquidity surplus/(gap)	501 799	(110 740)	260 080	(1 099 380)	1 186 632	339 179	1 077 570
Cumulative liquidity surplus/(gap) at 31 March 2011	501 799	391 059	651 139	(448 241)	738 391	1 077 570	-

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

20 Financial Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 31 December 2010 is set out below.

<i>In millions of Russian Roubles</i>	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	-

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

21 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:

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)	31 December 2010
Commitments to extend credit	558 331	488 029
Export letters of credit	273 125	353 366
Guarantees issued	203 581	159 158
Undrawn credit lines	169 432	182 220
Import letters of credit and letters of credit for domestic settlements	133 737	143 369
Total credit related commitments	1 338 206	1 326 142

At 31 March 2011 included in Due to corporate customers are deposits of RR 78 836 million (31 December 2010: RR 78 749 million) 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.

22 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 23 for significant transactions with state-controlled entities and government bodies.

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

22 Related Party Transactions (Continued)

As at 31 March 2011 and 31 December 2010, the outstanding balances with the Bank of Russia and other related parties were as follows:

<i>In millions of Russian Roubles</i>	Note	31 March 2011 (Unaudited)		31 December 2010	
		the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Assets					
Cash and cash equivalents		262 425	-	212 451	-
Mandatory cash balances with the Bank of Russia		67 208	-	50 532	-
Bonds of the Bank of Russia	9	345 557	-	433 585	-
Gross amount of loans and advances to customers		-	225	-	528
Impairment provision for loans and advances to customers		-	(3)	-	(7)
Other assets		146	-	-	-
Liabilities					
Due to corporate customers		-	343	-	1 163
Subordinated debt		308 045	-	303 299	-

The income and expense items with the Bank of Russia and other related parties for the three months ended 31 March 2011 and 31 March 2010 were as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Three months ended 31 March			
	2011		2010	
	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Interest income	5 222	9	7 201	-
Interest expense on subordinated debt	(4 808)	-	(9 532)	-
Interest expense other than on subordinated debt	-	(3)	(343)	-
Net recovery of provision for loan impairment	-	4	-	-
Net gains/ (losses) arising from investment securities available for sale	12	-	(324)	-
Other operating income	-	2	-	-
Operating expenses	(271)	(5)	(150)	-

For the three months ended 31 March 2011, remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 115 million (for the three months ended 31 March 2010: RR 77 million).

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

23 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 March 2011 are disclosed below:

Client	Sector	Loans and advances to customers	Due to corporate customers	Guarantees issued
Client 1	Oil and gas	36 572	19 408	-
Client 2	Oil and gas	-	36 692	-
Client 3	Energy	46 957	15 155	-
Client 4	Energy	-	22 202	-
Client 5	Energy	-	16 876	-
Client 6	Energy	-	12 062	-
Client 7	Telecommunications	79 152	-	-
Client 8	Machine building	28 086	-	7 959
Client 9	Machine building	-	8 448	16 291
Client 10	Transport, aviation, space industry	-	-	14 633
Client 11	Food and agriculture	-	-	9 872
Client 12	Government and municipal bodies	-	36 900	-
Client 13	Government and municipal bodies	-	9 500	-
Client 14	Government and municipal bodies	-	-	13 569

Balances with government-related entities which are significant in terms of the carrying amount as at 31 December 2010 are disclosed below:

Client	Sector	Loans and advances to customers	Due to corporate customers	Guarantees issued
Client 1	Oil and gas	40 046	-	-
Client 2	Oil and gas	-	46 273	-
Client 3	Energy	46 999	11 937	-
Client 5	Energy	-	27 199	-
Client 7	Telecommunications	48 230	-	-
Client 8	Machine building	54 669	10 750	8 425
Client 9	Machine building	-	-	11 902
Client 10	Transport, aviation, space industry	-	-	15 489
Client 11	Food and agriculture	-	-	9 872
Client 12	Government and municipal bodies	-	24 200	-
Client 13	Government and municipal bodies	-	10 000	-
Client 14	Government and municipal bodies	-	-	14 840
Client 15	Oil and gas	-	23 952	-
Client 16	Services	-	10 348	-

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

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

As at 31 March 2011 and 31 December 2010 the Group's investments in securities issued by government-related corporate entities were as follows:

	31 March 2011		31 December 2010	
	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares
Trading securities	2 846	1 096	5 280	1 093
Securities designated at fair value through profit or loss	2 045	3 263	2 123	2 748
Securities pledged under repurchase agreements	926	5 500	300	50
Investment securities available for sale	135 072	24 887	127 779	22 950
Investment securities held to maturity	42 100	-	18 070	-

For disclosures on investments in government debt securities please refer to Notes 5, 6, 8, 9 and 10.

24 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 31 March 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
CJSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	finance	100.00%	Russia
LLC Sberbank Investments	finance	100.00%	Russia
Sberbank Asset Management Company	asset management	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

During the three months ended 31 March 2011 under the settlement of the loan to its borrowers the Group repossessed a 76% share in CJSC Galaktika and a 100% share in LLC Hotel Rostov. The Group plans to develop and dispose of the subsidiaries in the foreseeable future.

The details of the fair value of net assets of CJSC Galaktika and LLC Hotel Rostov are as follows:

<i>In millions of Russian Roubles</i>	Fair value
Fair value of net assets of subsidiaries	1 420
Total purchase consideration	1 034
Non-controlling interest's proportionate share of net assets acquired	125
Total purchase consideration and non-controlling interest	1 159
(Gain from bargain purchase)	(261)

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

24 Principal Subsidiaries (Continued)

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 31 March 2011 was 4.6% (31 December 2010: 4.2%).

25 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 31 March 2011 the regulatory capital adequacy ratio was 18.4% (31 December 2010: 17.7%). 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 31 March 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:

<i>In millions of Russian Roubles</i>	31 March 2011 (Unaudited)	31 December 2010
Tier 1 capital		
Share capital	87 742	87 742
Share premium	232 553	232 553
Retained earnings	673 102	585 819
Less goodwill	(8 538)	(8 251)
Total Tier 1 capital	984 859	897 863
Tier 2 capital		
Revaluation reserve for premises	53 167	53 648
Fair value reserve for investment securities available for sale	16 358	13 437
Foreign currency translation reserve	(2 926)	(1 136)
Subordinated capital	308 244	303 513
Less investments in associates	(4 729)	(2 479)
Total Tier 2 capital	370 114	366 983
Total capital	1 354 973	1 264 846
Risk weighted assets (RWA)		
Credit risk	7 460 773	7 327 090
Market risk	139 633	199 883
Total risk weighted assets (RWA)	7 600 406	7 526 973
Core capital adequacy ratio (Total Tier 1 capital to Total RWA)	13.0	11.9
Total capital adequacy ratio (Total capital to Total RWA)	17.8	16.8

Selected Notes to the Condensed Interim Consolidated Financial Statements – 31 March 2011

26 Subsequent Events

Beginning from March 2011 and continued in the second quarter of 2011 there has been deterioration in macroeconomic conditions in Belarus accompanied by considerable devaluation of local currency, high inflation rates and large negative trade balance. Extended withdrawals of funds from bank accounts which take place provoke potential liquidity shortage in the banking system. The management of the Group monitors the situation on a permanent basis. Further deterioration of economic conditions in Belarus could lead to impairment of a number of the Group's assets. As at the date of these condensed interim consolidated financial statements the Management of the Group is unable to estimate the potential economic effect reliably.

In May 2011 the Group entered into a legal agreement to purchase 100% of shares of the holding company of Troyka Dialog, a group specializing in investment banking and asset management in Russia. 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. As at 30 September 2010 total assets of Troyka Dialog under US GAAP comprised USD 5 757 million, equity comprised USD 926 million. Despite some differences between IFRS and US GAAP, the Management of the Group believes that these numbers give fair understanding of Troyka Dialog's size of business.

In May 2011 the Group disposed of shares in one of none-core investments for USD 238 million with settlement in 60 days. The Group expects loss on operation of RR 139 million.