Annual Report 2012

Contents

FINANCIAL REVIEW

Address

Dear shareholders,

The year 2012 was far from simple in the world's financial markets, making the achievements of Sberbank of Russia all the more impressive.

Sergey Ignatiev

Chairman of the Supervisory Board of Sberbank of Russia

The secondary public offering was a great achievement, as both the largest privatization deal in Russia and one of the largest public offerings in 2012 globally. Demand exceeded supply by several times, and shares were acquired by investors from all over the world looking for long-term investment.

2012 also saw several major milestones in the transformation of Sberbank of Russia into a major international corporation. Sberbank closed deals to acquire Volksbank International and DenizBank. Another significant milestone is the integration of Sberbank and Troika Dialog, as part of which Sberbank CIB (Corporate & Investment Banking) was created.

These, other successes and Sberbank's financial results justifiably enabled it to gain international recognition. The Banker magazine named Sberbank as the Bank of the Year in Russia. I am sure Sberbank will continue its successful development both in the Russian and international markets in 2013.

Sergey Ignatiev

Opening Statement

Dear shareholders, customers and partners,

The year 2012 is noted as the year of challenges for the financial sector — both in Russia and abroad, — which made Sberbank's 2012 achievements and financial results far more notable and distinguished.

Herman Gref
CEO
and Chairman
of the Executive Board

Last year was a record year of generating earnings for Sberbank — net profit under IFRS reached 347.9 bln RUB. Sberbank achieved outstanding ROAE of 24.2% and ROAA of 2.7% despite turbulent market conditions. Remarkably Sberbank maintains its number one position delivering the highest ROAE and ROAA among the top 20 largest world banks by market capitalization second year in a row. Furthermore, we are the ninth by net profit and number ten by cost/income ratio. These results are achieved at the important stage of intensive investments into the Bank's modernization that we believe would lead to a significant transformation of the Bank.

Sberbank's SPO was clearly one of the key events of the past year. It was the largest privatization deal in Russia, the largest secondary placement in EMEA in 2011–2012, and one of the largest public offerings in 2012 globally. The global demand was represented by more than 300 institutional investors with orderbook oversubscribed several times. The transaction was executed in highly concentrated timeframe. As a result, the Central Bank of Russia raised US$ 5.208 billion from the deal.

We are grateful to our investors for their trust and loyalty! We will continue to transform the Bank into a modern technologically sophisticated institution that would create value for our shareholders.

Last year can be described as the year of the strategic play on the international arena: in February we finalized the acquisition of Volksbank International, and in September — of DenizBank in Turkey, which was the largest acquisition in the history of Sberbank. Sberbank Group's presence nowadays expands into 20 countries, we have over 1300 branches abroad; the share of the Group's foreign assets reached 11.4% at the end of 2012.

Another accomplishment that I would like to mention is the diversification of our product lines, both for our corporate and retail clients. In January we completed the acquisition of Troika Dialog, now well-known as Sberbank Corporate & Investment Banking (CIB). This allows us to complete the full spectrum of our product offering for corporate clients. In retail banking we reached new levels of remote channel services for retail clients, which gives us a triple benefit effect: convenience for clients, reduction in customer servicing costs and freeing up of front-office managers' time for a more valuable time allocation. We also entered the Point of Sale consumer lending market in Russia under the Cetelem brand.

Our major achievements of 2012 include further transformation of risk management systems, reformatting of the branch network, technological modernization and changes in our organizational structure.

We believe that our current achievements are just the beginning in our drive to transform the Bank, and we are currently developing our next five and ten-year Strategy. Key priorities would be client services, increase in efficiency of operations, innovation management, and adoption of world-class technologies.

Herman Gref

Bank Profile

Full name: *Sberbank of Russia.*
Abbreviated name: *Sberbank.*
The principal shareholder: *Central bank of the Russian Federation (Bank of Russia).*
Head office: *19 Vavilova St., Moscow, Russia, 117997.*

OUR MISSION

We instill confidence and a sense of reliability, we make people's lives better, helping to fulfill their dreams and aspirations.

We are building one of the best financial services companies in the world, and our success will be based on the professionalism as well as the feeling of harmony and happiness of our staff.

OUR VALUES

- Openness and goodwill.
- A drive for perfection.
- Respect for traditions.
- Integrity.
- Prudence and professionalism.
- Trust and a sense of responsibility.
- Initiative and creativity.
- Teamwork and effectiveness.
- A healthy lifestyle (mind, body and soul).

Sberbank's position in the financial market

During 2012, Sberbank entered new financial markets through the completion of acquisitions in Europe and Turkey and enhanced its positions in most sectors of the Russian and other CIS markets.

Sberbank's market share across different Russian financial segments is shown below. For more information, see the *Management Report* section.

%	January 1, 2013	January 1, 2012
Assets	28.9	26.8
Equity	27.4	29.1
Corporate lending	33.6	32.9
Retail lending	32.7	32.0
Corporate accounts	17.2	14.5
Retail deposits	45.7	46.6

Source: Central Bank, Sberbank

MANAGEMENT REPORT

Due to the number of acquisitions completed in 2012, some of the key financial metrics for the consolidated group are not directly comparable to the 2011 figures. For this reason, the data in this section of the Annual Report refers to OJSC Sberbank of Russia on a standalone basis via both Russian Accounting Standards and management accounting data, if not specifically noted otherwise. Key financial results and figures relating to the Group's major subsidiaries are disclosed and discussed in the section Financial Results of Key Subsidiaries.

Management responsibility statement

I confirm that to the best of my knowledge:

(a) the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Sberbank and the undertakings included in the consolidation taken as a whole; and

(b) the management report includes a fair review of the development and performance of the business and the position of Sberbank and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Management Board,

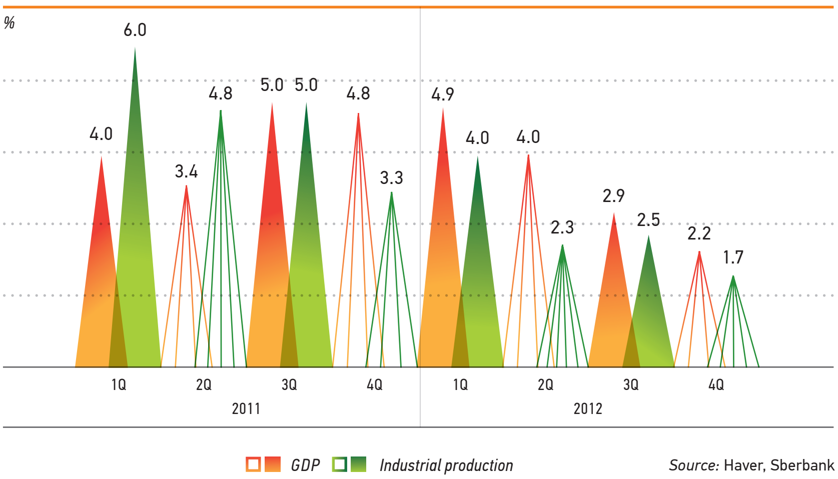
Herman Gref
CEO and Chairman of the Management Board

Macro Developments and Banking System Trends in Russia

A gradual deceleration in the Russian economy

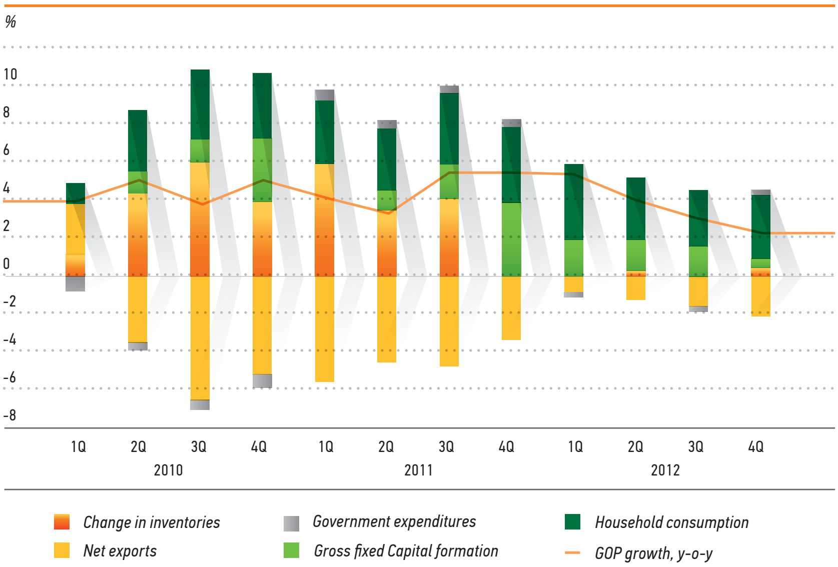
The Russian economy saw a significant slowdown in 2012, quarterly growth rates decelerating from 4.9% in 1Q12 to 2.2% in 4Q12. This trend was driven by a combination of both internal and external factors, with turbulent global markets and declining domestic investment activity among the key factors.

GDP AND INDUSTRIAL PRODUCTION GROWTH IN 2011–2012



Source: Haver, Sberbank

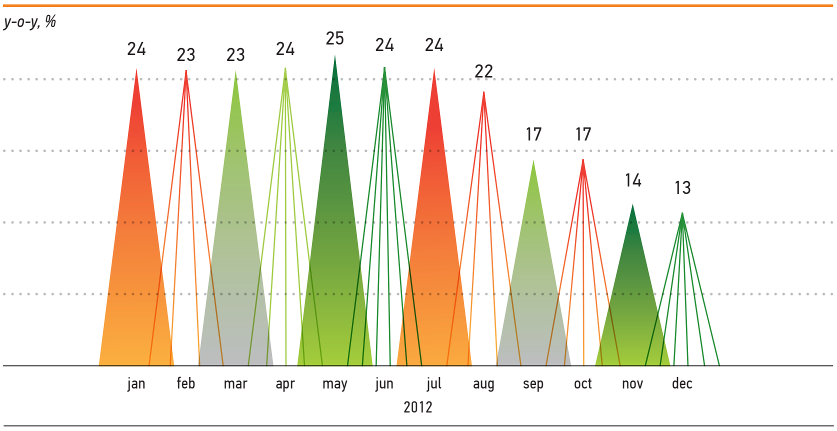
COMPOSITION OF GDP GROWTH



Source: State Statistics Service, Sberbank

Among key GDP components, only final consumption drove the growth, while all other factors offered negligible contributions to GDP growth. In such an environment, it is no surprise that the Russian banking system saw a significant decline in demand for corporate loans, annual growth therein falling from 26% in 2011 to 13% in 2012.

CORPORATE LOAN BOOK GROWTH IN RUSSIAN BANKING SYSTEM

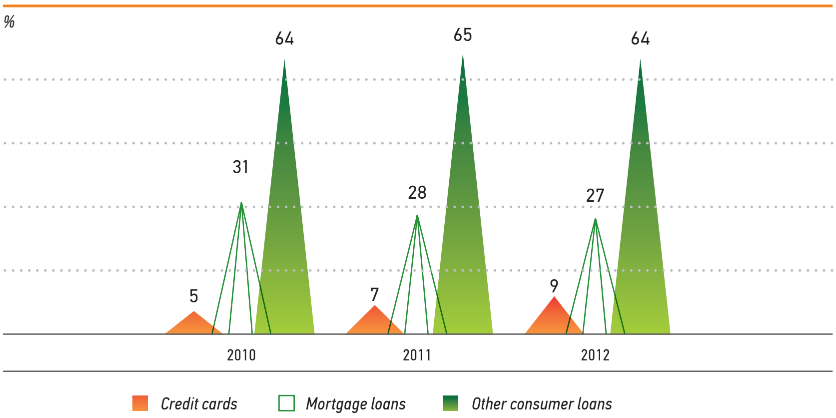


Source: Central Bank, Sberbank

Among other factors that contributed to slower lending growth was a rapid development of the local bond market and the favorable conditions in external debt capital markets, which both allowed major Russian corporate borrowers to source significant amounts of debt financing outside of the traditional loan market.

At the same time, the Russian economy's strong consumption trend was revealed yet again in the continuing rapid expansion of retail lending, with the aggregate volume of loans to individuals increasing 39.4% y-o-y in 2012 and some consumption-oriented segments posting even higher growth. In 2H12, Russian regulators started paying increased attention to retail lending market developments, announcing plans to introduce regulations aimed at more carefully managing the risks associated with market expansion of this nature.

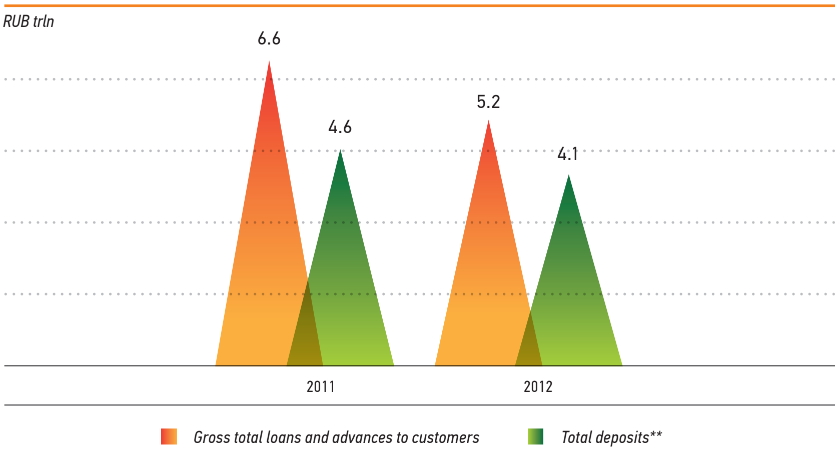
RUSSIAN BANKS' RETAIL LOAN PORTFOLIO BREAKDOWN



Source: Russian banks' RAS accounts, Central Bank, Sberbank

On the funding side, the Russian banking system saw a deceleration in deposit inflows in 2012, mainly driven by reduction of corporate funds inflow (–11.0% y-o-y). In the retail deposit market, the situation was more benign, with the amounts of deposits up 20% y-o-y for 2012. Despite the slower corporate lending expansion, the loan book still grew by a larger amount compared to deposit inflows with the gap being filled primarily by funding raised from monetary authorities.

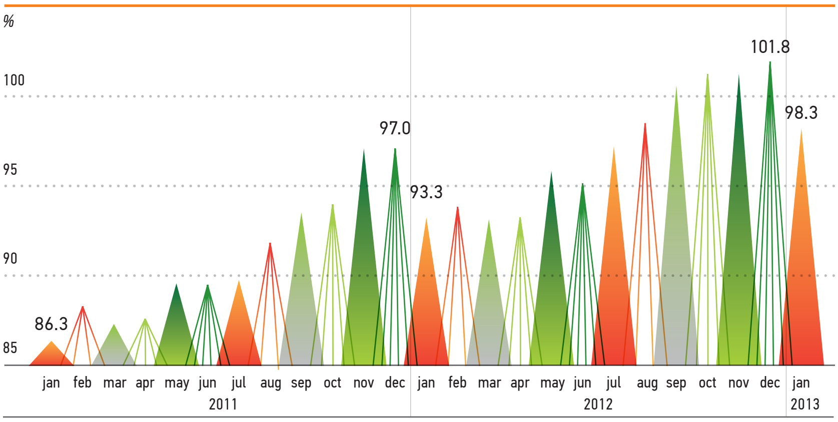
GROWTH IN TOTAL GROSS LOANS AND DEPOSITS IN RUSSIAN BANKING SYSTEM*



Source: Central Bank, Sberbank

Despite a notable gap between loan and deposit growth that developed in 2011–2012, the structure of banking assets and liabilities remains balanced, with the loan to deposit ratio staying at a conservative 98.3% as of end 2012 from the low starting point of 86.3% as of end 2010.

RUSSIAN BANKS' AGGREGATE LOAN TO DEPOSIT RATIO***



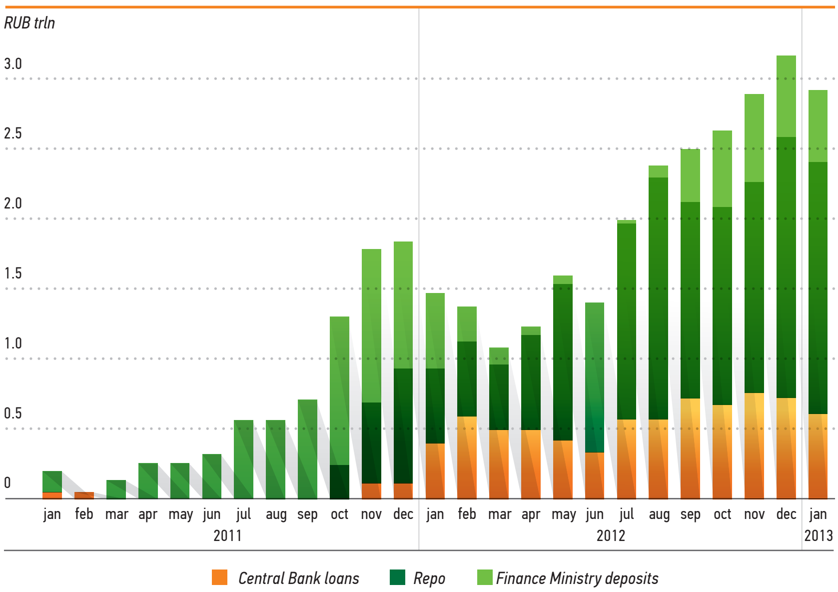
Source: Russian banks' RAS accounts, Central Bank, Sberbank

* In accordance with the Central Bank's definition.
** Deposits do not include Finance Ministry funds deposited in the banking system.
*** As of the beginning of the respective month.

Both the Central Bank of Russia and the Finance Ministry continued operations to support liquidity in 2012, covering banks' needs in periods of heightened liquidity deficits. Over 2012, the overall utilization of the regulators' funding (including funds owed to the Central Bank and the Finance Ministry) gradually increased, peaking in November 2012, while traditional year-end deposit inflow in December, driven by higher-than-average budget spending, provided significant relief for the liquidity situation.

Throughout 2012, Central Bank repo operations remained the key source of liquidity for Russian banks, which has become a new norm given the shift toward a floating exchange rate and inflation targeting policy. At the same time, the regulators retain significant capacity to provide additional funding to the banks via other channels, including asset-backed lending from the Central Bank (mostly secured by loans). Given the importance of liquidity creation mechanisms under a floating exchange rate regime, the Central Bank has announced some plans to further expand the refinancing system in 2013.

GOVERNMENT FUNDS IN THE RUSSIAN BANKING SYSTEM*



Source: Central Bank, Sberbank

* As of the beginning of the respective month.

Corporate and Investment Business*

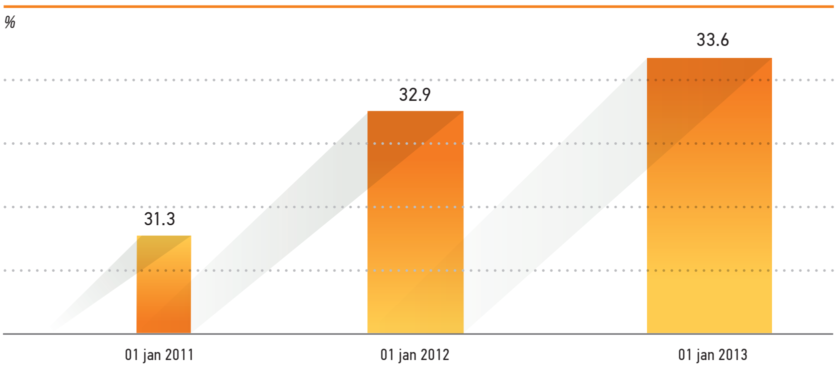
* This section discusses Sberbank's corporate and investment banking business in Russia. Sberbank's foreign subsidiary businesses are reviewed in the *Key Subsidiaries' Financial Results* section.

Corporate segment remains the key part of our business, with loans to corporate customers representing 74.4% of Sberbank's total loan book and 31.4% of client deposits on a group level as of 2012 year-end. We also actively develop new products in transaction banking and international finance, aimed at providing our clients all services they need in order to remain their bank of choice. With the acquisition of Troika Dialog and the creation of the Sberbank CIB platform in 2012, we have also seen an increase in synergies from our investment banking operations, which has been mutually beneficial for both our traditional corporate banking business and the investment banking product line.

CORPORATE LENDING

Sberbank is the largest lender to the Russian economy. In 2012, we expanded our market share in traditional corporate lending by 0.7 pp y-o-y despite strong competition in Russian corporate lending. The key factors behind the increasing competition for borrowers were softer demand for corporate loans, driven by the deceleration in economic growth, and the very rapid development of the corporate bond market in Russia.

SBERBANK'S MARKET SHARE IN CORPORATE LENDING



Source: Central Bank, Sberbank

Nevertheless, 2012 was a record year in terms of corporate loan issuance for Sberbank. Amounts of loans underwritten in 2012 exceeded 5.9 trln RUB, increasing by circa 350 bln RUB from 2011.

Small business financing: an eventful year

In 2012, we continued to place special emphasis on the development of lending to small business. During the year we significantly extended Credit Factory platform for small business, so the volume of loans issued under this framework more than tripled, exceeding 90 bln RUB as of YE12. We also introduced innovative lending products, such as *'Business Start'* and *'Business Overdraft'* loans.

As a result of these initiatives and our strong emphasis on sales, lending to small clients* grew 31% y-o-y, much faster than the rest of our corporate lending business.

* According to internal classification of the Bank. Data on OJSC Sberbank of Russia only.

Trade finance business

Another business that grew even faster than lending to small business was trade finance. In 2012, Sberbank actively expanded the business line, increasing the volume of the respective part of the loan portfolio 47.1% y-o-y in dollar terms to $10.5 bln as of end 2012. The number of trade finance transactions completed in 2012 exceeded 1,300, compared with 950 in 2011. Sberbank's international expansion, including the acquisition of banking businesses in Switzerland, CEE and Turkey, has allowed us to develop a product offering for our clients that involves our international subsidiaries and allows us to service all our clients' needs. In recognition of our efforts in this field, Sberbank was named "The best trade finance bank in Russia and CIS for 2012" by Global Trade Review Magazine.

Loan yields gradually increased in second half of 2012

In 2012 two contradicting factors drove corporate loan yields in Russia. On one hand, there was high competition for borrowers amid softer demand for credit; on the other, relatively tight liquidity conditions precluded yields from falling sharply. Against this backdrop, effective loan yields in 2012 remained steady in 1H12 and started picking up slightly in 2H12. This reflects the bank's ability to adjust its lending policy in accordance with market conditions, maintaining a constant focus on preserving interest margins. This also reflects the increasing proportion of SME loans with higher yields in the total corporate loan portfolio.

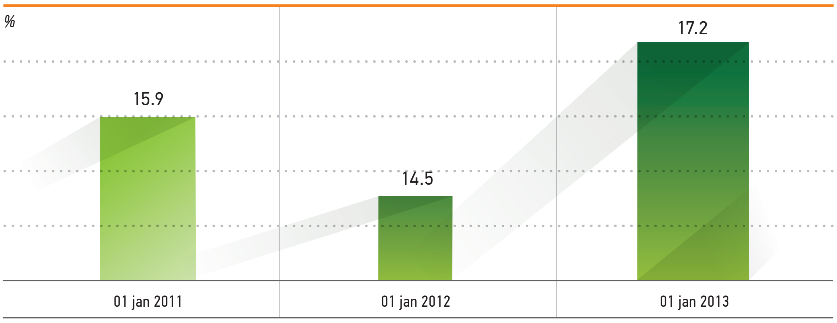
Improved loan book quality

In 2012, despite a slowdown in economic activity in Russia, we did not observe any significant signs of deterioration in our loan book quality. The share of non-performing loans in our corporate portfolio decreased in 2012 from 3.6% to 2.9% (according to management accounting, OJSC Sberbank standalone), not only as a result of the growing portfolio, but also due to a decrease in overdue loans in absolute terms.

CORPORATE DEPOSITS

In view of tight funding conditions in the Russian banking system in 2012, Sberbank significantly increased its focus on corporate funding compared with 2011. In 2012, we delivered a robust 74.9% increase in corporate term deposits. As a result, our market share in corporate funds expanded 2.7 pp to 17.2% by end 2012.

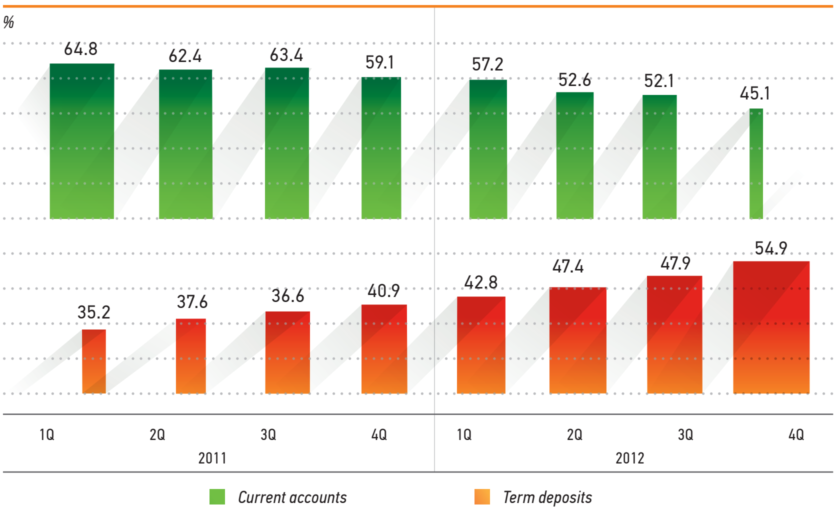
SBERBANK'S CORPORATE FUNDS MARKET SHARE



Source: Sberbank management accounting

Most of this growth came from term corporate deposits across all major client segments, while the volume of less expensive current accounts remained largely unchanged. The lack of growth in current corporate accounts at Sberbank mirrors the situation in the Russian banking system in general.

BREAKDOWN OF CORPORATE DEPOSITS*



Source: Sberbank management accounting

Our strategy, aimed at attracting significant additional amounts of term corporate deposits in 2012, was to a great degree driven by the banking system's liquidity situation, which became increasingly tight in 2H12. As a result, we extended usage of this funding source, which is demonstrated above. This decision was made for the following two main reasons: 1) we kept a significant emergency liquidity buffer and 2) raising corporate deposits remained a more cost-efficient option compared with sources of Central Bank financing from a funding cost management standpoint. Our balance sheet and liquidity management are discussed in more detail in the *Financial Review* section of this report.

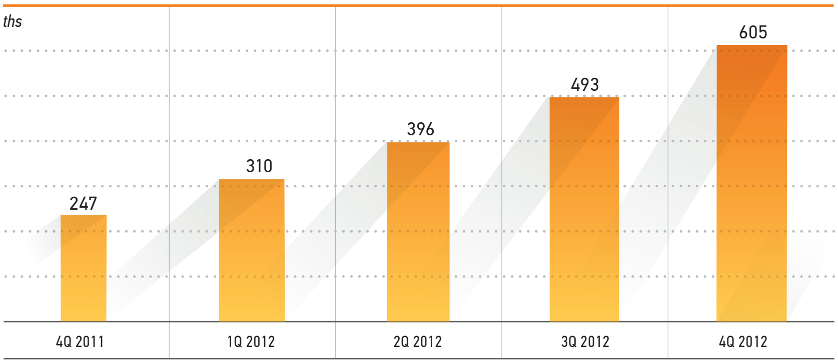
* Deposits do not include Finance Ministry funds.

SERVICE CHANNELS

Development of our fee-based services to corporate customers was aimed at continuously improving the quality of the bank's services and reducing associated costs. We continued developing various remote service channels for our corporate customers. One of our major targets is to reduce the share of labor-intensive, paper-based transactions and move most of the standardized operations into remote service channels.

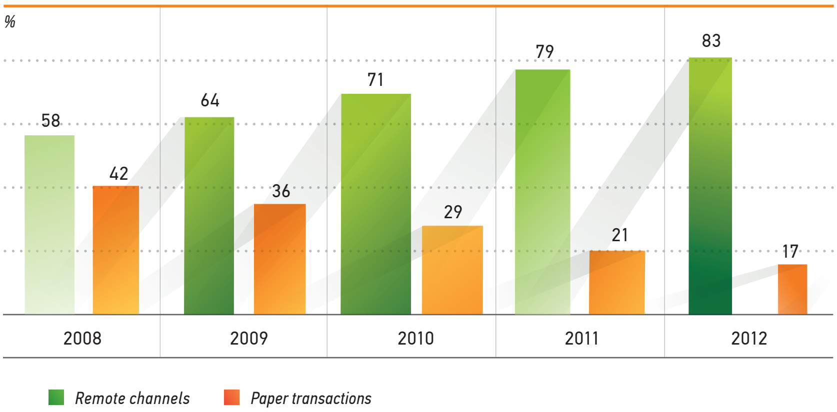
These efforts resulted in a rapid increase in 2012 in the number of users of our corporate internet banking platform, Sberbank Business Online, which more than doubled y-o-y. The proportion of paper transactions decreased to 17%, compared with 42% in 2008.

NUMBER OF SBERBANK BUSINESS ONLINE CLIENTS



Source: Sberbank management accounting

BREAKDOWN OF TRANSACTIONS BY CHANNELS



Source: Sberbank management accounting

INVESTMENT BANKING BUSINESS

One of the major events for Sberbank Group in 2012 was the full-scale integration of the investment-banking platform, which previously existed under the name of Troika Dialog and was acquired by Sberbank in 2011, into the Group's corporate and investment banking business processes. The companies of former Troika Dialog Group, as well as the employees of respective divisions of Sberbank, became parts of the integrated Investment Banking and Global Markets (IBGM) line of business within the Corporate banking segment. IBGM focuses on providing a full range of financial services to our corporate customers, while the retail asset management network was merged into the private banking arm of Sberbank's retail business.

The nature of the IBGM business in its current shape is predominantly client-oriented and focused on generating revenue flow, and it involves only a very limited degree of market risk-taking activities.

IBGM revenues were up 62.7% y-o-y, mainly due to a very strong performance by the Fixed Income, Currencies and Commodities (FICC) business. The results of our FICC, which generated 79% of IBGM's revenues in 2012, were driven by our activities in the repo market as one of the key liquidity providers, as well as by the growing flow of client derivative transactions. The derivatives business mainly comprises hedging services provided to our key corporate clients, while the strong performance in this business line is a result of synergies between the newly merged parts of our CIB franchise.

The role of proprietary risk-taking activities in the IBGM business is insignificant, as the proprietary books within IBGM contributed less than 3% of the business segment's total revenues for 2012. Our key aim with respect to the CIB business segment is to maintain and strengthen its focus on facilitating client business without assuming any significant proprietary market risk positions.

Retail Business

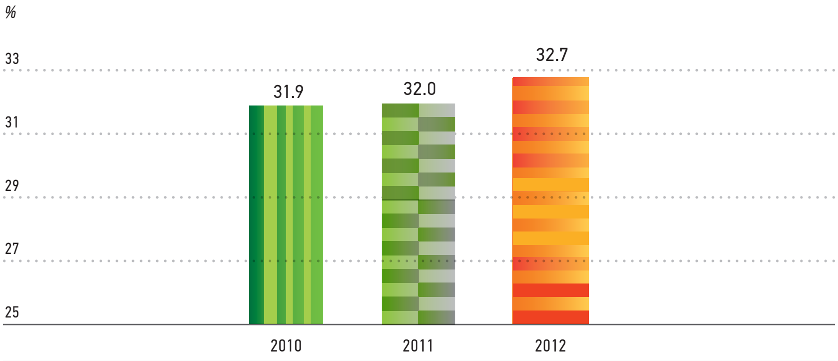
In 2012, the retail business was in the spotlight for Russian entire banking system, primarily because of the rapid expansion of retail loan volumes, which brought market growth to a remarkable 39.4%. Against such a backdrop, Sberbank was able to expand its retail loan market share, with the highest growth rate delivered by the credit card segment. On the other hand, 2012 was marked by increased competition for retail deposits, resulting in a significant uptick in funding costs for the banking system.

Alongside lending growth and competition for deposits, 2012 was a year of a very rapid development for Sberbank in both the volumes and level of transaction service provided to our retail customers. We have implemented a number of initiatives focused on expanding and developing remote service channels that have already brought a number of visible results, including strengthening Sberbank's positions in the rapidly developing card market, alongside the introduction and successful rollout of innovative payment solutions for retail customers.

LENDING

In 2012, Sberbank not only managed to keep up with the very fast pace of market growth, but also increased its market share in retail lending 0.7 pp for the year to 32.7% at year end. Although consumer loans and credit cards were the fastest-growing products, we also saw strong results in mortgage loans, which remain one of our most important products. Overall, Sberbank's retail loan book grew 42.3% in 2012 to 2.5 trln RUB as of end 2012.

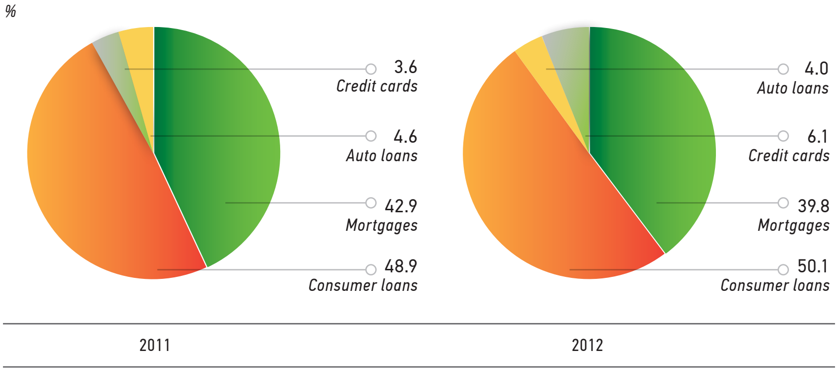
SBERBANK'S MARKET SHARE IN RETAIL LENDING*



Source: Central Bank, Sberbank

* As of year-end.

STRUCTURE OF RETAIL LOAN PORTFOLIO*



Source: Sberbank management accounting

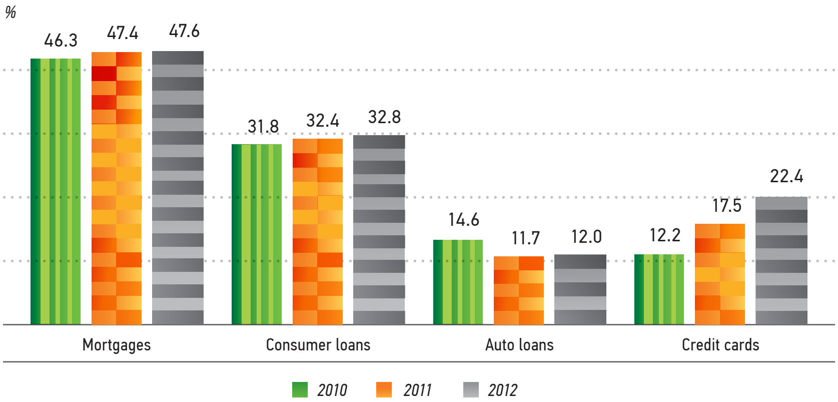
Such rapid retail loan book growth was made possible by a number of technological innovations that we have put in place in recent years, including scoring solutions integrated under the Credit Factory platform. In 2012, we test-launched our Loan Middle Office project in Moscow, which is based on automated scanning of loan application forms and is aimed at freeing credit officers from performing back office functions.

Another important part of our work aimed at ensuring a high quality of service in the retail lending segment is related to streamlining loan issuance procedures, and providing faster responses to loan applications. As a result, in 2012 we managed to shorten the average loan application processing time by circa 30%.

Consumer loans

Consumer loans, representing general purpose lending, were clearly the main growth driver of retail loan book expansion for Sberbank in 2012, the annual growth rate in this segment reaching 44.6%, compared with 43.7% in 2011. Consumer loan portfolio growth at Sberbank in 2012 was slightly higher than the market growth rate. As a result, our market share in consumer lending increased circa 0.4 pp to 32.8%.

SBERBANK'S MARKET SHARE IN RETAIL LENDING BY PRODUCT**



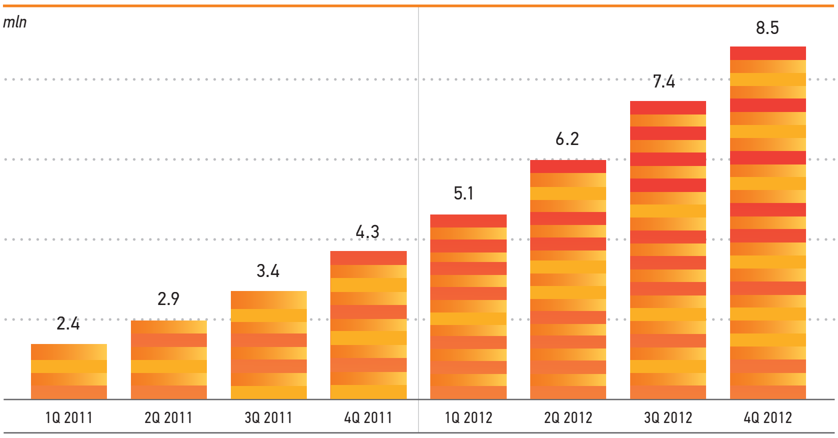
Source: Central Bank, Sberbank

* Excluding "SberKarta" cards.
** As at the year end.

Credit cards

Starting from a relatively low base, our credit card business grew quickly in 2012, with the aggregate loan portfolio increasing 139% to 153 bln RUB as of end 2012. The number of credit cards issued almost doubled to 8.5 mln cards as of year end. As a result, in 2012 we took the number one spot on the credit card market.

NUMBER OF CREDIT CARDS ISSUED



Source: Sberbank management accounting

Auto loans

The Russian auto loan market slowed in 2012 relative to other retail lending segments, increasing just 20.8% for the year. Sberbank's auto loan portfolio grew 24.1%.

Mortgage loans

Mortgages remain one of our key products in the retail segment. With a market share of 47.6%, Sberbank is the undisputed leader on the mortgage market. In 2012, our mortgage portfolio expanded 31.2%, generally in line with market trends, and exceeded 1 trln RUB. Despite the high interest rate environment, we did not observe any visible deceleration in mortgage portfolio growth rates compared with 2011.

Cetelem: a new JV in consumer lending

In August 2012, Sberbank and BNP Paribas launched a joint venture in consumer lending, whereby Sberbank acquired a 70% stake in BNP Paribas Vostok for 5.2 bln RUB, the remaining 30% still owned by BNP Paribas Group. The newly acquired institution continues working under the Cetelem brand. With the acquisition of a stake in Cetelem, Sberbank aims to build up its presence in certain retail loan market segments where it is not currently present. This primarily concerns the POS and express auto loan markets, with a further aim to cross-sell other Sberbank retail products to its customers.

As of end 2012, the project was still in an early stage of development, resulting in a limited contribution to Sberbank Group's overall retail lending business results. However, the bank delivered very high growth rates, average monthly new loan originations growing 30% in auto loans and 22% in POS loans for September-December 2012.

CREDIT QUALITY

Besides boosting loan book growth and expanding our market share, Sberbank's key priority is to maintain the high quality of its retail loan book. The overall credit quality of our retail loan portfolio remained high in 2012, with the 90+ days NPL ratio of less than half of that of the rest of the banking system*.

Sberbank not only saw an improvement in its headline NPL metrics, but also the underlying dynamics of loan book quality reflected a continuing improvement in loan book risk metrics. Based on our models tracking previous loss experiences as well as other exogenous factors driving loan book quality, we see a continuing trend of declining expected loss (EL) value as a percentage of our retail loan book. Since the launch of our Credit Factory platform for retail business in October 2008, we have continuously improved and expanded the functionality of our loan application scoring and approval practices. The main developments of Credit Factory are concentrated around three main lines:

1) the development of new credit-scoring models and their practical implementation;
2) the introduction of new data sources into the decision-making process and automation of data exchange processes; and
3) the development of new scoring and data processing technologies.

In 2012, our main accomplishments in the field were as follows:

- first, we note the development and implementation of new region-specific scoring models for consumer loans. Existing data indicate that clients' risk profiles differ significantly across Russia's regions; moreover, the most relevant factors also have notable regional variability. Therefore, we built regional clusters with similar risk patterns and developed individual scoring models for each cluster. As a result, rejection levels across the regions much better reflect their specifics and the overall portfolio risk level has reduced;
- the implementation of risk-based pricing for consumer loans from March 2012 enabled us to increase the yields of higher-risk portfolios and attract higher quality clients by offering them lower-yielding loans;
- the introduction of new scoring models in mortgage lending resulted in a 0.5 pp higher approval level and lower credit risk for new portfolios;
- we integrated our data with the Equifax Interbank Fraud Prevention Service platform, aimed at discovering inconsistencies in client data and preventing fraudulent activities by borrowers;
- we instituted an automated client reliability assessment based on State Pension Fund data as part of scoring consumer loan applications. This new data source allows us to evaluate and verify the stability of a prospective borrower's employment and income, as well as receive indirect confirmation of their employment history. The system was launched in Moscow in 2012, and we are currently planning to implement it nationwide;
- we started testing automated photo processing and verification technology. This is another anti-fraud measure aimed at handling cases of identity theft by adding another dimension to the client verification process. This is scheduled for launch in 2013.

* According to the data of the Central Bank of Russia.

RETAIL DEPOSITS

Amid tight liquidity conditions in 2012, competition for all funding sources intensified, with the retail deposit market becoming one of the most competitive segments overall. This resulted in a significant increase in the average cost of term retail deposits.

One of Sberbank's key priorities remains the active management of funding costs, as we aim to minimize the impact of adverse market conditions on our margins while still maintaining competitive lending rates across all our products and business lines. On the back of increased competition for retail funding in 2012, we had to raise our interest rates payable on retail term deposits. Since our target was to limit its impact on our aggregate funding costs and margins, this resulted in slower retail deposit growth versus the market and a 0.9 pp drop in our share of Russian retail deposit market, which fell to 45.7% as of year end.

New products and service improvements

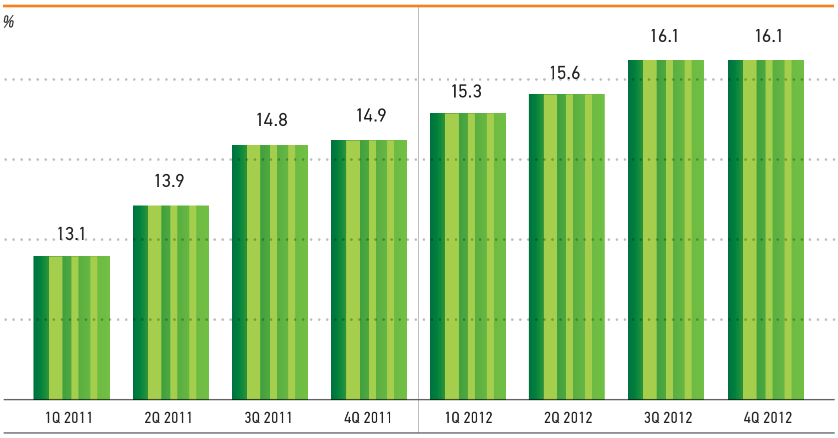
One of the most significant technological developments in our retail deposit business was the introduction of online deposits in 2012. These represent a new channel of raising deposits via our internet bank and ATMs, which allows us to save on operating costs. As of year end, the total volume of online deposits was 97 bln RUB.

Another important development in our retail funding platform in 2012 was the further expansion of our savings certificate program. As a product, these certificates have a number of important features. They are not covered by the deposit insurance scheme and thus exempt from its costs. Unlike retail deposits, which by Russian law are callable at any moment, savings certificates are repaid upon maturity. This product is aimed at individuals with high net worth. Our portfolio of deposit certificates grew from a very low base of 9 bln RUB at end 2011 to 222 bln RUB as of end 2012.

A very important accomplishment in our retail deposit portfolio was a structural shift toward current accounts, represented mainly by bank card account balances. Their share increased from 14.9% to 16.1%* of total retail deposits (15.6% including saving certificates into total customer deposits). This helped us partially make up for the effects of rising interest rates on term retail deposits on the overall cost of retail funding. Our growth rate in current retail accounts stood at 24.3% in 2012, significantly exceeding the 15.2%** rate posted by the rest of the banking system.

* Based on average monthly balances. Savings certificates are excluded.
** Based on RAS accounts of Russian banks.

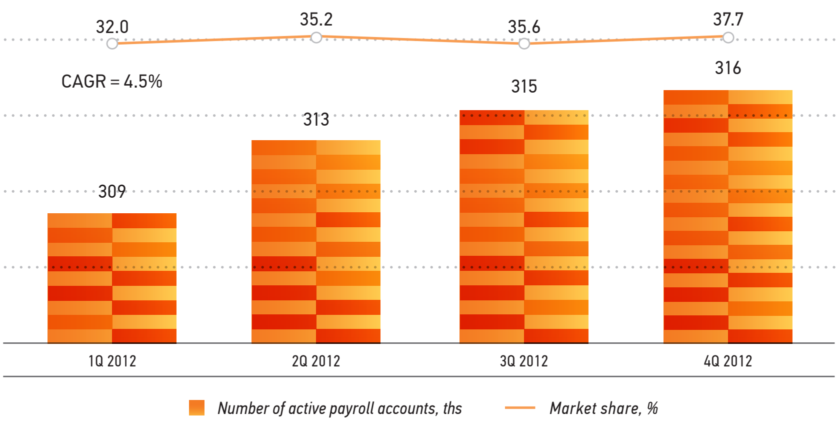
SHARE OF CURRENT ACCOUNTS IN RETAIL DEPOSITS*



Source: Sberbank management accounting

This achievement was made possible by our growing market shares in the highly competitive salary payment and pension payment markets. Our efforts toward expanding remote service channels, including continuous improvements in internet and mobile banking services, also played a critical role in bringing retail current account balances to Sberbank.

SALARY PAYMENTS VIA SBERBANK ACCOUNTS



Source: Sberbank management accounting

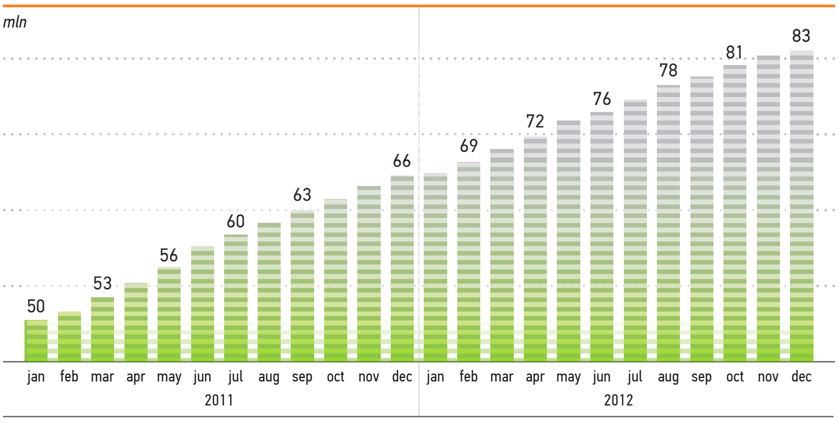
* Based on average monthly balances. Savings certificates are excluded.

TRANSACTION SERVICES AND FEE INCOME

Among other achievements in our retail business in 2012 was the expansion of our bank card and transaction business, which resulted in growth of both volumes of serviced transactions and fees generated by this business line. The overall numbers of transactions substantially increased, which was accompanied by a structural shift in operations toward non-cash.

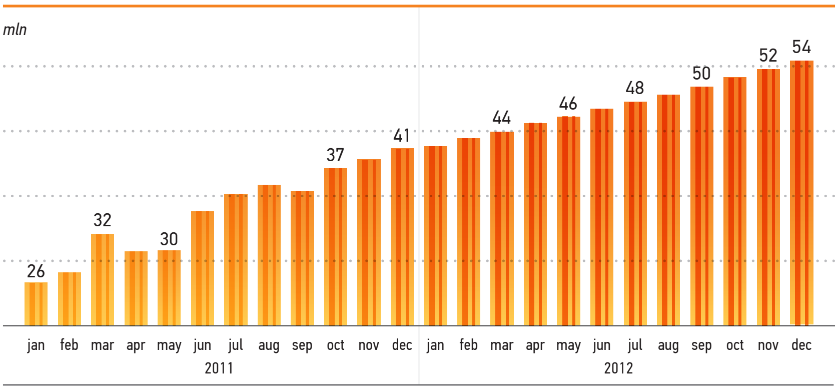
The combination of these factors, which were all made possible by extensive investments in service quality, resulted in 28.3% growth in retail transaction business fees, including 56% growth in bank card operation fees. Thus, bank cards became our single largest fee revenue source, having more than doubled over the last two years. We outline the key drivers of retail fee and commission income below:

GROWTH IN NUMBER OF CARDS ISSUED*



Source: Sberbank management accounting

NUMBER OF ACTIVE BANK CARDS*



Source: Sberbank management accounting

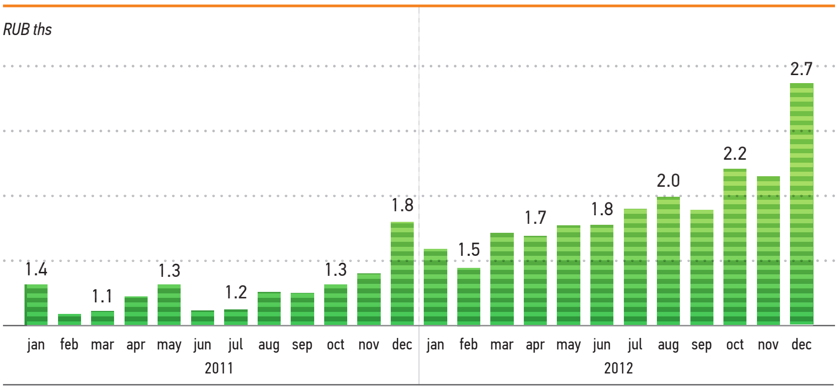
The number of active bank cards issued by Sberbank has almost doubled since the beginning of 2011 to 54 mln by end 2012.

* Excluding "SberKarta" cards.

Increasing client activity

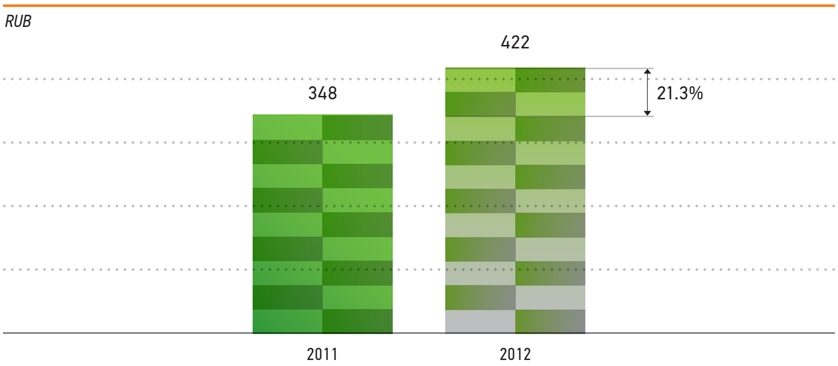
In 2012, we observed a significant pickup in cardholder activity, which was a key factor behind growing bank card fee income. Compared with 2011, average monthly trade turnover per active card increased 44% (not including less productive cash withdrawal transactions), reaching 2.7 ths RUB per month in December 2012.

MONTHLY TRADE TURNOVER PER ACTIVE CARD*



Source: Sberbank management accounting

ANNUAL COMMISSION PER CARD*



Source: Sberbank management accounting

The more active use of bank cards resulted in higher fee revenue per card in 2012, which rose 21.3% y-o-y.

A higher share of non-cash card transactions

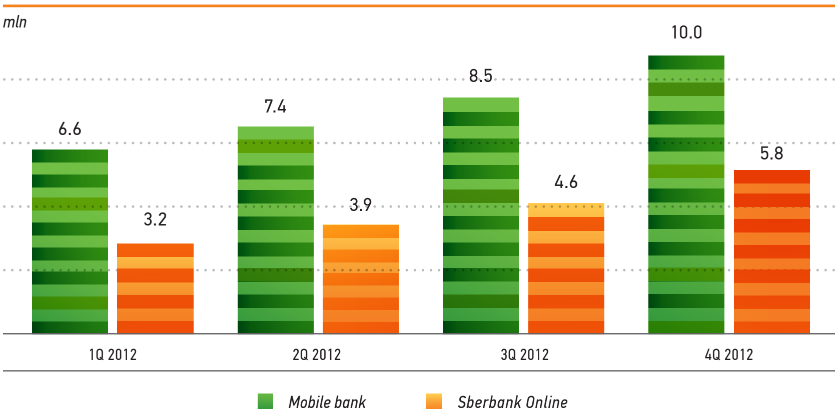
We saw a continuing increase in non-cash transactions via our bank cards in both 2011 and 2012. The share of these transactions reached 29% in 2012 and as much as 33% in December 2012, compared with a 22% average for 2011. This trend made a significant contribution to our fee revenues in the bank card business and to growth in the balances our customers keep on their bank cards.

* Trade turnover comprises transactions in retail network and on-line purchases; Excluding 'SberKarta' cards.

Other transaction business products

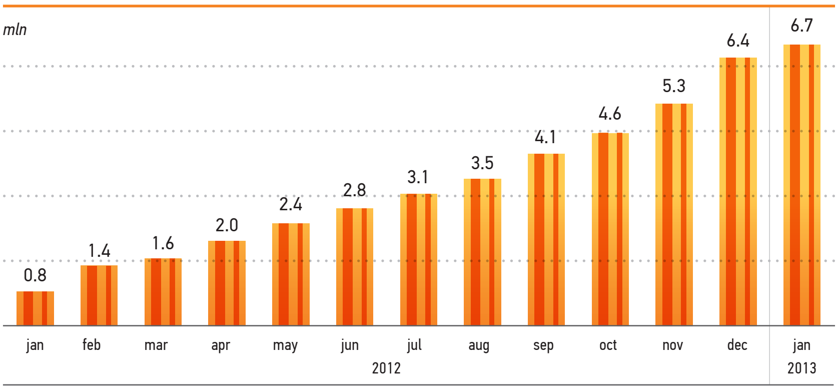
Our strategic target is to increase the proportion of services provided to our customers using Sberbank's remote channels. To further this goal, we have developed a number of remote service channel platforms. Sberbank Online, our internet banking platform, continued to deliver strong performance in 2012, with the average number of active clients growing by 3.4 mln. Revenues generated by our mobile banking service were up 62% on the back of more customers using the service and executing more transactions via this service.

NUMBER OF ACTIVE CLIENTS OF MOBILE BANK AND SBERBANK ONLINE



Source: Sberbank management accounting

NUMBER OF AUTO-PAYMENT SERVICE USERS*



Source: Sberbank management accounting

In addition, Auto-Payment, our newly introduced automated billing service, posted very solid growth, with the number of clients using it to pay for mobile phone services increasing by circa 6 mln in 2012.

* As of the beginning of the month.

Securities Portfolio and Capital Markets Funding

Our total securities book increased 12.4% to 1.68 trln RUB as of end 2012. Our portfolio remains dominated by fixed income securities with a share of 97.4% as of end 2012, the bulk of which is Russian Sovereign bonds, comprising 54.8% of our total securities position (up 2.8 pp y-o-y). Such a structure is defined by our approach to securities on our banking books as predominantly a means of liquidity management, rather than a risk-taking instrument.

The corporate bond portfolio was the most rapidly growing part of our securities book in 2012, climbing 22.3% to reach a share of 35.4% of our total securities portfolio. Such growth was a function of the rapid development of both domestic and external debt capital markets in 2012. Conservative approach to managing our securities books is also reflected in the shift of the structure of our corporate bond book — the share of investment-grade rated positions in this portfolio grew to 52.1% as of end 2012, versus 44.4% the year before.

SECURITIES PORTFOLIO BREAKDOWN

	2012		2011	
	RUB bln	*% of total*	*RUB bln*	*% of total*
Federal loan bonds (OFZ)	777	46.4	708	47.5
Corporate bonds	594	35.4	486	32.6
Russian Federation Eurobonds	141	8.4	66	4.4
Municipal and Subfederal bonds	118	7.0	134	9.0
Corporatle shares	43	2.6	86	5.8
Foreign Government bonds	3	0.2	10	0.7
Total	**1,676**	**100.0**	**1,490**	**100.0**

Source: Sberbank management accounting

BOND PORTFOLIO BREAKDOWN BY GRADE

RUB bln	2012			2011		
	Investment grade	Speculative grade	Not rated	Investment grade	Speculative grade	Not rated
Russian Sovereign Eurobonds	141	–	–	66	–	–
Corporate bonds	310	247	37	216	197	73
Government bonds (OFZs)	777	–	–	708	–	–
Municipal and sub-federal bonds	81	37	–	93	41	0
Foreign government bonds	–	3	–	–	10	–
Total	**1,309**	**287**	**37**	**1,083**	**248**	**73**

Source: Sberbank management accounting

In 2012, Sberbank was relatively active on the debt capital market, raising an equivalent of 256 bln RUB via public bond issues and syndicated loan deals, compared with 71 bln RUB in 2011. As of end 2012, the total amount of funding raised from these sources stood at 352 bln RUB.

DEBT ISSUES IN 2012

Type of liability	Currency	Amount, *bln*	Amounts out-standing, *bln*	Maturity, *years*	Coupon/ interest rate
Syndicated loan	USD	1.50	1.50	3	LIBOR+1.50%
Syndicated loan	EUR	0.5	0.5	5	EURIBOR+1.50%
Eurobonds	CHF	0.41	0.41	3.5	3.100%
Eurobonds	USD	1.30	1.30	5	4.950%
Eurobonds	USD	1.00	1.00	7	5.180%
Eurobonds	USD	1.50	1.50	10	6.125%
Subordinated bonds	USD	2.00	2.00	10	5.125%

Source: Sberbank management accounting

Financial Results of Key Subsidiaries

Our CIS subsidiaries posted solid results for 2012, their combined net income growing more than 2 times y-o-y. Our newly acquired international subsidiaries (Sberbank Europe and DenizBank) were still in an early stage of integration into the Group. Sberbank Europe was our only international subsidiary to post a net loss for 2012, which is attributed to the challenging market environment in CEE, while DenizBank made a positive contribution to the Group's net income from 4Q12.

In 2012, our subsidiary banks in Kazakhstan, Ukraine and Belarus continued shifting some of their lending products under the centralized Credit Factory framework. In late 2012, some of Sberbank's East European subsidiaries also started to gradually introduce Credit Factory technologies.

Subsidiaries in the CIS

In 2012, all of Sberbank's subsidiaries in the CIS posted rapid lending growth, averaging 35.7% for the year while remaining profitable and meeting their key financial KPIs. The overall contribution of CIS subsidiaries to the Group's net income increased from 2.2% to 2.7%. Our Kazakh subsidiary posted the strongest performance in 2012, its share in the combined net income of the three CIS-based subsidiaries coming in at 67.6%.

KEY IFRS FINANCIAL RESULTS OF SBERBANK'S CIS BANKING SUBSIDIARIES (ON A STANDALONE BASIS)

RUB bln	Sberbank Kazakhstan		Sberbank Belarus		Sberbank Ukraine	
	2012	2011	2012	2011	2012	2011
Total assets	147.1	106.6	112.5	106.1	99.1	69.5
Loans and advances to customers, net	104.5	74.9	67.5	56.1	77.5	52.8
Due to customers	102.0	86.5	59.9	50.6	49.7	30.3
Net interest income	6.9	4.4	5.2	5.4	4.6	2.9
Net provision charge	0.5	(1.2)	(1.1)	(1.6)	(1.5)	(0.3)
Net F&C income	1.7	1.3	2.3	1.9	0.8	0.5
Operating income	10.0	5.2	7.0	7.8	5.3	3.5
Operating expenses	(3.9)	(2.9)	(4.5)	(3.4)	(3.3)	(2.3)
Profit for the reporting period	5.0	2.3	0.8	(0.4)	1.6	1.3

Source: Subsidiary banks stadalone IFRS accounts

SBERBANK KAZAKHSTAN (SBK)

Sberbank Kazakhstan remains our largest subsidiary in the CIS. In 2012, the bank's assets increased 38.0%, driven predominantly by the corporate loan book. SBK grew faster than Kazakhstan's banking system, which posted relatively slow 8.3% corporate loan book growth for the year. On the funding side, the bank remains largely self-sufficient in terms of covering loan growth with deposit flows. Its loan/deposit ratio stood at 102.5% at year end.

SBERBANK UKRAINE (SBU)

Sberbank Ukraine posted the highest loan and asset growth rates among Sberbank's CIS subsidiaries, delivering 46.8% growth in its net loan book. Similarly to SBK, its lending expansion was driven by growth in its corporate loan book. In the stagnating lending environment in Ukraine, SBU visibly increased its market share, moving up 6 slots in the banking system's ranking by assets to 11th place as of end 2012. The rapid loan book expansion in 2012 was partly financed by deposits, but the bank also increased its borrowing from the parent company. Despite the rapid expansion, SBU remained profitable, posting 1.6 bln RUB in net income on the standalone basis and a 1.6% return on assets.

SBERBANK BELARUS (SBB)

Sberbank Belarus showed somewhat slower growth rates versus other CIS subsidiaries. Its assets expanded 6.0% and net loans increased 20.3%. SBB already has a strong position on the Belarusian market, though it is only the third largest bank by assets and corporate loans. As the interest rate environment in Belarus gradually normalized in 2012 after the country's currency devaluation and sharp increase in interest rates in 2011. This led to decrease of loss on non-monetary position to 1.3 bln RUB. At the same time SBB's lending margins declined, as well as forex trading incomes and the bank's operating costs increased on the back of salary inflation. These factors combined resulted in a 57% drop in SBB's net income on the standalone basis for 2012, but allowed to earn profit of 0.8 bln RUB.

SBERBANK EUROPE (SBE)

Sberbank Europe's financial performance in 2012 was impacted by both the persistence of challenging economic conditions in some of the bank's key geographies, as well as the financial and operational integration of the bank into Sberbank Group. Overall loan growth for SBE during 2012 stood at circa 8% and was driven by corporate loans that were underwritten under the bank's new procedures. SBE posted a loss for February-December 2012 (the period of its consolidation into Sberbank Group) of circa 8 bln RUB that was to the greatest degree attributable to a large amount of new loan loss provisions created during this period.

DENIZBANK

Since its acquisition by Sberbank in September 2012, DenizBank has provided a positive contribution to the Group's consolidated results. On the net income level, its contribution stood at 2.4 bln RUB on the sub-group level for 4Q12. Among the Group's international subsidiaries, DenizBank was the single largest contributor to the Group's consolidated balance sheet with respective shares of consolidated assets and loan book of 6.5% and 6.1% at end 2012.

Risk Management

The Group's integrated risk management system is set out in the bank's policies, as approved by the Executive Board, and implies a three-level process:

- *the first level* (carried out by the Executive Board and Group Risk Committee) is focused on managing the Group's aggregate risks on a consolidated level. On this level, requirements related to managing specific groups of risk and risk management procedures are formed, and collegial bodies and other participants responsible for risk management are defined;
- *the second level* (carried out by respective committees of the Bank) is responsible for management of specific classes of risks, as defined by the first level;
- *the third level* (collegial bodies and departments of the Group's participants) is responsible for risk management procedures in individual entities of the Group, in accordance with the roles, authorities and limits defined at the first and second levels.

The integrated risk management process includes the following five key elements:

- *identification of the Group's risks and evaluation of their significance,* aiming to identify all significant risks affecting the Group;
- *establishing systems to manage all significant risks,* including assigning functions and authorities to responsible officials, departments and collegial bodies of the bank and the Group;
- *planning the Group's exposure to specific risks;*
- *defining the Group's risk appetite;*
- *managing the Group's aggregate risks.*

As part of implementing the Group's integrated risk management framework, the following initiatives were carried out:

- the Group's risks were assessed, which helped identify the following significant classes of risk: credit risk; country risk; market and credit risks stemming from financial market operations; interest rate and currency risk of non-trading books; property revaluation risk; operational risk; legal, regulatory and compliance risk; liquidity risk; reputational risk; strategic risk; model risk; and tax risk;
- the Group's risk committee has distributed functions and authorities to manage all significant risks across the bank's collegial bodies and subdivisions;
- as part of the Group's business planning for 2013–15, risk metrics and methodologies for calculations and stress testing were included into the bank's business plan;
- the bank's risk appetite was approved.

Data on specific risks is presented in the *Financial Risk Management* section of the audited financial statements.

The Bank's Development

In line with Sberbank's strategy, we continued our work aimed at transforming the bank into a technological leader across all major fields of the banking industry, improving clients' experiences when dealing with the bank and ensuring the stability of our business processes. Our key strategic programs in this field were centered primarily on developing our IT platforms and automated business processes, reformatting our branch network and continuing the centralization of back and middle-office functions.

DEVELOPMENT OF IT PLATFORMS

Following global trends, Russian banking business is becoming increasingly complicated and demanding from an IT standpoint, and many of our business successes in 2012 were directly linked to our continuing investments in our technological platform. Having set one of our key strategic goals as making a rapid shift to providing high-tech banking solutions to our clients, we are continuing to invest actively in our IT development.

The centralization and unification of our IT platforms across the regions is one of the most important technological initiatives. As part of this project, we are integrating core banking functions (e.g. accounting) under select platforms. This enables us to ensure much higher stability for our IT system, which is increasingly important given the growing complexity of our operations and the rapidly expanding number of transactions. As part of our technology centralization strategy, we have built Mega Data Processing Centers that have started to play a pivotal role in our business processes, as they allow us to ensure much greater reliability and higher execution speed in all of our operations. Growing business volumes, in particular in retail transactions, also imply very high demand for more powerful processing technologies, which represent another important area of investments in our IT platforms.

In this section of this report, we discuss the major results achieved on the IT front in the past year.

GENERAL BANKING IT PROJECTS

These include automation of various important intra-banking functions, including Basel 2 compliant risk reporting and enterprise-wide risk management, as well as migrating various HR functions at the head office to a centralized SAP-based ERP system.

Additionally, cash liquidity management based on the OptiCash/OptiNet platform was launched in 2012, facilitating significant cost savings in physical cash movement. This project was recognized in the 2012 Financial World Recognition Awards.

Centralized IT equipment procurement is also bringing significant savings, including a 36% reduction in costs for telephone services (inter-regional and international) and a 50% savings on PC purchases across our regional banks in Russia.

Other awards for 2012

Our Mega Data Processing Centers (Mega-DPCs), which concentrate the processing of our account transactions, have been certified Tier III for reliability by Uptime Institute; the Mega-DPCs have also received an international Green Enterprise IT Award (GEIT) in 2012 for innovative energy-saving technologies.

Sberbank was the first company to be awarded by the International Project Management Association.

We also received Enterprise Architecture Awards from Forrester Research.

RETAIL BUSINESS IT PLATFORMS

In 2012, Sberbank made substantial progress in modernizing its IT systems, with a number of innovative technological solutions introduced. We launched new versions of our mobile banking application for retail customers on major mobile banking platforms. These featured a number of important new functionalities, including simplification of transfers between clients' own accounts, payments based on previously created templates, transfers to other clients using their identification by cell phone number rather than full account data, etc. We also included a personal financial planning service into our retail Internet bank, which is aimed at better servicing clients' needs, as well as increasing the penetration of banking products across existing clients.

We integrated our billing platforms with Aeroflot in all of our remote service channels (POS and ATMs); this enabled our clients to pay for plane tickets in a number of more convenient ways.

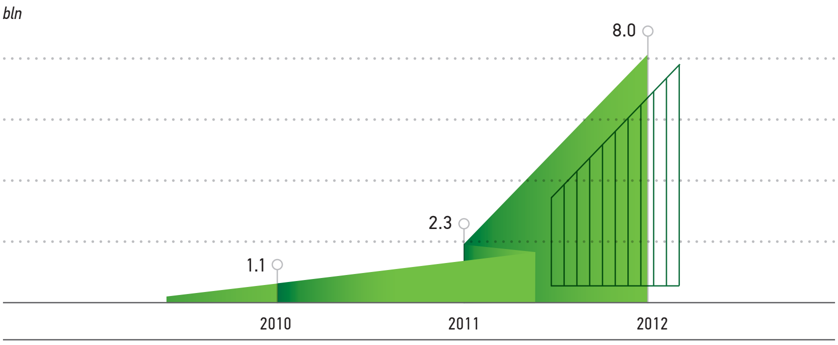
In order to increase Sberbank's share in the volume of transaction fees, we have introduced functionality allowing repayments of third-party banking loans via our remote channels.

Growth in the bankcard business was supported by further expansion of our processing technologies, including an increase in the number of serviced cards by circa 20.5% in 2012 to 82.7 mln bankcards. The average number of transactions per day grew to 28 mln and the peak load jumped to 40,000 transactions per minute. In response to such growth, we significantly expanded our card processing capacities in 2012.

As a way to strengthen the security of our remote channels, we launched a new self-educating fraud monitoring system that verifies financial transactions and authorizations in an online mode.

In order to improve the client experience, all our major branches and offices were equipped with electronic queue management systems.

NUMBER OF SMS MESSAGES SENT



Source: Sberbank management accounting

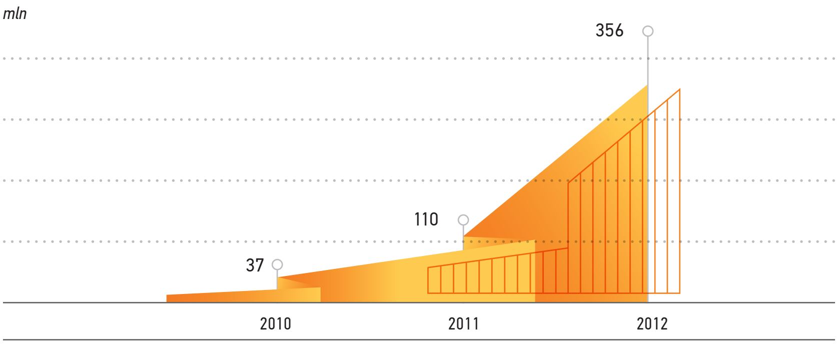
CORPORATE BUSINESS

The number of clients using the Sberbank Business Online service (the corporate e-banking platform) has increased to more than 60% of our total customer base (600,000+ clients). Our centralized Sberbank Corporation solution provides multi-branch holding companies with a flexible and multi-functional cash-management tool.

The innovative E-Invoicing product was launched in 2012 that allows us to offer clients fully electronic yet legally binding financial document workflow, including reporting to various state bodies. The service is integrated with our corporate internet banking platform.

In 2012, we implemented another transaction product that is new to the Russian market, an SMS payment system that enables merchants to collect payments for their services using SMS messages rather than customers' plastic cards. This service is particularly convenient for smaller businesses that are not yet ready to use POS terminals.

NUMBER OF INCOMING CLIENT REQUESTS



Source: Sberbank management accounting

BRANCH REFORMATTING

One of our most important projects aimed at improving the client experience and strengthening relations with our customers is a large-scale branch reformatting project aimed at modernizing and significantly improving our branch network in Russian cities. The program was launched in 2011 with 872 branches completed, and in 2012 we more than doubled the number of offices that underwent reformatting, reaching 1,941 outlets.

In 2012, our approach to office reformatting changed, as we put in place a new geo-marketing branch evaluation methodology, allowing us to assess the required parameters of new offices and to determine the optimal positioning of the offices and their formats. The decisions we make with respect to the new office network are based on our assessment of client flows.

Our experience with reformatted and relocated branches indicates that the new offices deliver significant growth in business volumes, which on average stays between 1.5 and 3 times higher than before the reformatting when the offices mature.

CENTRALIZATION OF MIDDLE AND BACK OFFICE FUNCTIONS

Our aim is to improve the efficiency of our support functions by integrating and concentrating specific functions in a number of dedicated centers, rather than keeping them distributed across our broad regional network. This allows us both to improve efficiency and to ensure the quality of the processes, as well as to achieve economies of scale. In 2012, the project for the centralization of middle-office functions was completed as 15 Client Transaction Support Centers (CTSCs) were launched across Russia and the rest of the CIS. The 13 centers located in Russia are integrated into a network and are functioning in a centralized mode.

FUTURE DEVELOPMENT

To ensure successful realization of the "Sberbank Strategy until 2014," in 2013 the Bank must provide overall performance, bearing the cost of implementing a wide range of strategic projects. This will require resolution to follow through on the main tasks and achieve the key performance indicators.

In the field of *finance,* the Bank plans to provide high financial productivity through sustainable business development, and improving cost management and effective risk management.

The Bank plans to continue its efforts on the further development in client relationships, increasing profitability per client, the quantity of products per client, diversification of the resource base and exploring new market opportunities.

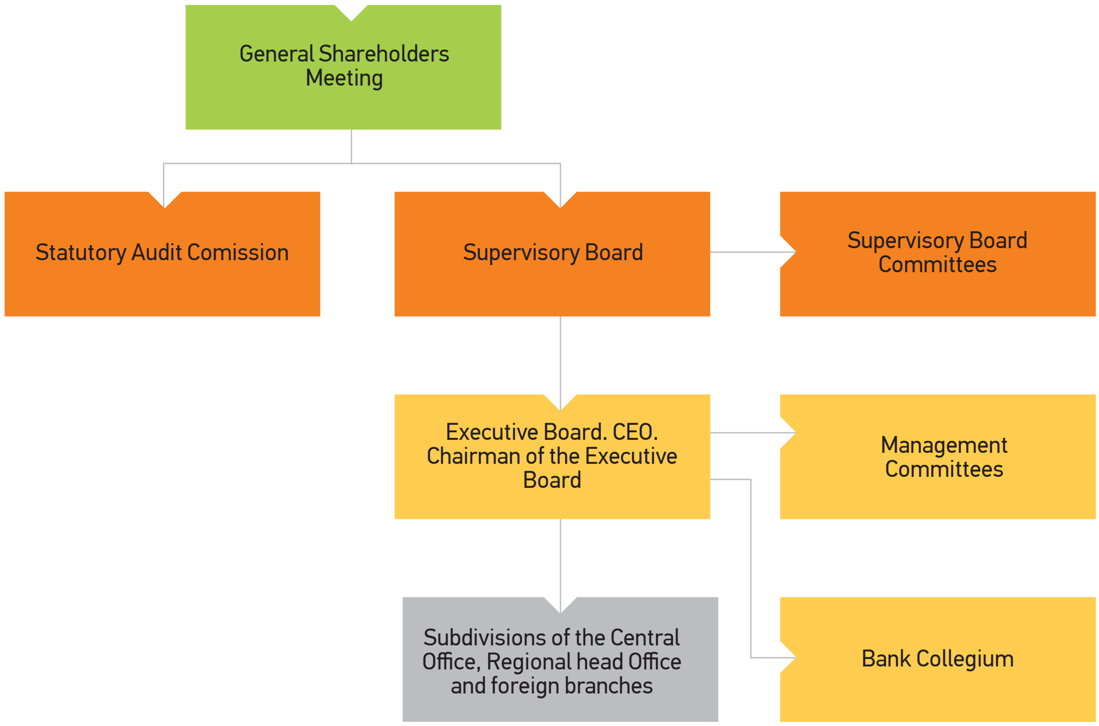
Development of processes and modern technologies is another strategic goal that should lead to the increase of reliability, growth of productivity and technological leadership.

The bank executes a number of important projects to create a basis for development of more sophisticate technologies. This includes consolidation of an IT infrastructure, creation of a multichannel model, development of big data management systems and further digitalization.

Modernization of management systems and HR-management: Continuous employee development — main milestones:

- advanced HR systems based on business requirements;
- IT development: establishing IT systems to improve operational efficiency, building an analytical platform that ensures business performance;
- creation of a monitoring system that adequately addresses the increasing complexity of business and volatility of external factors.

Corporate Governance



GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the highest management body that makes decisions regarding the Bank's key business issues. The annual General Shareholders' Meeting was convened on June 1, 2012. The Meeting approved the 2011 annual report prepared according to the requirements of the Federal Securities Commission and the annual report based on the requirements of the Central Bank of Russia. The Meeting also resolved to distribute profits and pay dividends for 2011, approved the independent auditor for 2012 and 1Q13, and elected members of the Supervisory Board and Statutory Audit Commission. In addition, the Meeting approved a new version of the Bank's Charter and decided on the payment of compensation to members of the Supervisory Board and Statutory Audit Commission.

SUPERVISORY BOARD

According to the Charter, the Supervisory Board is responsible for general management matters. The Supervisory Board is authorized to determine the Bank's business agenda, set up the collegial executive body (Executive Board), convene and prepare general shareholders' meetings, recommend the amount of dividends to be distributed and the distribution procedure, and, on a regular basis, hear the reports of the CEO and Chairman of the Executive Board on the Bank's financial results and progress toward achieving top-priority objectives, as well as other matters. The Bank's Charter contains a full list of matters under the authority of the Supervisory Board.

In 2012, the Supervisory Board held seven meetings to discuss various matters, such as: convening and preparing the annual General Shareholders' Meeting; the Bank's annual reports; recommendations on the distribution of profits and dividend amounts; selecting the Bank's auditor for 2012 and 1Q13; the activities of subsidiary banks and the creation of branches and representative offices abroad; progress on the implementation of the Strategy and Development Program through 2014, as well as aspects of the Bank's operations during the heightened macroeconomic tensions in Russia and worldwide; progress in achieving strategic targets of the investment banking business; development of the Bank's retail business and IT projects; the Bank's policy regarding interest rates and risk management; the Bank's interim operating results; the results of audits by the Internal Control Function and the approval of related-party transactions; and other issues.

The Supervisory Board was elected by the General Shareholders' Meeting. It consists of 17 members who meet the qualification and reputation requirements defined by federal legislation and the regulations of the Central Bank of Russia. The procedure for electing members of the Supervisory Board is outlined in the Charter.

MEMBERS OF THE SUPERVISORY BOARD ELECTED ON JUNE 1, 2012

1	Sergey Ignatiev	Chairman of the Central Bank of Russia
2	Georgy Luntovsky	First Deputy Chairman of the Central Bank of Russia
3	Alexei Ulyukaev	First Deputy Chairman of the Central Bank of Russia
4	Nadezhda Ivanova	Director of the Consolidated Economic Department of the Central Bank of Russia
5	Valery Tkachenko	Chief Auditor of the Central Bank of Russia
6	Sergey Shvetsov	Deputy Chairman of the Central Bank of Russia
	Sberbank management	
7	Herman Gref	CEO, Chairman of the Executive Board of Sberbank
8	Bella Zlatkis	Deputy Chairman of the Executive Board of Sberbank
	Independent and external directors	
9	Sergei Guriev	Rector of the New Economic School, a privately funded graduate school
10	Mikhail Dmitriev	President of the Center for Strategic Research
11	Mikhail Matovnikov	CEO of the Interfax Center for Economic Analysis
12	Vladimir Mau	Rector of the Russian Presidential Academy of National Economics and Public Administration
13	Rair Simonyan	Adviser for the CEO of “OJSC Rosneft”
14	Sergey Sinelnikov-Murylev	Rector of the Russian Foreign Trade Academy of the Ministry of Economic Development of the Russian Federation
15	Alessandro Profumo	Chairman of the Banca Monte Dei Paschi Di Siena, Italy
16	Dmitry Tulin	Professor at Russian Academy of Entrepreneurship
17	Ronald Freeman	Independent Adviser for Sberbank of Russia

The Supervisory Board elected on June 1, 2012 includes members from the Central Bank of Russia, the Russian government and Sberbank, as well as independent and external directors. In 2012, the bank’s major shareholder — the Central Bank of Russia — for the first time elected independent directors to the Supervisory Board, which increased their number in the body to 8 (the highest number in its history). Management representation was unchanged, as the Bank’s two top managers are included in the Supervisory Board.

For more information on members of the Supervisory Board, please refer to the 2012 Annual Report, prepared according to Russian securities legislation, and the Bank’s website.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board committees are special-purpose bodies established to conduct a preliminary review of the most important matters that fall under the responsibility of the Supervisory Board and to make relevant recommendations. The committees are formed annually from Supervisory Board members, with independent and external directors included in each committee. The committees facilitate communications with the bank's governing bodies. The committees' decisions are advisory in nature.

The Audit Committee is responsible for the preliminary assessment of candidates for the role of Sberbank's auditor, reviewing the auditor's and Statutory Audit Commission's reports, assessing the efficiency of the bank's internal controls and preliminary review of the bank's annual financial statements.

As of December 31, 2012, the committee was chaired by Vladimir Mau, and the other members were Nadezhda Ivanova, Valery Tkachenko, Rair Simonyan, Sergey Sinelnikov-Murylev and Dmitry Tulin.

The Staff and Remuneration Committee is responsible for developing policy and criteria for remuneration of Supervisory Board members and executive bodies of the Bank. It also makes suggestions on labour contracts of Supervisory Board members and members of executive bodies of the bank and evaluates activity of members of executive bodies.

As of December 31, 2012, the committee was chaired by Georgy Luntovsky, and the other members were Sergey Guriev, Vladimir Mau and Sergey Sinelnikov-Murylev.

The Strategic Planning Committee is responsible for the preliminary review of matters pertaining to the strategic management of the bank's operations in order to improve the bank's long-term efficiency.

As of December 31, 2012, the committee was chaired by Alexei Ulyukaev and the other members were Herman Gref, Mikhail Dmitriev, Alessandro Profumo, Mikhail Matovnikov, Sergey Sinelnikov-Murylev and Ronald Freeman.

ATTENDANCE OF SUPERVISORY BOARD MEETINGS AND MEETINGS OF ITS COMMITTEES

Member of the supervisory board	Supervisory Board	The Audit Committee	The Staff and Remuneration Committee	The Strategic Planning Committee
Herman Gref	7/7			1/1
Sergei Guriev	6/7		3/5	
Mikhail Dmitriev	6/7			1/1
Bella Zlatkis	6/7			
Nadezhda Ivanova	5/7	4/6		
Sergey Ignatiev	7/7			
Georgy Luntovsky	6/7		4/5	
Mikhail Matovnikov	7/7			1/1
Vladimir Mau	6/7	5/6	5/5	
Alessandro Profumo	5/7			1/1
Rair Simonyan	3/7	3/6		
Sergey Sinelnikov-Murylev	5/7	5/6	4/5	1/1
Valery Tkachenko	7/7	5/6		
Dmitry Tulin *	3/4	3/3		
Alexei Ulyukaev	6/7			1/1
Ronald Freeman *	4/4			
Sergey Shvetsov	7/7			

Number of sessions the Member of the Supervisory Board attended/number of sessions the member of the Supervisory Board should have attended.
* Elected to the Supervisory Board and its committees on June 1, 2012.

Evaluation of the effectiveness of the Bank's Supervisory Board

Acting on the recommendation of the Supervisory Board's Staff and Remuneration Committee, the Bank commissioned the international consulting company Oliver Wyman to review and report on the effectiveness of the Supervisory Board and its Committees in 2012.

This project is the first external assessment of the Supervisory Board of Sberbank. It is the intention of the Board to undertake an evaluation of its performance and that of its Committees on an annual basis, with external assessment at least every third year.

EXECUTIVE BOARD

The CEO and Chairman of the Executive Board and the collegial executive body — the Executive Board — direct the bank's current operations. The procedure for electing the CEO and Chairman of the Executive Board and the Executive Board is laid out in the charter.

In 2011, the Executive Board considered the following matters: business planning; assets and liabilities management; adoption of a risk-management integration policy; acquisition of DenizBank; a management concept for subsidiaries and associates; classification of loans and advances to customers; change in the bank's organizational structure; participation in charity events and other issues.

AS OF DECEMBER 31, 2012, THE BOARD WAS COMPOSED OF 13 MANAGERS

1	Herman Gref	CEO, Chairman of the Executive Board
2	Igor Artamonov	Deputy Chairman of the Executive Board
3	Sergey Gorkov	Deputy Chairman of the Executive Board
4	Andrey Donskih	Deputy Chairman of the Executive Board
5	Bella Zlatkis	Deputy Chairman of the Executive Board
6	Anton Karamzin	Deputy Chairman of the Executive Board
7	Stanislav Kuznetsov	Deputy Chairman of the Executive Board
8	Alexander Torbakhov	Deputy Chairman of the Executive Board
9	Denis Bugrov	Senior Vice President
10	Olga Kanovich	Senior Vice President
11	Victor Orlovsky	Senior Vice President
12	Alexander Bazarov	Vice President, Director of the Corporate Clients Department
13	Alexander Morozov	Vice President, Director of the Finance Department

According to the ruling of the bank's Supervisory Board on November 16, 2012, effective from January 1, 2013:

- Alexander Morozov was appointed to the position of Deputy Chairman of the Executive Board;
- Nikolai Tsekhomsky was appointed to the position of Vice President, Director of Finance Departmant and joined the board;
- Vadim Kulik was appointed to the position of Senior Vice President and joined the board (effective from January 15, 2013);
- Anton Karamzin resigned from the board.

In accordance with the decision of the Supervisory Board on February 22, 2013:
- Vadim Kulik was approved to become Deputy Chairman of the Executive Board;
- Maxim Poletaev was elected Member of the board as of March 1, 2013;
- as of March 1, 2013 , Victor Orlovsky resigned from the board.

For more information on the CEO and Chairman of the Executive Board and board members, please refer to the 2012 Annual Report, prepared in accordance with Russian securities legislation, and the bank's website.

MANAGEMENT COMMITTEES

A number of collegial bodies (committees) were established under the Executive Board to improve the management's efficiency and help to develop the bank's business. Their main task is to resolve issues and establish a unified, coordinated policy across different lines of the bank's operations.

The list of the bank's committees is as follows:
- Corporate Business Committee;
- Loans and Investments Committee;
- Committee for Distressed Assets;
- Retail Business Committee;
- Retail Lending Committee;
- Asset and Liability Management Committee;
- Committee on Implementation of the Development Strategy;
- Processes and Technologies Committee;
- Staff Management Committee;
- Subsidiaries and Associated Companies Management Committee;
- Committee for Addressing Conflicts of Interest;
- The Group Risks Committee;
- The Group Trading Risks Committee.

COLLEGIUM

The Collegium, a permanent collegial working body, has been operating at Sberbank since 2008. It is comprised of members of the Executive Board and heads of territorial and subsidiary banks. The body is a platform for discussion of strategic development issues and determining the best solutions with regard to the specific regional features of the bank's activity.

The Collegium met three times in 2012 in order to discuss and decide on such key matters as the bank's development up to 2019, the new organizational model for the bank's regional network, productivity management, headcount and other issues.

Statutory Audit Commission

The annual General Shareholders' Meeting elects the Statutory Audit Commission to supervise the bank's business. The Statutory Audit Commission oversees the Bank's compliance with legal and other acts governing the bank's activity, the exercise of internal control in the bank and the legitimacy of its operations. The Statutory Audit Commission assesses the accuracy of information included in the bank's annual reports and presented in its financial statements.

MEMBERS OFTHE STATUTORY AUDIT COMMISSION ELECTED ON JUNE 1, 2012

Olga Polyakova	Director of the Internal Audit Department, Central Bank of Russia
Natalia Borodina	Head of Section, Internal Audit Department, Central Bank of Russia
Vladimir Volkov	Deputy Director of the Accounting and Reporting Department, Head of the Division for Methodology, Implementation of Accounting Standards, Development and Updating of the Methodological Framework for Financial Reporting under International Standards, Central Bank of Russia
Maxim Dolzhnikov	Deputy Director of the Internal Control, Revisions and Audit Department, Sberbank
Yulia Isakhanova	Head of the Financial Control Division of the Finance Department, Sberbank
Irina Kremleva	Deputy Director of the Risk Department, Sberbank; Vice President of Sberbank since January 22, 2013.
Alexei Minenko	Deputy Chief Accountant, Deputy Director of the Accounting Department, Sberbank

REMUNERATION OF MEMBERS OF THE BANK'S GOVERNING BODIES

The Staff and Remuneration Committee of Sberbank's Supervisory Board is authorized to establish the principles and criteria for determining the remuneration of members of the Supervisory Board and the CEO and Chairman of the Executive Board, as well as members of Sberbank's Executive Board. The decision to pay remuneration to members of the Supervisory Board is made at the annual General Shareholders' Meeting.

Executive Board remuneration

Salaries and bonuses are paid to members of the Executive Board in accordance with contracts signed with the Chairman and CEO of the Bank and each board member. The bank does not pay any commission or use any stock options for the remuneration of board members.

There were no stock options or interest-free or preferential loans issued to bank employees in 2012 or 2011 and no other indirect incentive schemes offered (such as insurance or credit-deposit programs).

To control expenses with respect to board members' remuneration, the following limits were set by the bank's Supervisory Board:

- limits on regular salary;
- limits on the bonus paid during the year subject to Sberbank's net profit and the performance and KPIs of a given board member;

- limits on the annual bonus paid as a percentage of the bank's net profit.

These limits are stipulated in each board member's employment contract. Information on the value of payments to Executive Board members is published on the Sberbank website as part of the bank's quarterly reports.

Payments made to Executive Board members for 2012 amounted to 2.4 bln RUB, (versus 2.2 bln RUB in 2011).

Remuneration of members of the Supervisory Board and the Statutory Audit Commission

Based on the decision made at the General Shareholders' Meeting on June 1, 2012, remuneration of members of the Supervisory Board and the Statutory Audit Commission is as follows:

- remuneration of Supervisory Board members in 2011 — 55.8 mln RUB;

  In November 2012, the Supervisory Board adopted a new approach to remunerating Supervisory Board members, which will be brought for approval at the AGM in 2013. According to this policy, the remuneration consists of a fixed part and additional variable part for participation in board committees, as well as for chairing the committees and the Supervisory Board.

- remuneration of Statutory Audit Commission in 2011 — 3.3 mln RUB.

Compliance with Corporate Governance Code

Sberbank is committed to high standards of corporate governance. Sberbank has complied during 2012 with the applicable Code of Corporate Conduct recommended by the FCSM for the companies founded in the Russian Federation, and Sberbank's Corporate Governance Code developed on this basis and approved at the shareholders meeting.

The respect of the rights and legitimate interests of shareholders and clients, transparency, sustainable efficiency and financial stability, and profitability are of the first priority for the Bank. The Code is available at the Bank's website: www.sberbank.ru.

SHARE CAPITAL

As of December 31, 2012, the bank's share capital totaled 67.76 bln RUB and consisted of 21,586,948,000 ordinary shares and 1,000,000,000 preferred shares with a par value of 3 RUB. Sberbank's principal shareholder is the Central Bank, which owns the majority of the bank's voting shares.

SHARE CAPITAL STRUCTURE (COMMON STOCK)

%	2012*	2011
Bank of Russia	50.00	57.58
Foreign legal entities	44.05	33.43
Russian legal entities	2.30	4.16
Foreign private investors	0.01	0.01
Russian private investors	3.64	4.82

Sberbank is a public company. Its shares are in free float on the Russian stock market and its ADRs are traded in London and Frankfurt and US market on the OTC basis. In 2012, Sberbank shares continued to be the most liquid instruments on the Russian stock market; the average daily trading volume of Sberbank ordinary shares accounted for 30.5% of total trading volumes on MICEX*.

The most important event in 2012 was Sberbank's SPO, which is considered one of the year's largest public offerings globally. To comply with decisions of the National Banking Board, agreed with the government of the Russian Federation, the Central Bank sold 7.58% of Sberbank's ordinary shares via offering shares on MICEX and ADRs on international markets.

Preparation for the SPO took 15 months, but it was executed in the narrow term of two days. The Central Bank's holding was sold for 160 bln RUB, with demand substantially exceeding supply. The deal demonstrated investors' high level of confidence in the Russian economy and Sberbank. As a result, the Central Bank's share in Sberbank's equity fell to 50% plus 1 voting share, or a 52.32% voting stake.

The price of Sberbank's ordinary shares increased 17% in 2012 to reach 92.9 RUB per share, while the MICEX Index grew slightly more than 5% over the same period. The stock price remained volatile throughout the year, affected by continued turbulence in the global economy. Despite this volatility, Sberbank was ranked as the 20th largest major global bank by market capitalization in the FT Global 500.

Sberbank's share price and market capitalization	Jan 1, 2013	Jan 1, 2012
Ordinary shares (MICEX), RUB per share	92.9	79.4
Preferred shares (MICEX), RUB per share	67.3	59.2
MICEX Index	1,475	1,402
RTS Index	1,527	1,382

Sberbank strives to implement proactive approach in dealing with investors and building long lasting relations. In 2012 Sberbank's management met with more than 1000 investment funds' representatives, took part in 11 investment conferences, and held a few events of special formats for the investors.

* As of April 11, 2013.
** Sberbank calculations.

REPORT ON PAYMENT OF DECLARED AND ACCRUED DIVIDENDS

The right to dividends and dividend payment procedure are stipulated by Sberbank's charter and dividend policy. Both documents can be found on Sberbank's corporate website.

Holders of ordinary and preferred shares are entitled to dividends. The minimum dividend on preferred shares is 15% of the nominal value of a preferred share. Pursuant to the bank's charter, dividends are payable once a year in cash by transfer to the shareholder's bank account. The decision to pay dividends and their amount is made at the annual General Shareholders' Meeting, based on the Supervisory Board's recommendations. These recommendations are made taking into consideration the interests of the shareholders and further development of the bank's business.

In the reporting year, the bank increased the amount to be distributed as dividends on Sberbank shares to 15.3% of 2011 net profit based on Russian accounting standards (RAS).

Year for which dividends are paid	Percentage of IFRS net profit distributed as dividends	Percentage of RAS net profit distributed as dividends	Dividend declared/ accrued per ordinary share, *RUB*	Dividend declared/ accrued per preferred share, *RUB*	Total dividends declared/accrued on all ordinary and preferred shares, *RUB mln*	Total dividends paid on all ordinary and preferred shares, *RUB mln*	Date of General Shareholders' Meeting that decided to pay/declare dividends
2009		10.0%	0.08	0.45	2,177	2,165	Jun 4, 2010
2010		12.1%	0.92	1.15	21,010	20,922	Jun 3, 2011
2011	15.0%	15.3%	2.08	2.59	47,491	47,277	Jun 1, 2012

The Supervisory Board adopted a new dividend policy in August 2011. As part of its plans to improve capital structure and build long-term shareholder engagement, the bank will gradually, over a three-year period, increase dividends to 20% of net profit attributable to the bank's shareholders based on the bank's annual consolidated financial statements under International Financial Reporting Standards (IFRS). However, dividends will still be paid out of net profit based on Russian legislation, i.e. RAS. The bank started to distribute dividends according to this policy in 2011.

The table below shows the amount of dividends on Sberbank shares for 2012 that the Supervisory Board recommended for approval at the General Shareholders' Meeting.

Percentage of IFRS net profit, *%*	Percentage of RAS net profit distributed as dividends, *%*	Dividend declared/accrued per ordinary share, *RUB*	Dividend declared/accrued per preferred share, *RUB*	Total dividends declared/ accrued on all ordinary and preferred shares, *mln RUB*
16.9	17.0	2.57	3.20	58,678

The decision on dividends for 2012 will be taken at the annual General Shareholders' Meeting on. This information will be available on Sberbank's website.

FINANCIAL REVIEW

Dynamics of Sberbank Group's key figures over the past five years in accordance with IFRS

	2012	2011	chng.	2010	2009	2008
For the year, RUB bln						
Operating income before provisions	920.8	736.3	25.1%	648.0	635.1	435.6
Provision charge for loan impairment	(21.5)	1.2	—	(153.8)	(388.9)	(97.9)
Operating income	899.3	737.5	21.9%	494.2	246.2	337.7
Operating expenses	(451.4)	(341.8)	32.1%	(264.1)	(216.3)	(207.8)
Profit before tax	447.9	395.7	13.2%	230.1	29.9	129.9
Net profit	**347.9**	**315.9**	**10.1%**	**181.6**	**24.4**	**97.7**
As of 31 December, RUB bln						
Loans and advances to customers, net	10,499	7,720	36.0%	5,489	4,864	5,078
Loans and advances to customers before provision for loan impairment	11,064	8,382	32.0%	6,192	5,444	5,280
Total assets	15,097	10,835	39.3%	8,629	7,105	6,736
Due to individuals and corporate customers	10,179	7,932	28.3%	6,651	5,439	4,795
Total liabilities	**13,474**	**9,567**	**40.8%**	**7,641**	**6,326**	**5,986**
Total equity	**1,624**	**1,268**	**28.1%**	**987**	**779**	**750**
Per share, *RUB per share*						
Basic and diluted earnings	16.0	14.6	9.6%	8.4	1.1	4.5
Dividends per ordinary share declared during the year	2.1	0.9	133.3%	0.1	0.5	0.5
Net assets per ordinary share	75.2	58.7	28.1%	45.7	36.1	34.8
Financial ratios, %						
Profitability ratios						
Return on assets (ROA)	2.7	3.2	-0.5 pp	2.3	0.4	1.7
Return on equity (ROE)	24.2	28.0	-3.8 pp	20.6	3.2	14.1
Spread (return on assets less cost of funds)	5.8	6.1	-0.3 pp	5.9	7.1	6.5
Net interest margin (net interest income to average assets)	**6.1**	**6.4**	**-0.3 pp**	**6.4**	**7.6**	**6.9**
Operating expenses to operating income before provisions	49.0	46.4	2.6 pp	40.9	34.1	47.7
Loans and advances to customers after provision for loan impairment to amounts due to individuals and corporate customers	103.1	97.3	5.8 pp	82.5	89.4	105.9
Capital adequacy ratios						
Core capital ratio (Tier I)	10.4	11.6	-1.2 pp	11.9	11.5	12.1
Total capital ratio (Tier I and Tier II)	13.7	15.2	-1.5 pp	16.8	18.1	18.9
Equity to total assets	10.8	11.7	-0.9 pp	11.4	11.0	11.1
Asset quality ratios, %						
Non-performing loans to total loans outstanding	3.2	4.9	-1.7 pp	7.3	8.4	1.8
Provision for loan impairment to non-performing loans (times)	1.6	1.6	0.0 pp	1.6	1.3	2.1
Provision for loan impairment to total gross loans to customers	5.1	7.9	-2.8 pp	11.3	10.7	3.8

Group IFRS Income statement

GENERAL TRENDS

In 2012, Sberbank Group's net profit by IFRS increased 10.1% to 347.9 bln RUB. The contribution of assets acquired in 2012 (VBI Group, DenizBank, Cetelem) to the bottom line on the group level was a negative 4.0 bln RUB mainly driven by the acquisition of VBI Group.

The Group's operating income before provisions increased in 2012 by 25.1% to 920.8 bln RUB driven mostly by net interest income and net fee income from the core banking business.

Operating expenses for 2012 increased by 32.1% to 451.4 bln RUB attributable to growth of personnel expense and continuing investments in the modernization of the bank's branch, network and IT systems.

The Group created in 2012 21.5 bln RUB of provisions for loan impairment; nearly half of these provisions are attributable to newly acquired VBI Group.

INTEREST INCOME

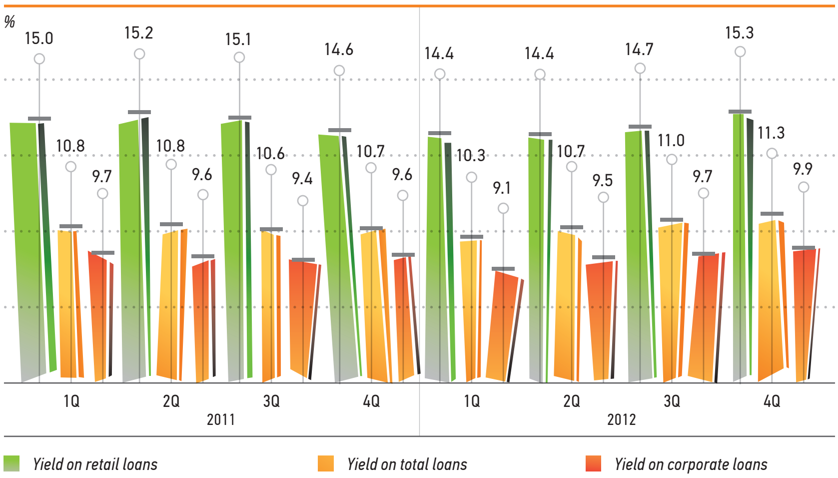
In 2012, the Group's interest income increased 36.1% to nearly 1.2 trln RUB. Most of this growth came from the expansion of the Group's loan portfolio, which supplied 96.4% of the growth in interest income for the year.

RUB bln	2012			2011		
	Average amount for the period	Interest income	Average yield, %	Average amount for the period	Interest income	Average yield, %
Loans to corporate customers	7,284.8	693.8	9.5	5,416.0	518.2	9.6
Loans to individuals	2,348.9	343.8	14.6	1,495.2	223.6	15.0
Due from other banks	426.9	6.7	1.6	371.6	7.0	1.9
Debt securities	1,588.9	113.0	7.1	1,523.9	101.8	6.7
Total	**11,649.5**	**1,157.3**	**9.9**	**8,806.7**	**850.6**	**9.7**
Provision for loan impairment	(600.4)			(669.8)		
Other assets	1,650.3			1,126.2		
Total assets	**12,699.4**			**9,263.1**		

Growth of interest income was driven by the expansion of volumes of earning assets and by the increase of high yield products in interest earning assets.

As the table above demonstrates, average yield on loans declined in 2012. The average yield on total earning assets increased from 9.7% to 9.9%, however, because of faster growth of loans, especially retail loans that have the highest yields of all asset classes.

LOAN YIELDS



INTEREST EXPENSE

The most important factor that influenced the Group's interest expense in 2012 was the shortage of liquidity in the Russian banking system, the main market for the Group, where customer lending was growing faster than deposits. Though the Central Bank of Russia had significantly extended volumes of liquidity it provides to Russian banks by means of its market instruments, high demand brought a general increase in interest rates on customer deposits and borrowing in the money market. This led to a noticeable increase in cost of funds for The Group.

Funds from retail customers remain the core item in the liability structure. Due to an increased share of current accounts, the cost of total retail funds increased by just 0.1 pp to 4.2% in 2012.

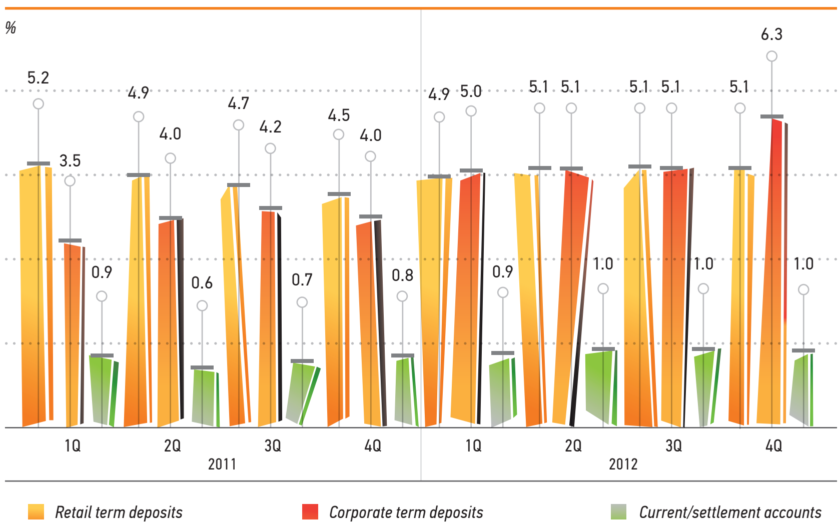
RUB bln	2012			2011		
	Average amount for the period	Interest expense	Average cost	Average amount for the period	Interest expense	Average cost
Due to individuals	6,224.5	262.5	4.2%	5,129.1	211.0	4.1%
Due to corporate customers	2,676.0	90.5	3.4%	1,906.6	36.5	1.9%
Subordinated debt	327.9	20.9	6.4%	310.7	19.5	6.3%
Other borrowed funds	313.2	6.9	2.2%	195.4	4.2	2.1%
Debt securities in issue	483.6	25.1	5.2%	267.8	12.8	4.8%
Due to banks	928.1	46.6	5.0%	158.6	5.6	3.5%
Total	**10,953.3**	**452.5**	**4.1%**	**7,968.2**	**289.6**	**3.6%**
Other liabilities	305.5			165.4		
	11,258.8			**8,133.6**		

RUB bln	2012			2011		
	Average amount for the period	Interest expenses	Average cost of funds, %	Average amount for the period	Interest expenses	Average cost of funds, %
Due to corporate customers						
Term deposits	1,348.5	73.7	5.5%	658.4	26.0	3.9%
Current accounts	1,327.5	16.8	1.3%	1,248.2	10.5	0.8%
Sub-total	2,676.0	90.5	3.4%	1,906.6	36.5	1.9%
Due to individuals						
Term deposits	5,072.4	253.7	5.0%	4,288.8	205.8	4.8%
Current accounts	1,152.1	8.8	0.8%	840.3	5.2	0.6%
Sub-total	6,224.5	262.5	4.2%	5,129.1	211.0	4.1%
TOTAL	**8,900.5**	**353.0**	**4.0%**	**7,035.7**	**247.5**	**3.5%**

The cost of corporate deposits increased by 1.5 pp, mostly driven by higher costs of corporate term deposits. Furthermore, average annual amount of these deposits doubled in 2012.

Interest expenses on sums due to banks reached 46.6 bln RUB in 2012 compared with 5.6 bln RUB in 2011. This increase is explained by large borrowings from the Central Bank of Russia, the largest liquidity provider for the market. The average cost of funds from other banks was 5.0% in 2012 (versus 3.5% in 2011).

COST OF LIABILITIES



NET INTEREST INCOME

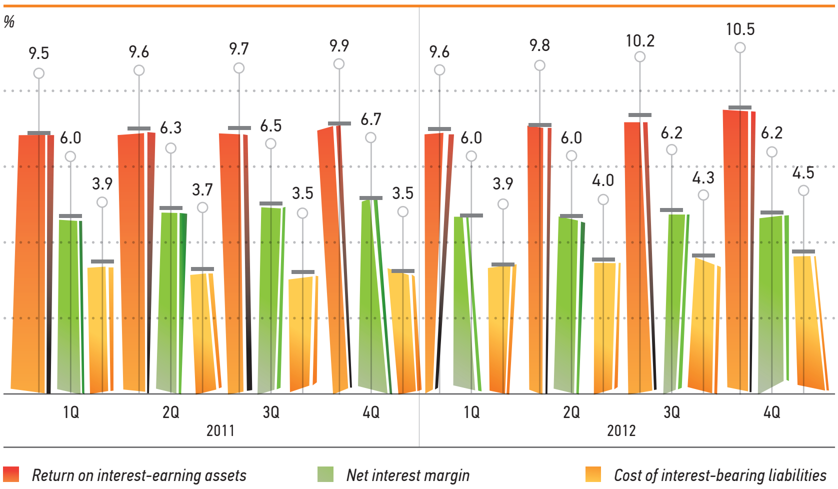
Net interest income earned in 2012 totaled 704.8 bln RUB, increasing 25.6% for the year (or 20.4% excluding 2012 acquisitions).

The net interest margin declined by 0.3 pp y-o-y to 6.1%. The margin was negatively affected by 1) the rising share of relatively expensive corporate term deposits, which increased the absolute figure for interest expenses as well as the ratio of interest-bearing liabilities to interest-earning assets; 2) increased debt from other banks that is dominated by relatively expensive repo loans from CBR; and 3) decreased yields on loans. On the other hand, increased share of loans in interest-earning assets structure supported NIM.

THE FOLLOWING FACTORS AFFECTED NIM IN 2012

2011 NIM	6.4%
Return on corporate loans	-
Return on retail loans	-0.1%
Return on amounts due from other banks	-
Return on securities	0.1%
Structure of interest-earning assets	0.3%
Costs of amounts due to corporate customers	-0.3%
Costs of amounts due to individuals	-0.1%
Costs of amounts due to other banks	-0.1%
Costs of issued securities and subordinated debt	-
Structure of interest-bearing liabilities	-
Ratio of interest-earning assets to interest-bearing liabilities	-0.1%
2012 NIM	6.1%

QUARTERLY INTEREST MAGRIN



FEE AND COMMISSION INCOME/EXPENSE

RUB bln	2012	2011	Change, *RUB bln*	Change, %
Plastic card operations	51.9	35.1	16.8	47.9%
Cash and settlement transactions with individuals	48.7	41.5	7.2	17.3%
Cash and settlement transactions with legal entities	47.5	42.5	5.0	11.8%
Agent commissions on selling insurance contracts	17.0	14.0	3.0	21.4%
Guarantees issued	7.3	4.4	2.9	65.9%
Operations with foreign currencies	5.2	6.5	(1.3)	-20.0%
Cash collection	5.1	4.7	0.4	8.5%
Operations with securities	2.6	1.1	1.5	136.4%
Other	3.9	2.1	1.8	85.7%
Fee and commission expense	(18.9)	(11.2)	(7.7)	68.8%
Net fee and commission income	170.3	140.7	29.6	21.0%

The Group's net fee and commission income increased 21% to 170.3 bln RUB in 2012.

The largest item and main driver of fee income growth were fees from operations with bankcards, which increased 47.9% for the year. Cash operations and settlement transactions with individuals and legal entities increased 14.5% to 96.2 bln RUB in 2012. Agent commissions on selling insurance contracts and fees from issuing guarantees also delivered strong growth.

FINANCIAL RESULTS FROM OPERATIONS WITH SECURITIES

The Group's net gains from operations with securities for 2012 shown in the income statement totaled 5 bln RUB, slightly less than in 2011.

In 2012, the Group received a substantial gain on securities available for sale shown in other comprehensive income. Most of this gain was recorded in 2H12 as the financial markets picked up.

RUB bln	2012	2011	Change, *RUB bln*
Net gains/(losses) arising from trading securities	3.2	(1.4)	4.6
Net gains/(losses) arising from securities designated at fair value through profit or loss	(0.7)	(2.8)	2.1
Net gains arising from investment securities available for sale	7.5	12.1	(4.6)
Impairment of investment securities available for sale	(5.0)	(1.1)	(3.9)
Total gain in securities — income statement	5.0	6.8	(1.8)
Gain on securities available for sale — other comprehensive income	55.7	(39.8)	95.5
Total net gain on securities — total comprehensive income	60.7	(33.0)	93.7

GAINS FROM FOREIGN EXCHANGE OPERATIONS

RUB bln	2012	2011	Change, *RUB bln*	Change, %
Net gains arising from trading in foreign currencies	10.6	5.5	5.1	92.7%
Net gains on revaluation of foreign currency derivatives	8.4	2.6	5.8	223.1%
Net foreign exchange translation (losses)/gains	0.6	1.4	(0.8)	-57.1%
TOTAL	**19.6**	**9.5**	**10.1**	**106.3%**

Net gains from foreign exchange operations in 2012 totaled 19.6 bn RUB. A substantial part of this should be attributed to Troika Dialog's integration into Sberbank Group. Significant synergies revealed themselves during 2012, revenues from forex and derivatives operations demonstrating strong growth, especially in 2H12. The overwhelming part of this growth came from trading with customers; the role of proprietary risk-taking trading was immaterial.

OPERATING EXPENSES

RUB bln	2012	2011	Change, *RUB bln*	Change, %
Staff costs	245.8	201.3	44.5	22.1
Depreciation of premises and equipment	51.8	42.4	9.4	22.2
Administrative expenses	30.7	22.5	8.2	36.4
Repairs and maintenance of premises and equipment	29.8	24.8	5.0	20.2
Taxes other than on income	19.3	11.7	7.6	65.0
Telecommunication expenses	19.1	10.8	8.3	76.9
Operating lease expenses for premises and equipment	16.8	10.4	6.4	61.5
Advertising and marketing services	9.6	5.1	4.5	88.2
Consulting and assurance services	7.3	3.5	3.8	108.6
Other	21.2	9.3	11.9	128.0
Total operating expenses	**451.4**	**341.8**	**109.6**	**32.1**

The Group's operating expenses increased 32.1% to 451.4 bln RUB in 2012. Excluding the impact of the acquisitions of VBI Group, DenizBank and Cetelem, operating expenses increased 26.1%.

By far the largest increase of the Group's operating expenses came in staff costs. These increased 22.1% (or 44.5 bln RUB) to 245.8 bln RUB for the whole Group. Excluding the effect of the abovementioned acquisitions, staff costs increased 17.9%. Personnel expenses in Sberbank standalone increased in 2012 mostly as a result of the continuing policy of gradually bringing the pay level of all categories of personnel across Russia in line with the market.

The Group's other operating expenses increased 46.3% (or 65.1 bln RUB) to 205.6 bln RUB in 2012 (37.9% excluding the effect of the abovementioned acquisitions). Their growth is attributable mostly to higher depreciation of premises and equipment, administrative expenses, telecommunication expenses, and operating lease expenses for premises and equipment. In Sberbank standalone, growth of these expenses was driven mostly by continuing investments in modernization of Sberbank's branch network and IT systems.

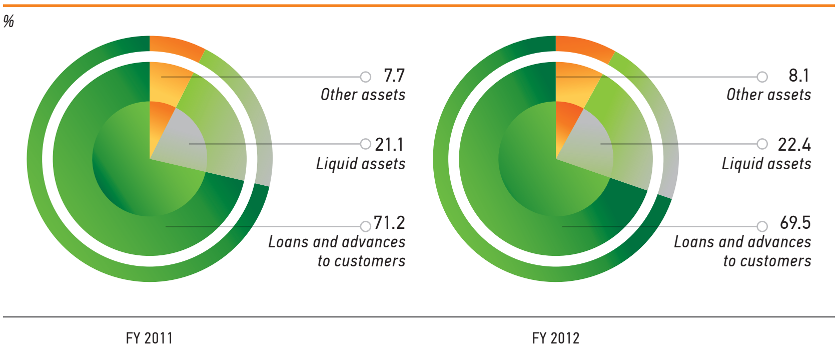
Structure of Sberbank Group's Assets under IFRS

GENERAL TRENDS

In 2012, the Group's assets increased 39.3% to 15.1 trln RUB as of December 31, 2012. Excluding the influence of the acquisitions of VBI Group, DenizBank and Cetelem, the increase was 26.4%.

Loans and advances to customers remained the largest asset class, comprising 69.5% of total assets as of end 2012. The proportion of liquid assets — comprising cash and cash equivalents, placements with banks and the securities portfolio — increased 1.3 pp to 22.4% of total assets by year end.

ASSET STRUCTURE



The securities portfolio increased by 343.9 bln RUB to 2.0 trln RUB at end 2012 and is comprised of bonds by circa 96%. The portfolio is primarily used for liquidity management.

LOANS AND ADVANCES TO CUSTOMERS

The Group's total gross loan portfolio increased 32.0% y-o-y to 11.1 trln RUB, including newly consolidated banks. Without the acquisitions, the portfolio expanded 20.5% in 2012.

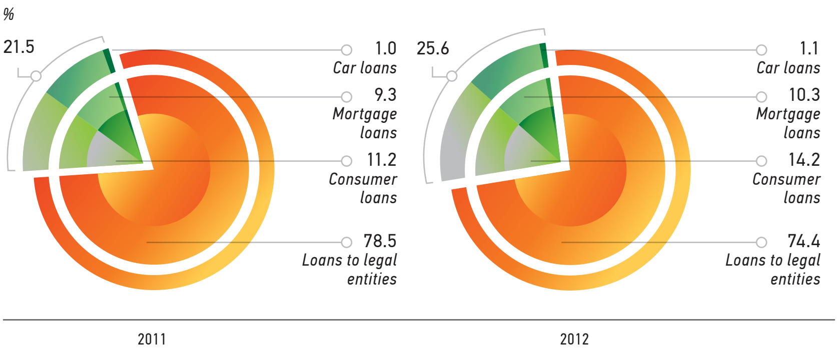
BREAKDOWN OF GROSS LOANS AND ADVANCES TO CUSTOMERS

	2012		2011	
	RUB bln	*% total*	*RUB bln*	*% total*
Commercial loans to legal entities	5,281.5	47.8	4,012.9	47.9
Specialized loans to legal entities	2,946.3	26.6	2,563.7	30.6
Consumer and other loans to individuals	1,569.7	14.2	944.0	11.2
Mortgage loans to individuals	1,143.4	10.3	777.4	9.3
Car loans to individuals	123.4	1.1	84.2	1.0
Total loans and advances to customers before provision for loan impairment	**11,064.3**	**100**	**8,382.2**	**100**

In 2012, retail loans increased 57.1%. This large growth is partially explained by the acquisitions of VBI Group, DenizBank and Cetelem. Excluding the influence of these acquisitions, retail loans still demonstrated a remarkable growth rate of 42.2% for the year.

Corporate loans increased 25.1% in 2012. Excluding the acquisitions, they grew 14.8%. As a result, loans to individuals increased to 25.6% of total gross loans in 2012 versus 21.5% in 2011.

STRUCTURE OF THE GROUP'S GROSS LOAN PORTFOLIO

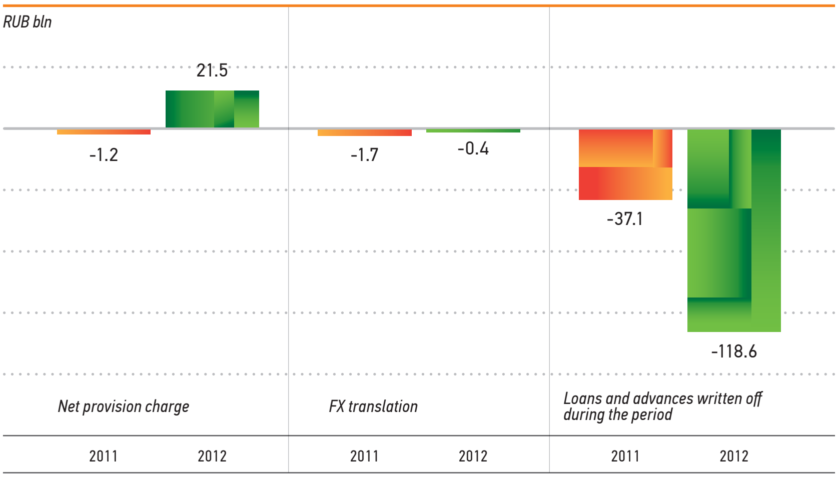


Despite the rapid expansion of the retail portfolio, its quality remained high, with the share of non-performing loans in total gross loans to individuals declining to 2.7% by end 2012 versus 3.0% the year before. This result is attributable to the acquisition effect and to the improvements in risk-management systems and a conservative lending policy.

In 2012, we successfully increased underwriting of loans to all categories of clients, especially in the SME segment (a 32.8% y-o-y increase of the portfolio, or 12.5% excluding acquisitions). These efforts resulted in a decline of exposure to the Top 20 clients to 19.3% of total corporate loans at end 2012 from 23.3% in 2011.

Corporate loan quality remained solid with the proportion of non-performing to total corporate loans declining to 3.3% by end 2012, compared with 5.4% the year prior. This reduction is the result of an intensive workout of problem loans, as well as large write-offs that mostly occurred in the first part of the year and totaled 118.6 bln RUB for 2012 versus 37.1 bln RUB in 2011.

CHANGE IN PROVISIONS FOR LOAN IMPAIRMENT



SECURITIES PORTFOLIO

The Group's securities portfolio increased 21.2% in 2012 to 2.0 trln RUB, with half of the growth attributable to the acquisitions of VBI Group, DenizBank and Cetelem.

The securities are used primarily for liquidity management. The proportion of equities in the portfolio decreased from 10.3% in 2011 to 3.9% by end 2012.

As of end 2012, the portfolio included foreign government bonds from the following countries: Turkey (61.1% of the total); East European EU members (16.5%); and Austria, France and Belgium and Germany (8,8%). Investment-grade securities make up 83.5% of the portfolio. These bonds came mostly as a result of the acquisition of VBI Group and DenizBank.

Corporate bonds reached 32.6% of the total portfolio as of end 2012. This represents an increase of nearly 0.9 pp in the total portfolio, and the share of investment-grade paper in this category increased to 52.5% as of end 2012 (versus 43.7% in 2011).

During 2012, the share of securities pledged under repo transactions increased to 48.2% of the total portfolio, from 18.5% in 2011. Most of these transactions are with the Central Bank of Russia and peaked in 4Q12 due to tight liquidity in the banking system.

SECURITIES PORTFOLIO BREAKDOWN

	2012		2011	
	RUB bln	*% of total portfolio*	*RUB bln*	*% of total portfolio*
Federal loan bonds (OFZ bonds)	783.9	39.8	712.5	43.8
Corporate bonds	641.6	32.5	514.7	31.7
Foreign government bonds	205.0	10.4	26.5	1.6
Russian Federation Eurobonds	141.7	7.2	66.3	4.1
Municipal and sub-federal bonds	118.4	6.0	134.5	8.3
Corporate shares	76.5	3.9	166.7	10.3
Investments in mutual funds	3.1	0.2	2.6	0.2
Promissory notes	–	–	2.0	0.0
Total	**1,969.7**	**100.0**	**1,625.8**	**100.0**

BOND PORTFOLIO BY CREDIT RATING

	2012		2011	
	RUB bln	*% of total portfolio*	*RUB bln*	*% of total portfolio*
Investment grade	1,514.2	80.1	1,105.5	75.9
Speculative grade	331.0	17.5	267.8	18.4
Not rated	44.9	2.4	83.2	5.7
Total	**1,890.1**	**100,0**	**1 456,5**	**100,0**

Structure of Sberbank Group's Liabilities and Equity under IFRS

GENERAL TRENDS

The Group's liability structure is dominated by retail and corporate customer funds totaling 10.2 trln RUB, or 75.5% of total liabilities as of end 2012.

The Group increased borrowings from banks by a considerable 920 bln RUB (up 172.8% y-o-y); 66.7% of this incremental addition is attributable to repo operations mainly with the Central Bank of Russia.

bln RUB	**December 31, 2012**	**December 31, 2011**	**Change, *RUB bln***	**Change, %**
Due to banks	1,452.4	532.4	920.0	172.8%
Due to individuals	6,983.2	5,726.3	1,256.9	21.9%
Due to corporate customers	3,196.1	2,205.8	990.3	44.9%
Debt securities in issue	691.7	268.7	423.0	157.4%
Other borrowed funds	469.2	244.0	225.2	92.3%
Deferred income tax liability	33.2	21.2	12.0	56.6%
Other financial liabilities	199.7	222.8	(23.1)	-10.4%
Other non-financial liabilities	63.4	42.4	21.0	49.5%
Subordinated debt	384.7	303.5	81.2	26.8%
Total	**13,473.6**	**9,567.1**	**3,906.5**	**40.8%**

CUSTOMER DEPOSITS

The Group's corporate deposits increased 44.9% in 2012. Excluding the acquisitions, the growth was 27.1%. As was mentioned above, the volume of corporate term deposits nearly doubled for the year reaching 2.0 trln RUB (excluding the acquisitions); their share in total corporate deposits grew to 61.5%, versus 37.8% in 2011. This relatively expensive source of funding was the main factor contributing to the upward shift in the cost of liabilities.

The Group's retail deposits increased 21.9% in 2012; excluding the acquisitions of 2012, the growth was 14.0%. Current accounts increased 30,1%, and 12,1% excluding the effect of acquisitions. The proportion of current accounts in retail deposits increased to 20.1% as of end 2012.

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS

	December 31, 2012		December 31, 2011	
	RUB bln	*% of total*	*RUB bln*	*% of total*
Due to individuals				
Current/demand accounts	1,401.1	13.8	1,077.0	13.6
Term deposits	5,582.1	54.8	4,649.3	58.6
Total due to individuals	**6,983.2**	**68.6**	**5,726.3**	**72.2**
Due to corporate customers				
Current/settlement accounts	1,229.1	12.1	1,372.3	17.3
Term deposits	1,967.0	19.3	833.5	10.5
Total due to corporate customers	**3,196.1**	**31.4**	**2,205.8**	**27.8**
TOTAL	**10,179.3**	**100**	**7,932.1**	**100**

DEBT SECURITIES ISSUED

The 423.0 bln RUB expansion of issued debt securities in 2012 was driven by a 217.4 bln RUB increase in savings certificates. The Group also issued 138.1 bln RUB of participation notes under MTN and ECP programs, and 34.4 bln RUB of bonds denominated in Turkish lira, Belarusian rubles, US dollars, euros and Ukrainian hryvnias.

DEBT SECURITIES IN ISSUE

RUB bln	2012	2011	Change, *RUB bln*	Change, %
Loan participation notes issued under the MTN program	291.6	169.6	122.0	71.9
Savings certificates	227.2	9.8	217.4	2218.4
Promissory notes	110.1	77.2	32.9	42.6
Bonds issued	44.3	9.9	34.4	347.5
Notes issued under the ECP program	16.1	-	16.1	-
Structured notes	2.3	1.5	0.8	53.3
Other debt securities issued	0.1	0.7	(0.6)	-85.7
Total debt securities in issue	**691.7**	**268.7**	**423.0**	**157.4**

EQUITY

The Group's equity increased 28.1% during the year to 1.6 trln RUB as of December 31, 2012. The increase is attributed to the consolidation effect and capitalization of profit earned in 2011.

RUB bln	December 31, 2012	December 31, 2011	Change, *RUB bln*	Change, *%*
Share capital	87.7	87.7	0.0	0.0
Treasury shares	(7.6)	(7.0)	(0.6)	8.6
Share premium	232.6	232.6	0	0.0
Revaluation reserve for office premises	79.0	81.5	(2.5)	-3.1
Fair value reserve for investment securities available for sale	37.3	(7.5)	44.8	-
Foreign currency translation reserve	(4.7)	(5.7)	1.0	-17.5
Retained earnings	1,186.7	882.9	303.8	34.4
Total equity attributable to shareholders of the Bank	**1,611.0**	**1,264.5**	**346.5**	**27.4**
Non-controlling interest	12.8	3.5	9.3	265.7
TOTAL EQUITY	**1,623.8**	**1,268.0**	**355.8**	**28.1**

Capital adequacy

In 2012, the consolidated Tier 1 capital adequacy ratio decreased to 10.4% and the total capital adequacy ratio decreased to 13.7%. This decrease is explained mostly by a 39% rise in risk-weighted assets, which was based on natural assets growth supported by acquisitions. The Group's capital adequacy ratio is well above the Basel committee minimum requirements (8%). The total capital adequacy ratio of OJSC "Sberbank of Russia" on a standalone basis according to RAS (1H) as of end 2012 was 12.6%.

mln RUB	2012	2011
Tier 1 capital		
Share capital	87.7	87.7
Share premium	232.6	232.6
Retained earnings	1,186.7	882.9
Treasury shares	(7.6)	(7.0)
Less goodwill	(25.0)	(15.1)
Total Tier 1 capital	**1,474.4**	**1,181.1**
Tier 2 capital		
Revaluation reserve for premises	79.0	81.5
Fair value reserve for investment securities available for sale	16.8	(3.4)
Foreign currency translation reserve	(4.7)	(5.7)
Subordinated capital	382.7	303.5
Less investments in associates	(8.6)	(4.7)
Total Tier 2 capital	**465.2**	**371.2**
TOTAL CAPITAL	**1,939.6**	**1,552.3**
Risk-weighted assets		
Credit risk	13,693.1	9,867.8
Market risk	452.5	349.0
Total risk-weighted assets	**14,145.6**	**10,216.8**
Tier 1 capital adequacy ratio	**10.4**	**11.6**
Total capital adequacy ratio	**13.7**	**15.2**

Financial report

Contents

ERNST & YOUNG

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Independent auditor's report

To the Shareholders and Supervisory Board of Sberbank

We have audited the accompanying consolidated financial statements of Sberbank and its subsidiaries, whitch comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year 2012, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

Management of the audited entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audit.

We conducted our audit in accordance with the Federal Standards on Auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the consolidated financial statements.

ERNST & YOUNG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sberbank and its subsidiaries as at 31 December 2012, and its financial performance and cash flows for the year 2012 in accordance with international Financial Reporting Standards.

S.M. Taskaev,
Partner
Ernst & Young Vneshaudit CJSC
27 March 2013

Details of the audited entity

Name: Sberbank of Russia
Information about state registration of the credit institution by the Bank of Russia: #1481, dated 20 June 1991.
Information about the State Register of Legal Entities Concerning a Legal Entity: certificate of state registration #1027700132195 dated 16 August 2002.
Address: 19 Vavilova St., 117997 Moscow, Russia.

Details of the auditor

Name: Ernst & Young Vneshaudit CJSC.
Main State Registration Number 1027739199333.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young Vneshaudit CJSC is a member of Non Profit partnership «Russian Audit Chamber» («NP APR»). Ernst & Young Vneshaudit CJSC is registered in the register of auditors and audit organizations of NP APR, number 3027, and also included in the control copy of the register of auditors and audit organizations, main registration number 10301017410.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In billions of Russian Roubles	Note	31 December 2012	31 December 2011
ASSETS			
Cash and cash equivalents	7	1,290.8	625.6
Mandatory cash balances with central banks		211.2	101.2
Trading securities	8	90.4	102.0
Securities designated at fair value through profit or loss	9	19.2	52.0
Due from banks		114.8	35.1
Loans and advances to customers	10	10,499.3	7,719.7
Securities pledged under repurchase agreements	11	949.7	300.8
Investment securities available for sale	12	804.5	884.5
Investment securities held to maturity	13	105.9	286.5
Deferred income tax asset	28	7.5	7.8
Premises and equipment	14	436.0	359.9
Other financial assets	15	227.6	163.1
Other non financial assets	15	340.5	196.9
TOTAL ASSETS		**15,097.4**	**10,835.1**
LIABILITIES			
Due to banks	16	1,452.4	532.4
Due to individuals	17	6,983.2	5,726.3
Due to corporate customers	17	3,196.1	2,205.8
Debt securities in issue	18	691.7	268.7
Other borrowed funds	19	469.2	244.0
Deferred income tax liability	28	33.2	21.2
Other financial liabilities	20	199.7	222.8
Other non-financial liabilities	20	63.4	42.4
Subordinated debt	21	384.7	303.5
TOTAL LIABILITIES		**13,473.6**	**9,567.1**
EQUITY			
Share capital	22	87.7	87.7
Treasury shares	22	(7.6)	(7.0)
Share premium		232.6	232.6
Revaluation reserve for office premises		79.0	81.5
Fair value reserve for investment securities available for sale		37.3	(7.5)
Foreign currency translation reserve		(4.7)	(5.7)
Retained earnings		1,186.7	882.9
Total equity attributable to shareholders of the Bank		**1,611.0**	**1,264.5**
Non-controlling interest		12.8	3.5
TOTAL EQUITY		**1,623.8**	**1,268.0**
TOTAL LIABILITIES AND EQUITY		**15,097.4**	**10,835.1**

Approved for issue and signed on behalf of the Management Board on 27 March 2013.

Herman Gref, Chairman of the Management Board and CEO

Andrey Kruzhalov, Chief Accountant

CONSOLIDATED INCOME STATEMENT

In billions of Russian Roubles	Note	Year ended 31 December	
		2012	2011
Interest income	23	1,157.3	850.6
Interest expense	23	(428.6)	(269.5)
Deposit insurance expenses	23	(23.9)	(20.1)
Net interest income		**704.8**	**561.0**
(Net provision charge) / net recovery of provision for loan impairment	10	(21.5)	1.2
Net interest income after provision charge / recovery of provision for loan impairment		**683.3**	**562.2**
Fee and commission income	24	189.2	151.9
Fee and commission expense	24	(18.9)	(11.2)
Net gains/(losses) arising from trading securities		3.2	(1.4)
Net losses arising from securities designated at fair value through profit or loss		(0.7)	(2.8)
Net gains arising from investment securities available for sale		7.5	12.1
Impairment of investment securities available for sale	12	(5.0)	(1.1)
Net gains arising from trading in foreign currencies. operations with foreign currency derivatives and foreign exchange translation	25	19.6	9.5
Net gains arising from operations with precious metals and precious metals derivatives		5.8	5.1
Net gains arising from operations with other derivatives		4.2	5.0
Net losses from revaluation of office premises	14	—	(11.3)
Goodwill impairment	15	(1.7)	(1.2)
Net provision charge for impairment of other assets	15	(4.1)	(1.9)
Revenue of non-core business activities	26	51.2	66.1
Cost of sales of non-core business activities	26	(38.2)	(54.6)
Other operating income		3.9	11.1
Operating income		**899.3**	**737.5**
Operating expenses	27	(451.4)	(341.8)
Profit before tax		**447.9**	**395.7**
Income tax expense	28	(100.0)	(79.8)
Profit for the reporting period		**347.9**	**315.9**
Attributable to:			
– shareholders of the Bank		348.8	316.2
– non-controlling interest		(0.9)	(0.3)
Earnings per ordinary share for profit attributable to the shareholders of the Bank, basic and diluted (expressed in RUB per share)	**29**	**16.03**	**14.59**

Approved for issue and signed on behalf of the Management Board on 27 March 2013.

Herman Gref, Chairman of the Management Board and CEO

Andrey Kruzhalov, Chief Accountant

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

In billions of Russian Roubles	Note	2012	2011
Profit for the year recognised in the income statement		**347.9**	**315.9**
Components of other comprehensive income:			
Office premises remeasurement:			
– Gains from revaluation of office premises	14	—	36.9
Investment securities available for sale:			
– Net gains/(losses) on revaluation of investment securities available for sale		58.2	(28.8)
– Impairment of investment securities available for sale transferred to Income statement	12	5.0	1.1
– Accumulated gains transferred to Income statement upon disposal of securities		(7.5)	(12.1)
Net foreign currency translation gains/(losses)		0.9	(4.6)
Deferred income tax relating to components of other comprehensive income:			
– Office premises remeasurement	28	—	(7.3)
– Investment securities available for sale	28	(10.9)	7.9
Total components of other comprehensive income for the year, net of tax		**45.7**	**(6.9)**
Total comprehensive income for the year		**393.6**	**309.0**
Attributable to:			
– shareholders of the Bank		394.6	309.4
– non-controlling interest		(1.0)	(0.4)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In billions of Russian Roubles	Note	Attributable to shareholders of the Bank								Non-controlling interest	Total equity
		Share capital	Treasury shares	Share premium	Revaluation reserve for office premises	Fair value reserve for investment securities available for sale	Foreign currency translation reserve	Retained earnings	Total		
BALANCE AS AT 31 DECEMBER 2010		**87.7**	**—**	**232.6**	**53.6**	**24.4**	**(1.1)**	**585.8**	**983.0**	**4.1**	**987.1**
Changes in equity for the year ended 31 December 2011											
Dividends declared	30	—	—	—	—	—	—	(21.0)	(21.0)	—	(21.0)
Amortisation of revaluation reserve for office premises		—	—	—	(1.8)	—	—	1.8	—	—	—
Business combinations		—	(7.0)	—	—	—	—	—	(7.0)	0.3	(6.7)
Disposals of subsidiaries		—	—	—	—	—	—	—	—	(0.1)	(0.1)
Acquisition of non-controlling interests in subsidiaries		—	—	—	—	—	—	0.1	0.1	(0.1)	—
Recalculation of non-controlling interest due to final price purchase allocation of the subsidiary		—	—	—	—	—	—	—	—	(0.3)	(0.3)
Total comprehensive income for the year ended 31 December 2011		—	—	—	29.7	(31.9)	(4.6)	316.2	309.4	(0.4)	309.0
BALANCE AS AT 31 DECEMBER 2011		**87.7**	**(7.0)**	**232.6**	**81.5**	**(7.5)**	**(5.7)**	**882.9**	**1 264.5**	**3.5**	**1,268.0**
Changes in equity for the year ended 31 December 2012											
Purchase of treasury shares		—	(0.6)	—	—	—	—	—	(0.6)	—	(0.6)
Dividends declared	30	—	—	—	—	—	—	(47.5)	(47.5)	—	(47.5)
Amortisation of revaluation reserve for office premises		—	—	—	(2.5)	—	—	2.5	—	—	—
Business combinations		—	—	—	—	—	—	—	—	10.2	10.2
Disposals of subsidiaries		—	—	—	—	—	—	—	—	0.4	0.4
Acquisition of non-controlling interests in subsidiaries		—	—	—	—	—	—	—	—	(0.3)	(0.3)
Total comprehensive income for the year ended 31 December 2012		—	—	—	—	44.8	1.0	348.8	394.6	(1.0)	393.6
BALANCE AS AT 31 DECEMBER 2012		**87.7**	**(7.6)**	**232.6**	**79.0**	**37.3**	**(4.7)**	**1,186.7**	**1,611.0**	**12.8**	**1,623.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

In billions of Russian Roubles	Note	2012	2011
Cash flows from operating activities			
Interest received		1,135.7	826.6
Interest paid		(384.5)	(231.7)
Expenses paid directly attributable to deposit insurance		(22.9)	(19.3)
Fees and commissions received		188.3	152.2
Fees and commissions paid		(16.7)	(10.7)
Net gains received from trading securities		5.9	0.4
Net (losses incurred) / gains received from securities designated at fair value through profit or loss		(1.7)	0.2
Net gains received from trading in foreign currencies and from operations with foreign currency derivatives		16.6	2.1
Net (losses incurred) / gains received from operations with other derivatives		(0.7)	1.5
Net gains received from operations with precious metals and precious metals derivatives		5.0	7.0
Revenue of non-core business activities		48.7	66.8
Cost of sales of non-core business activities		(34.4)	(50.0)
Other operating income received		8.5	7.9
Operating expenses paid		(370.7)	(303.1)
Income tax paid		(100.1)	(71.9)
Cash flows from operating activities before changes in operating assets and liabilities		**477.0**	**378.0**
Changes in operating assets and liabilities			
Net increase in mandatory cash balances with central banks		(36.2)	(49.6)
Net decrease in trading securities		6.8	14.2
Net decrease in securities designated at fair value through profit or loss		31.1	41.5
Net increase in due from banks		(62.3)	(26.6)
Net increase in loans and advances to customers		(2,003.3)	(2,163.3)
Net increase in other assets		(69.8)	(39.9)
Net increase in due to banks		820.9	384.5
Net increase in due to individuals		867.8	869.8
Net increase in due to corporate customers		664.3	337.8
Net increase / (decrease) in debt securities in issue		257.3	(19.1)
Net (decrease) / increase in other liabilities		(34.6)	28.4
Net cash from / (used in) operating activities		**919.0**	**(244.3)**
Cash flows from investing activities			
Purchase of investment securities available for sale		(474.9)	(852.6)
Proceeds from disposal and redemption of investment securities available for sale		232.2	1 122.8
Purchase of investment securities held to maturity		(8.0)	(98.7)
Proceeds from redemption of investment securities held to maturity		61.1	40.0

In billions of Russian Roubles	Note	2012	2011
Acquisition of premises and equipment		(144.4)	(109.4)
Acquisition of investment property		(0.1)	—
Proceeds from disposal of investment property		—	(0.2)
Proceeds from disposal of premises and equipment including insurance payments		4.5	10.9
Acquisition of subsidiaries net of cash acquired		(93.2)	27.3
Proceeds from disposal of subsidiaries net of cash disposed		8.6	0.7
Dividends received		5.1	3.5
Net cash (used in) / from investing activities		**(409.1)**	**144.3**
Cash flows from financing activities			
Other borrowed funds received		141.9	154.4
Redemption of other borrowed funds		(98.8)	(98.2)
Repayment of interest on other borrowed funds		(5.4)	(2.4)
Subordinated debt received		66.0	—
Redemption of subordinated debt		(0.2)	—
Repayment of interest on subordinated debt		(19.8)	(19.5)
Funds received from loan participation notes issued under the MTN programme		144.3	27.9
Redemption of loan participation notes issued under the MTN programme		(8.1)	(22.9)
Repayment of interest on loan participation notes issued under the MTN programme		(11.8)	(8.9)
Purchase of treasury shares		(0.6)	—
Dividends paid	30	(47.3)	(20.9)
Net cash from financing activities		**160.2**	**9.5**
Effect of exchange rate changes on cash and cash equivalents		(4.2)	5.4
Effect of inflation on cash and cash equivalents		(0.7)	(8.9)
Net increase/(decrease) in cash and cash equivalents		**665.2**	**(94.0)**
Cash and cash equivalents at the beginning of the year		625.6	719.6
Cash and cash equivalents as at the end of the reporting period	**7**	**1,290.8**	**625.6**

1. INTRODUCTION

These consolidated financial statements of Sberbank of Russia (Sberbank, "the Bank") and its subsidiaries (together referred to as "the Group" or "Sberbank Group") have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012. Principal subsidiaries include foreign commercial banks and other Russian and foreign companies controlled by the Group. A list of principal subsidiaries included in these consolidated financial statements is disclosed in Note 39.

The Bank is an open joint-stock commercial bank established in 1841 and operating in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank's principal shareholder, the Central Bank of the Russian Federation ("Bank of Russia"), owns 52.3% of ordinary shares or 50.0% plus 1 voting share of the issued and outstanding shares as at 31 December 2012 (31 December 2011: 60.3% of ordinary shares or 57.6% of the issued and outstanding shares). The decrease by 7.6% was due to the sale of shares and global depository receipts by the Bank of Russia to institutional investors in September 2012.

As at 31 December 2012 the Supervisory Board of the Bank is headed by the Chairman of the Bank of Russia. Two First Deputy Chairmen of the Bank of Russia are Deputy Chairmen of the Supervisory Board. The Supervisory Board also includes independent directors.

The Bank operates under a full banking license issued by the Bank of Russia since 1991. In addition, the Bank holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer, a custodian, and provision of asset management services. The Bank is regulated and supervised by the Bank of Russia and by the Federal Service for Financial Markets. The Group's foreign banks operate under the banking regulatory regimes of their respective countries.

The Group's principal business activity is corporate and retail banking. This includes, but is not limited to, deposit taking and commercial lending in freely convertible currencies, local currencies of countries where the subsidiary banks operate and in Russian roubles, support of clients' export/import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. As at 31 December 2012 the Group conducts its business in Russia through Sberbank with its network of 17 (31 December 2011: 17) regional head offices, 193 (31 December 2011: 505) branches and 18,377 (31 December 2011: 18,727) sub-branches, and through principal subsidiaries located in Russia such as CJSC Sberbank Leasing, LLC Sberbank Capital, companies of Troika Dialog Group Ltd. and BNP Paribas Vostok LLC. The Group carries out banking operations in Turkey, Ukraine, Belarus, Kazakhstan, Austria, Switzerland and other countries of Central and Eastern Europe and also conducts operations through a branch office in India, representative offices in Germany and China and companies of Troika Dialog Group Ltd. located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions.

The actual headcount of the Group's employees as at 31 December 2012 was 286,019 (31 December 2011: 266,187).

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

Presentation currency. These consolidated financial statements are presented in billions of Russian Roubles ("billions RUB") unless otherwise stated.

2. OPERATING ENVIRONMENT OF THE GROUP

Mostly the Group conducts its business in the Russian Federation, Turkey, CIS region (Ukraine, Belarus, Kazakhstan), Austria, Switzerland and other countries of Central and Eastern Europe.

The Russian Federation. The most part of the Group operations are conducted in the Russian Federation. Russian economy saw a significant slow-down in 2012 with the quarterly growth rates decelerating from 4.9% in 1Q12 to 2.2% in 4Q12. Such dynamic was driven by a combination of both internal and external factors, with the turbulent global markets and declining domestic investment activity being among the key drivers.

Of the key GDP components, consumption was the only one significantly contributing to the growth, while all other factors made a very limited contribution to GDP growth. In such an environment Russian banking system saw a decline in demand for corporate loans with the annual growth figure falling from 26% in 2011 to 12.7% in 2012. Among other factors that contributed to slower lending growth was a rapid development of the local bond market and the favorable conditions in external debt capital markets, which both allowed major Russian corporate borrowers to source significant amounts of debt financing outside of the traditional loan market.

At the same time, the strong consumption patterns in the Russian economy revealed themselves in a continuing rapid expansion of the retail lending market, with the aggregate volume of loans to individuals increasing 39,4% year-on-year in 2012. Towards the second half of the year Russian regulators started paying an increased attention to the retail lending market developments, announcing the plans to introduce regulations aimed at more carefully managing the risks, associated with such market expansion.

On the funding side, Russian banking system saw a slow-down in deposit inflows in 2012. Both the Central Bank of Russian Federation (CBR) and Ministry of Finance maintained their liquidity supporting activities in 2012, covering banks' need in the periods of heightened liquidity deficit. Throughout 2012 CBR repos remained the key source of liquidity for Russian banks, which has become a new norm given the shift towards floating exchange rate and inflation targeting policy. Given the importance of liquidity creation mechanisms under floating exchange rate regime, the CBR has announced some plans to further expand refinancing system in 2013.

Turkey. Significant part of the Group's operations were conducted in Turkey following the acquisition of DenizBank in September 2012. The macro-prudential measures mainly applied by the Central Bank of Turkey in 2012 yielded the intended results, decreasing Turkey's twin imbalances: internal (inflation) and more importantly external (current account deficit). Inflation and Current Account Deficit to GDP ratio were down to 6.2% and 6.1% in 2012, respectively, from 10.4% and 9.9% a year ago. As a result of this policy success and the achievement of soft landing in 2012, Fitch increased Turkey's sovereign rating to investment grade. Due to the macro-prudential measures taken, the economic growth has eased to 3% in 2012 from 8.5% a year ago. At the same time the authorities have enough ammunition to stimulate the economic activity through fiscal and monetary policies when needed.

Other jurisdictions. In addition to Russia and Turkey the Group conducts operations in CIS (Ukraine, Belarus, Kazakhstan), CEU countries (Austria, Czech Republic, Slovakia, Bosnia and Herzogovina, Slovenia, Serbia, Hungary, Croatia), Switzerland and some other countries. Tough economic and liquidity situation in many jurisdictions led to decrease or insignificant growth of GDP followed by shrinking in consumption as well as in investment activities. The primary targets of the local regulators were support of monetary stability, management of GDP deficit and inflation level regulation. In 2012 economy of the Republic Belarus remained hyperinflatory.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of office premises, investment property, available for sale financial assets and financial instruments at fair value through profit or loss.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are readily exercisable and convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date when control ceases.

Business combinations are accounted for using the acquisition method. For each business combination, the acquirer measures the non-controlling interest in the acquiree that are present ownership interests either at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair value.

Non-controlling interest is the interest in subsidiaries not held by the Group. Acquisition costs incurred are expensed. Non-controlling interest is presented within equity.

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is lower than the fair value of the net assets of the subsidiary acquired, the difference ("gain from bargain purchase") is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Key measurement terms. Depending on their classification financial instruments are carried at cost, fair value, or amortised cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, derivatives that are linked to and must be settled by delivery of such unquoted equity instruments and fixed assets except for office premises.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets, current ask price for financial liabilities and the average of current bid and ask prices when the Group is both in short and long position for the financial instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques are used to fair value certain financial instruments for which external market pricing information is not available. Such valuation techniques include discounted cash flows models, generally accepted option pricing models, models based on recent arm's length transactions or consideration of financial data of the investees. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount and premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related statement of financial position items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. Premiums and discounts on variable interest instruments are amortised to the next interest repricing date except for premiums and discounts which reflect the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

The present value calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Initial recognition of financial instruments. Trading securities, other securities at fair value through profit or loss and derivatives are initially recorded at fair value. All other financial assets are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include interbank deposits and reverse sale and repurchase agreements with original maturity up to 30 days. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Mandatory cash balances with Central Banks. Mandatory cash balances with Central Banks are carried at amortised cost and represent mandatory reserve deposits which are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Precious metals. Physical precious metals and deposits in precious metals are recorded at the lower of cost and net realiz able value on the reporting date.

Plastic cards settlements. Plastic cards settlements are accounted for on the accruals basis and are carried at amortised cost. Plastic cards settlements are recorded when the legal right to receive the payment or legal obligation to execute payment arise under the agreement.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities on initial recognition included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within six months.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest rate method is accounted for in the consolidated income statement as interest income. Dividends are included in dividend income within other operating income when the Group's right to receive the dividend payment is established. Translation differences are included in Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in the consolidated income statement as net gains/ (losses) arising from trading securities in the period in which they arise.

Securities designated at fair value through profit or loss. Securities designated at fair value through profit or loss are securities designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if a group of financial assets is managed and its performance is evaluated on a fair value basis and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses on financial assets carried at amortised cost are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers when deciding whether a financial asset is impaired or not are (i) past due status of financial asset, (ii) financial position of underlying borrower, (iii) unsatisfactory debt servicing and (iv) realisability of related collateral, if any.

A loan is considered past due when the borrower fails to make any payment due under the loan at the reporting date. In this case a past due amount is recognized as the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions. As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Reversals of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

Write-off of assets at amortised cost. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Impairment of loans and advances to legal entities. Estimating loan portfolio impairment provision for corporate loans involves the following steps:

- identification of loans that are individually significant and contain signs of impairment, i.e. those loans, that, if fully impaired, would have a material impact on the Group's expected average level of operating income;
- determination of whether an individually significant loan shows objective evidence of impairment. This requires estimating the expected timing and amount of cash flows from interest and principal payments and other cash flows, including amounts recoverable from guarantees and collateral, and discounting them at the loan's original effective interest rate. The loan is considered impaired if its carrying amount materially exceeds its estimated recoverable amount. A separate impairment loss is recorded on an individually significant impaired loan;

- all remaining loans and individually significant loans without objective evidence of impairment are assessed on a portfolio basis.

The Group applies the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and creates portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the reporting date. Total impairment provisions may exceed the gross amount of individually impaired loans as a result of this methodology.

For the purposes of credit risk measurement and analysis the Group internally classifies loans depending on their quality. The quality of a corporate loan is monitored regularly on the basis of a comprehensive analysis of the borrower's financial position and includes analysis of liquidity, profitability and sufficiency of own funds. The capital structure, organisational structure, credit history and business reputation of the borrower are also taken into consideration. The Group takes into account the customer's position in the industry and the region, production equipment and level of the technology used as well as the general efficiency of management. Upon analysis corporate borrowers are assigned internal ratings and classes. For the purpose of collective assessment of not past due loans and advances the Group analyses loans of each class in terms of its historical loss and recovery rate separately for renegotiated and non-renegotiated loans. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently. For the purpose of collective assessment of past due loans and advances Group analyses ageing of past due debts.

Impairment of loans and advances to individuals. For the purpose of credit quality analysis, loans to individuals are grouped by type of credit product into homogeneous sub-portfolios with similar risk characteristics. The Group analyses each portfolio by the ageing of past due debts.

Investment securities available for sale. This classification includes investment securities, which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available for sale at the time of purchase.

Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss in other operating income when the Group's right to receive payment is established and inflow of economic benefits is probable. Exchange differences arising on debt investment securities available for sale are recognised in profit or loss in the period in which they arise. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss — is reclassified from other comprehensive income and recognised in profit or loss. Recognised impairment losses on equity instruments are not reversed through profit or loss in a subsequent period. As for debt instrument classified as available for sale, if, in a subsequent period, the fair value of such instrument increases and the increase can be objectively related to an event, occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss. The unrealised gains/(losses) on revaluation of investment securities available for sale other than impairment losses are presented in other comprehensive income as Net gains/(losses) on revaluation of investment securities available for sale.

If the Group has both the intention and ability to hold investment securities available for sale to maturity, they may be reclassified as investment securities held to maturity. In this case the fair value of securities as at the date of reclassification becomes their new amortised cost. For instruments with a fixed maturity the revaluation reserve as at the date of reclassification is amortised to profit or loss during the period until maturity using the effective interest rate method.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as securities pledged under repurchase agreements. The corresponding liability is presented within amounts due to banks or due to corporate customers.

Loans granted under reverse repo agreements are recorded as cash and cash equivalents, due from banks or loans and advances to customers, in accordance with the nature of the counterparty and the term of the deal.

The difference between the sale and repurchase price is treated as interest income/expense and accrued over the life of repo agreements using the effective interest rate method.

Securities lent to counterparties are retained in the consolidated financial statements in their original statement of financial position category unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the sale proceeds are recorded as a liability held for trading representing the obligation to repurchase and return the securities. The liability is carried at fair value with effects of remeasurement presented as net gains/(losses) arising from trading securities in the consolidated income statement.

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition or upon reclassification from available for sale category when the Group changes its expectations and has the ability to hold investment securities which were previously classified as available for sale to maturity. The investment securities held to maturity are carried at amortised cost.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. Refer to paragraph below on treatment of renegotiations which lead to derecognition of financial assets.

Renegotiated financial assets. From time to time in the normal course of business the Group performs restructuring of financial assets, mostly of loans.

Accounting treatment of renegotiations which do not lead to derecognition of financial assets. If terms of an agreement are not materially modified, restructuring of financial instruments leads to reassessment of effective interest rate based on current carrying amount and modified future cash flows.

Accounting treatment of renegotiations which lead to derecognition of financial assets. Material modifications of agreement terms lead to derecognition of a financial asset and a recognition of a new asset at fair value. The following principal modifications in terms are considered to be material:

- Change of currency in which cash flows are denominated;
- Consolidation or separation of several financial instruments;
- Present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In all cases if the restructuring of financial assets is due to financial difficulties of a borrower, financial assets are assessed for impairment before recognition of a renegotiation.

Goodwill. Goodwill represents the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisitions of subsidiaries is included in other assets or separately disclosed on the face of the statement of financial position if material. Goodwill on acquisitions of associates is included as part of investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment before aggregation. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Premises and equipment. Equipment and premises other than office premises are stated at cost less accumulated depreciation. Office premises of the Group are held at revalued amount subject to revaluation to market value on a regular basis. The revaluation gains are recognised in other comprehensive income. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation reserve for office premises included in equity is transferred directly to retained earnings on a straight-line basis as the asset is used by the Group. On the retirement or disposal of the asset the remaining revaluation reserve is immediately transferred to the retained earnings.

Construction in progress is carried at cost, less provision for impairment where required. Upon completion, assets are transferred to office premises, other premises or equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

If impaired premises are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in other comprehensive income.

Positive revaluation shall be recognised in profit or loss to the extent that it reverses a negative revaluation of the same asset previously recognised in profit or loss. The amount that exceeds negative revaluation previously charged to profit or loss shall be recognised in other comprehensive income.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The following annual rates are applied for the main categories of premises and equipment:

- Office premises 2.5-3.3%;
- Other premises 2.5%;
- Office and computer equipment 25%; and
- Vehicles and other equipment 18%.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment property is stated at fair value which reflects current market value and represents potential price between knowledgeable, willing parties in an arm's length transaction. Revaluation of investment property is held on each reporting date and recognised in consolidated income statement as gains/losses on investment property revaluation. Earned rental income is recorded in consolidated income statement within other operating income.

Subsequent expenditure on investment property is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes occupied by the Group, it is reclassified to premises and equipment, and its carrying value at the date of reclassification becomes its deemed cost to be subsequently revalued and depreciated.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Finance leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Where the Group is a lessor lease receivables are recognised at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables. The net investment in finance lease is recorded within loans and advances to customers.

Due to banks. Amounts due to banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost.

Due to individuals and corporate customers. Amounts due to individuals and corporate customers are non-derivative liabilities to individuals and corporate customers (including state agencies) and are carried at amortised cost.

Debt securities in issue. Debt securities in issue include promissory notes, certificates of deposit, savings certificates and other debt securities issued by the Group. Debt securities in issue except structured notes which are described below are stated at amortised cost. If the Group repurchases its debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other operating income.

Structured notes. Structured notes are issued by the Group and are stated at fair value. The underlying assets of structured notes are securities issued by Russian companies which cannot be purchased by the Group's foreign clients directly from the market. Recognition and measurement of these financial liabilities is consistent with the policy for trading securities stated above in this Note. Structured notes are included in Debt securities in issue.

Other borrowed funds. Other borrowed funds represent syndicated loans attracted by the Group on financial markets and trade finance deals. Other borrowed funds are carried at amortised cost.

Securities sold, not yet purchased. Securities sold, not yet purchased are transactions in which the Group sells securities which it does not own, and which it is obligated to deliver at a future date. Such transactions are initially recorded at cost as liabilities and then are carried at fair value. Any unrealized gain or loss is recorded in the consolidated income statement in net gains/ (losses) arising from trading securities for the difference between the proceeds receivable from the sale and the value of the open short position. The Group realizes a gain or loss when the short position is closed. Valuation of securities sold, not yet purchased is consistent with the accounting policy of the Group for trading securities.

Subordinated debt. Subordinated debt represents long-term funds attracted by the Group on the international financial markets or domestic market. The holders of subordinated debt would be subordinate to all other creditors to receive repayment on debt in case of the Bank liquidation. Subordinated debt is carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including forward and future contracts, option contracts on financial instruments and Swap contracts are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of foreign exchange derivative financial instruments are included in the Consolidated income statement in net gains/ (losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation; changes in the fair value of derivative financial instruments on precious metals are included in net gains/(losses) arising from operations with precious metals and precious metals derivatives; changes in the fair value of derivatives on securities, interest rates and other derivatives — in net gains/(losses) arising from operations with other derivatives. The Group does not apply "hedge accounting" according to IAS 39.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation and legislation of other jurisdictions in which the Group performs business enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the profit or loss except if it is recognised in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is recognised for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recognised for temporary differences on initial recognition of goodwill or any other asset or liability if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded in the statement of financial position only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Provision for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

Share premium. Share premium represents the excess of contributions over the nominal value of the shares issued.

Preference shares. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders' meeting. Preference shares are classified as a part of equity.

Treasury shares. Where the Bank or its subsidiaries purchase the Bank's equity instruments, the consideration paid including any attributable incremental external costs net of income taxes is deducted from equity until they are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. Dividends are calculated based on IFRS net profit and distributed out from statutory net results.

Income and expense recognition. Interest income and expense are recorded in profit or loss for interest-bearing instruments on an accrual basis using the effective interest rate method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded based on the asset's original effective interest rate which was used to measure the impairment loss and net exposure.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Trust and custody services fees related to investment funds are recorded proportionally over the period the service is provided.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Credit related commitments. The Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RUB").

Monetary assets and liabilities are translated into each entity's functional currency at the applicable exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency are recognised in profit or loss. Effects of exchange rate changes on the fair value of equity instruments are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (except for the subsidiary bank in Belarus the economy of which is considered hyperinflationary) are translated into the presentation currency as follows:

(I) assets and liabilities for each statement of financial position presented are translated at the applicable closing rate at the respective reporting date;

(II) income and expenses for each statement of comprehensive income are translated either at the rates prevailing at the dates of the transactions or at average exchange rates (in case this average is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedure: all amounts (ie assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position.

When amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (ie not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in other components of comprehensive income and taken to a separate component of equity.

The cumulative balance of currency translation differences presented in equity at 31 December 2012 amounted to a loss of 4.7 billion RUB (31 December 2011: a loss of 5.7 billion RUB).

At 31 December 2012 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RUR	/UAH	/BYR	/KZT	/EUR	/CHF	/TRY
RUR/	1	0.266	282.985	4.948	0.025	0.030	0.059
USD/	30.373	8.080	8,595.009	150.280	0.755	0.912	1.790
EUR/	40.229	10.702	11,384.078	199.046	1	1.208	2.371

At 31 December 2011 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RUR	/UAH	/BYR	/KZT	/EUR	/CHF	/TRY
RUR/	1	0.250	259.348	4.611	0.024	0.029	0.059
USD/	32.196	8.038	8,350.001	148.455	0.773	0.940	1.913
EUR/	41.671	10.404	10,807.403	192.146	1	1.217	2.477

Accounting for the effects of hyperinflation. With the effect from 1 January 2011, the Belorusian economy is considered to be hyperinflationary in accordance with the criteria in IAS 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date.

In applying IAS 29, the Group has used conversion factors derived from the Belorusian consumer price index ("CPI"), published by the State Committee on Statistics of the Republic of Belarus. The CPIs for the six year period and respective conversion factors after Belarus previously ceased to be considered hyperinflationary on 1 January 2006 were as follows:

Year	Index, %	Conversion factors
2006	106.5	389.9
2007	112.0	348.2
2008	113.5	306.9
2009	109.9	279.4
2010	110.0	253.9
2011	208.7	121.7
2012	121.7	100.0

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as of 31 December 2012. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as of 31 December 2012) are restated by applying the relevant index. The effect of inflation on the Group's net monetary position is included in profit or loss.

Fiduciary assets. Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported on the consolidated statement of financial position. The extent of such balances and transactions is indicated in Note 33. For the purposes of disclosure, fiduciary activities do not encompass safe custody functions. Commissions received from fiduciary activities are shown in fee and commission income.

Assets under management. The Group has set up mutual investment funds and acts as the manager of their assets. The assets of these funds do not represent assets of the Group and therefore are not reported on the consolidated statement of financial position. The management fee income is recorded in the consolidated income statement within fee and commission income.

Contingent assets. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised by the Group in its consolidated statement of financial position, but disclosed in the notes to the consolidated financial statements if inflow of economic benefits is probable.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Earnings per share. Preference shares are not redeemable and are not considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, pensions, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

Segment reporting. The Group determined its operating segments on the basis of organizational structure of the Group and geographical areas. Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board. Segments whose revenue, result or assets are 10% or more of all the segments are reported separately.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease is identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Also, the Group's management accounting system in some cases does not allow collecting all necessary information on incurred losses for certain groups of loans. Management uses estimates and incurred loss models for groups of loans with similar credit risk profile. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular (a) its intention and ability to hold the assets to maturity and (b) whether the assets are quoted in an active market. If the Group fails to keep these investments to maturity other than in certain specific circumstances — for example, selling an insignificant amount or settle a position close to maturity — it will be required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost. For the estimated fair value of investment securities held to maturity as at 31 December 2012 refer to Note 35.

Evidence of an active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 33.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on management expectations that are believed to be reasonable under the circumstances.

Fair value of financial instruments. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data, however certain areas require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore sometimes not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Related party transactions. The Group's principal shareholder is the Bank of Russia (refer to Note 1). Disclosures are made in these consolidated financial statements for transactions with state-controlled entities and government bodies. Currently the Government of the Russian Federation does not provide to the general public or entities under its ownership/control a complete list of the entities which are owned or controlled directly or indirectly by the State. Judgement is applied by the Management in determining the scope of operations with related parties to be disclosed in the consolidated financial statements. Refer to Notes 37 and 38.

Revaluation of office premises. The Group regularly reviews the value of its office premises for compliance with fair value and performs revaluation to ensure that the current carrying amount of office premises does not materially differ from its fair value. Office premises have been revalued to market value at 31 December 2011. The revaluation was performed based on the reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value. Revalued premises are depreciated in accordance with their remaining useful life since 1 January 2012.

Impairment of available-for-sale equity investments. The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of the investment below its cost. Determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of changes in technology or deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows.

Changes in presentation and reclassifications. For a more detailed and direct disclosure of revenues and cost of sales of non-core business activities, the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the consolidated income statement for the year ended 31 December 2011 is as follows:

In billions of Russian Roubles	As previously reported	Reclassification	As reclassified
Revenue of non-core business activities	—	66.1	66.1
Cost of sales of non-core business activities	—	(54.6)	(54.6)
Other operating income	29.1	(18.0)	11.1
Operating expenses	(348.3)	6.5	(341.8)

The effect of corresponding reclassifications on disclosure of operating expenses for the year ended 31 December 2011 is as follows:

In billions of Russian Roubles	As previously reported	Reclassification	As reclassified
Operating expenses			
– Staff costs	(203.8)	2.5	(201.3)
– Depreciation of premises and equipment	(43.6)	1.2	(42.4)
Cost of sales of non-core business activities			
– Depreciation of fixed assets	—	(1.2)	(1.2)
– Staff costs	—	(2.5)	(2.5)

The effect of corresponding reclassifications on disclosure of the consolidated statement of cash flows for the year ended 31 December 2011 is as follows:

In billions of Russian Roubles	As previously reported after deposit insurance reclassification	Reclassification	As reclassified
Revenue of non-core business activities	—	66.8	66.8
Cost of sales of non-core business activities	—	(50.0)	(50.0)
Other operating income received	74.7	(66.8)	7.9
Operating expenses paid	(353.2)	50.1	(303.1)
Income tax paid	(71.8)	(0.1)	(71.9)

The corresponding effect on the segment reporting of the Group's income and expenses for the year ended 31 December 2011 is as follows:

In billions of Russian Roubles	Moscow	Central and Northern Regions of European part of Russia	Volga Region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
As previously reported						
Revenue of non-core business activities	—	—	—	—	—	—
Cost of sales of non-core business activities	—	—	—	—	—	—
Other net operating gains/ (losses)	15.7	(1.5)	(0.5)	0.8	1.4	15.9
Operating expenses	(93.5)	(80.5)	(70.4)	(101.8)	(8.8)	(355.0)
Reclassification						
Revenue of non-core business activities	26.1	10.3	21.2	6.4	2.1	66.1
Cost of sales of non-core business activities	(21.4)	(8.2)	(19.2)	(4.2)	(1.6)	(54.6)
Other net operating gains/(losses)	(6.1)	(2.7)	(3.3)	(5.2)	(0.7)	(18.0)
Operating expenses	1.3	0.5	1.3	3.1	0.3	6.5
As reclassified						
Revenue of non-core business activities	26.1	10.3	21.2	6.4	2.1	66.1
Cost of sales of non-core business activities	(21.4)	(8.2)	(19.2)	(4.2)	(1.6)	(54.6)
Other net operating gains/(losses)	9.6	(4.2)	(3.8)	(4.4)	0.7	(2.1)
Operating expenses	(92.2)	(80.0)	(69.1)	(98.7)	(8.5)	(348.5)

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

Certain new standards and interpretations became effective for the Group from 1 January 2012:

Deferred tax: Recovery of underlying assets — Amendment to IAS 12. (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). IAS 12 has been updated to include a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

Disclosures — Transfers of Financial Assets — Amendments to IFRS 7. (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

The above mentioned new or revised standards and interpretations effective from 1 January 2012 did not have a material impact on the accounting policies, financial position or performance of the Group.

6. NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods and which the Group has not early adopted:

IFRS 9 Financial Instruments. In November 2009 and 2010 the IASB issued the first phase of IFRS 9 Financial Instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after 1 January 2015. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial instruments. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. For financial liabilities designated at fair value through profit or loss using fair value option IFRS 9 requires the amount of change in fair value attributable to changes in credit risk to be presented in other comprehensive income.

IFRS 10 Consolidated Financial Statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In addition IFRS 10 introduces specific application guidance for agency relationships. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. It is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IFRS 11 Joint Arrangements. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures and SIC-13 Jointly Controlled Entities — Non-monetary Contributions by Venturers* and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures is also required. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Adoption of the standard will require new disclosures to be made in the financial statements of the Group but will have no impact on its financial position or performance.

IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The adoption of the IFRS 13 may have effect on the measurement of the Group's assets and liabilities accounted for at fair value.

IAS 27 Separate Financial Statements (as revised in 2011). As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011). IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

Amendments to IAS 19 Employee Benefits. The IASB has published amendments to IAS 19 *Employee Benefits*, effective for annual periods beginning on or after 1 January 2013, which proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs.

Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income. The amendments to IAS 1 *Presentation of Financial Statements,* effective for annual periods beginning on or after 1 July 2012, change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. These amendments will change presentation in the statement of comprehensive income but will have no effect on the financial position and performance.

Offsetting Financial Assets and Financial liabilities — Amendments to IAS 32 Financial Instruments: Presentation. (issued in December 2011; effective for annual periods beginning on or after 1 January 2014, with retrospective application). These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Disclosures — Offsetting Financial Assets and Financial liabilities — Amendments to IFRS 7 Financial instruments: Disclosures (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods, with retrospective application). These disclosures, which are similar to the new US GAAP requirements, would provide users with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and US GAAP.

Improvements to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2013.

- *IFRS 1 First-time Adoption of International Financial Reporting Standards:* This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS;
- *IAS 1 Presentation of Financial Statements:* This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period;
- *IAS 16 Property Plant and Equipment:* This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory;
- *IAS 32 Financial Instruments, Presentation:* This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes;*
- *IAS 34 Interim Financial Reporting:* The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

The Group is considering the implications of the new standards, the impact on the Group and the timing of their adoption by the Group.

7. CASH AND CASH EQUIVALENTS

In billions of Russian Roubles	2012	2011
Cash on hand	680.8	438.7
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	260.4	51.3
Correspondent accounts and placements with other banks with original maturities up to 30 days:		
– Russian Federation	53.1	25.3
– Other countries	215.4	88.6
Reverse-repo agreements with original maturities up to 30 days	81.1	21.7
Total cash and cash equivalents	**1,290.8**	**625.6**

Correspondent accounts and placements with other banks and reverse-repo agreements with original maturities up to 30 days mostly represent balances with the top and well-known foreign and Russian banks and financial companies. Analysis by credit quality of the balances with counterparty banks and financial companies at 31 December 2012 made on the basis of ratings of international rating agencies is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
– Russian Federation	32.8	0.4	19.9	53.1
– Other countries	191.1	10.7	13.6	215.4
Reverse-repo agreements with original maturities up to 30 days	24.0	22.1	35.0	81.1
Total correspondent accounts and placements with other banks and reverse-repo agreements with original maturity up to 30 days	**247.9**	**33.2**	**68.5**	**349.6**

Analysis by credit quality of the balances with counterparty banks and financial companies at 31 December 2011 made on the basis of ratings of international rating agencies is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
– Russian Federation	7.1	3.7	14.5	25.3
– Other countries	69.6	18.2	0.8	88.6
Reverse-repo agreements with original maturities up to 30 days	1.7	16.1	3.9	21.7
Total correspondent accounts and placements with other banks and reverse-repo agreements with original maturity up to 30 days	**78.4**	**38.0**	**19.2**	**135.6**

Rating definitions in the tables above represent the rating scale developed by the international rating agencies.

Refer to Note 36 for the information on amounts in cash and cash equivalents which are collateralised by securities received under reverse sale and repurchase agreements.

As at 31 December 2012 and 31 December 2011 all cash and cash equivalents are neither past due nor impaired.

Currency and maturity analyses of cash and cash equivalents are disclosed in Note 32. The information on related party balances is disclosed in Note 37.

8. TRADING SECURITIES

In billions of Russian Roubles	2012	2011
Federal loan bonds (OFZ bonds)	26.6	26.0
Corporate bonds	19.6	26.6
Foreign government bonds	15.1	3.9
Russian Federation Eurobonds	12.4	6.3
Municipal and subfederal bonds	0.8	7.2
Total debt trading securities	**74.5**	**70.0**
Corporate shares	14.8	29.7
Investments in mutual funds	1.1	2.3
Total trading securities	**90.4**	**102.0**

Fair value of trading securities is based on their market quotations and valuation models with use of data both observable and not observable on the open market and reflects credit risk related write downs.

As trading securities are carried at fair value the Group does not analyse or monitor impairment indicators separately for these securities.

Analysis by credit quality of debt trading securities outstanding at 31 December 2012 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	26.6	—	—	26.6
Corporate bonds	9.5	8.9	1.2	19.6
Foreign government bonds	7.8	7.3	—	15.1
Russian Federation Eurobonds	12.4	—	—	12.4
Municipal and subfederal bonds	—	0.8	—	0.8
Total debt trading securities	**56.3**	**17.0**	**1.2**	**74.5**

Analysis by credit quality of debt trading securities outstanding at 31 December 2011 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	9.0	9.2	8.4	26.6
Federal loan bonds (OFZ bonds)	26.0	—	—	26.0
Municipal and subfederal bonds	0.9	6.1	0.2	7.2
Russian Federation Eurobonds	6.3	—	—	6.3
Foreign government bonds	0.4	3.5	—	3.9
Total debt trading securities	**42.6**	**18.8**	**8.6**	**70.0**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

At 31 December 2012 and 31 December 2011 there were no renegotiated trading debt securities that would otherwise be past due. Trading debt securities are not collateralised. All trading debt securities are not past due.

Currency and maturity analyses of trading securities are disclosed in Note 32. The information on trading securities issued by related parties is disclosed in Note 38.

9. SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

In billions of Russian Roubles	2012	2011
Federal loan bonds (OFZ bonds)	8.5	30.5
Foreign government bonds	0.9	0.2
Corporate bonds	0.8	—
Municipal and subfederal bonds	—	0.1
Total debt securities designated at fair value through profit or loss	**10.2**	**30.8**
Corporate shares	7.0	21.2
Investments in mutual funds	2.0	—
Total securities designated at fair value through profit or loss	**19.2**	**52.0**

The Group irrevocably designated the above securities that are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Management of the Group assesses performance of these investments based on their fair values in accordance with the Policy of the Group for securities portfolios classification. Fair value of securities designated at fair value through profit or loss is based on their market quotations and valuation models with use of data both observable and not observable on the open market.

Securities designated at fair value through profit or loss are carried at fair value, which also reflects credit risk related write downs. Analysis by credit quality of debt securities designated at fair value through profit or loss outstanding at 31 December 2012 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	8.5	—	—	8.5
Foreign government bonds	—	0.8	0.1	0.9
Corporate bonds	0.6	0.2	—	0.8
Total debt securities designated at fair value through profit or loss	**9.1**	**1.0**	**0.1**	**10.2**

Analysis by credit quality of debt securities at fair value through profit or loss outstanding at 31 December 2011 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	30.5	—	—	30.5
Foreign government bonds	—	0.2	—	0.2
Municipal and subfederal bonds	—	0.1	—	0.1
Total debt securities designated at fair value through profit or loss	**30.5**	**0.3**	**—**	**30.8**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

At 31 December 2012 and 31 December 2011 there are no renegotiated balances that would otherwise be past due. Debt securities designated at fair value through profit or loss are not collateralised. All debt securities designated at fair value through profit or loss are not past due.

Currency and maturity analyses of securities designated at fair value through profit or loss are disclosed in Note 32. The information on securities designated at fair value through profit or loss issued by related parties is disclosed in Note 38.

10. LOANS AND ADVANCES TO CUSTOMERS

For the purposes of these consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions is recognised as past due.

31 December 2012:

In billions of Russian Roubles	Not past due loans	Past due loans	Total
Commercial loans to legal entities	5,033.7	247.8	5,281.5
Specialised loans to legal entities	2,836.0	110.3	2,946.3
Consumer and other loans to individuals	1,472.6	97.1	1,569.7
Mortgage loans to individuals	1,094.6	48.8	1,143.4
Car loans to individuals	118.2	5.2	123.4
Total loans and advances to customers before provision for loan impairment	**10,555.1**	**509.2**	**11,064.3**
Less: Provision for loan impairment	(237.1)	(327.9)	(565.0)
Total loans and advances to customers net of provision for loan impairment	**10,318.0**	**181.3**	**10,499.3**

31 December 2011:

In billions of Russian Roubles	Not past due loans	Past due loans	Total
Commercial loans to legal entities	3,828.8	184.1	4,012.9
Specialised loans to legal entities	2,347.9	215.8	2,563.7
Consumer and other loans to individuals	898.7	45.3	944.0
Mortgage loans to individuals	741.6	35.8	777.4
Car loans to individuals	80.7	3.5	84.2
Total loans and advances to customers before provision for loan impairment	**7,897.7**	**484.5**	**8,382.2**
Less: Provision for loan impairment	(281.6)	(380.9)	(662.5)
Total loans and advances to customers net of provision for loan impairment	**7,616.1**	**103.6**	**7,719.7**

Commercial lending to legal entities comprises corporate loans, loans to individual entrepreneurs, federal bodies and municipal authorities of the Russian Federation. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property, portfolio investments, expansion and consolidation of business, etc.). Majority of commercial loans are provided for periods up to 5 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and lending for export-import transactions. The repayment source is cash flow from current production and financial activities of the borrower.

Specialised lending to legal entities includes investment and construction project financing and also developers' financing. As a rule, loan terms are linked to payback periods of investment and construction projects, contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid from cash flows generated by the investment project at the stage of its commercial operation.

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans. These loans include loans for current needs and overdrafts.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term and are collateralized by real estate.

Car loans to individuals include loans for purchasing a car or other vehicle. Car loans are provided for periods of up to 5 years.

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2012:

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
COMMERCIAL LOANS TO LEGAL ENTITIES				
Collectively assessed				
– Not past due	4,972.5	(105.9)	4,866.6	2.1%
– Loans up to 30 days overdue	29.3	(3.5)	25.8	11.9%
– Loans 31 to 60 days overdue	11.0	(3.1)	7.9	28.2%
– Loans 61 to 90 days overdue	6.6	(2.3)	4.3	34.8%
– Loans 91 to 180 days overdue	14.9	(8.2)	6.7	55.0%
– Loans over 180 days overdue	133.2	(121.8)	11.4	91.4%
Total collectively assessed loans	**5,167.5**	**(244.8)**	**4 ,922.7**	**4.7%**
Individually impaired				
– Not past due	61.2	(26.1)	35.1	42.6%
– Loans up to 30 days overdue	5.0	(2.5)	2.5	50.0%
– Loans 31 to 60 days overdue	4.0	(2.6)	1.4	65.0%
– Loans 61 to 90 days overdue	1.5	(0.5)	1.0	33.3%
– Loans 91 to 180 days overdue	1.5	(0.1)	1.4	6.7%
– Loans over 180 days overdue	40.8	(33.3)	7.5	81.6%
Total individually impaired loans	**114.0**	**(65.1)**	**48.9**	**57.1%**
Total commercial loans to legal entities	**5,281.5**	**(309.9)**	**4,971.6**	**5.9%**
SPECIALISED LOANS TO LEGAL ENTITIES				
Collectively assessed				
– Not past due	2,772.8	(76.1)	2 696.7	2.7%
– Loans up to 30 days overdue	12.3	(1.4)	10.9	11.4%
– Loans 31 to 60 days overdue	2.2	(0.4)	1.8	18.2%
– Loans 61 to 90 days overdue	1.4	(0.7)	0.7	50.0%
– Loans 91 to 180 days overdue	3.4	(2.2)	1.2	64.7%
– Loans over 180 days overdue	43.7	(39.6)	4.1	90.6%
Total collectively assessed loans	**2,835.8**	**(120.4)**	**2,715.4**	**4.2%**
Individually impaired				
– Not past due	63.2	(26.1)	37.1	41.3%
– Loans up to 30 days overdue	5.8	(0.5)	5.3	8.6%
– Loans 31 to 60 days overdue	1.9	(1.5)	0.4	78.9%
– Loans 61 to 90 days overdue	3.5	(2.5)	1.0	71.4%
– Loans 91 to 180 days overdue	2.9	(1.4)	1.5	48.3%
– Loans over 180 days overdue	33.2	(28.2)	5.0	84.9%
Total individually impaired loans	**110.5**	**(60.2)**	**50.3**	**54.5%**
Total specialised loans to legal entities	**2,946.3**	**(180.6)**	**2,765.7**	**6.1%**
TOTAL LOANS TO LEGAL ENTITIES	**8,227.8**	**(490.5)**	**7, 737.3**	**6.0%**

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
CONSUMER AND OTHER LOANS TO INDIVIDUALS				
Collectively assessed				
– Not past due	1,472.6	(2.0)	1,470.6	0.1%
– Loans up to 30 days overdue	35.1	(2.1)	33.0	6.0%
– Loans 31 to 60 days overdue	9.7	(1.9)	7.8	19.6%
– Loans 61 to 90 days overdue	6.4	(2.1)	4.3	32.8%
– Loans 91 to 180 days overdue	11.2	(7.0)	4.2	62.5%
– Loans over 180 days overdue	34.7	(30.4)	4.3	87.6%
Total consumer and other loans to individuals	**1,569.7**	**(45.5)**	**1,524.2**	**2.9%**
MORTGAGE LOANS TO INDIVIDUALS				
Collectively assessed				
– Not past due	1,094.6	(0.8)	1,093.8	0.1%
– Loans up to 30 days overdue	13.6	(0.5)	13.1	3.7%
– Loans 31 to 60 days overdue	3.8	(0.4)	3.4	10.5%
– Loans 61 to 90 days overdue	2.4	(0.4)	2.0	16.7%
– Loans 91 to 180 days overdue	2.9	(1.0)	1.9	34.5%
– Loans over 180 days overdue	26.1	(23.4)	2.7	89.7%
Total mortgage loans to individuals	**1,143.4**	**(26.5)**	**1,116.9**	**2.3%**
CAR LOANS TO INDIVIDUALS				
Collectively assessed				
– Not past due	118.2	(0.1)	118.1	0.1%
– Loans up to 30 days overdue	2.0	(0.1)	1.9	5.0%
– Loans 31 to 60 days overdue	0.4	(0.1)	0.3	25.0%
– Loans 61 to 90 days overdue	0.3	(0.1)	0.2	33.3%
– Loans 91 to 180 days overdue	0.4	(0.2)	0.2	50.0%
– Loans over 180 days overdue	2.1	(1.9)	0.2	90.5%
Total car loans to individuals	**123.4**	**(2.5)**	**120.9**	**2.0%**
Total loans to individuals	**2,836.5**	**(74.5)**	**2,762.0**	**2.6%**
TOTAL LOANS AND ADVANCES TO CUSTOMERS AS AT 31 DECEMBER 2012	**11,064.3**	**(565.0)**	**10,499.3**	**5.1%**

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

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
COMMERCIAL LOANS TO LEGAL ENTITIES				
Collectively assessed				
– Not past due	3,795.5	(117.4)	3,678.1	3.1%
– Loans up to 30 days overdue	11.3	(3.1)	8.2	27.4%
– Loans 31 to 60 days overdue	4.7	(2.2)	2.5	46.8%
– Loans 61 to 90 days overdue	3.4	(1.8)	1.6	52.9%
– Loans 91 to 180 days overdue	7.4	(4.8)	2.6	64.9%
– Loans over 180 days overdue	115.6	(111.8)	3.8	96.7%
Total collectively assessed loans	**3,937.9**	**(241.1)**	**3,696.8**	**6.1%**
Individually impaired				
– Not past due	33.3	(22.3)	11.0	67.0%
– Loans up to 30 days overdue	7.0	(7.0)	—	100.0%
– Loans 31 to 60 days overdue	0.5	(0.2)	0.3	40.0%
– Loans 61 to 90 days overdue	4.1	(0.3)	3.8	7.3%
– Loans 91 to 180 days overdue	0.1	—	0.1	—
– Loans over 180 days overdue	30.0	(28.7)	1.3	95.7%
Total individually impaired loans	**75.0**	**(58.5)**	**16.5**	**78.0%**
Total commercial loans to legal entities	**4,012.9**	**(299.6)**	**3,713.3**	**7.5%**
SPECIALISED LOANS TO LEGAL ENTITIES				
Collectively assessed				
– Not past due	2,276.1	(86.7)	2 189.4	3.8%
– Loans up to 30 days overdue	5.2	(0.8)	4.4	15.4%
– Loans 31 to 60 days overdue	3.3	(1.2)	2.1	36.4%
– Loans 61 to 90 days overdue	1.6	(0.7)	0.9	43.8%
– Loans 91 to 180 days overdue	2.1	(1.3)	0.8	61.9%
– Loans over 180 days overdue	59.3	(52.8)	6.5	89.0%
Total collectively assessed loans	**2,347.6**	**(143.5)**	**2,204.1**	**6.1%**
Individually impaired				
– Not past due	71.8	(38.7)	33.1	53.9%
– Loans up to 30 days overdue	4.0	(2.8)	1.2	70.0%
– Loans 31 to 60 days overdue	2.2	(1.6)	0.6	72.7%
– Loans 91 to 180 days overdue	0.4	(0.3)	0.1	75.0%
– Loans over 180 days overdue	137.7	(106.8)	30.9	77.6%
Total individually impaired loans	**216.1**	**(150.2)**	**65.9**	**69.5%**
Total specialised loans to legal entities	**2,563.7**	**(293.7)**	**2,270.0**	**11.5%**
Total loans to legal entities	**6,576.6**	**(593.3)**	**5,983.3**	**9.0%**

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
CONSUMER AND OTHER LOANS TO INDIVIDUALS				
Collectively assessed				
– Not past due	898.7	(10.9)	887.8	1.2%
– Loans up to 30 days overdue	12.5	(0.2)	12.3	1.6%
– Loans 31 to 60 days overdue	3.1	(0.2)	2.9	6.5%
– Loans 61 to 90 days overdue	1.7	(0.2)	1.5	11.8%
– Loans 91 to 180 days overdue	2.8	(0.6)	2.2	21.4%
– Loans over 180 days overdue	25.2	(25.2)	—	100.0%
Total consumer and other loans to individuals	**944.0**	**(37.3)**	**906.7**	**4.0%**
MORTGAGE LOANS TO INDIVIDUALS				
Collectively assessed				
– Not past due	741.6	(4.6)	737.0	0.6%
– Loans up to 30 days overdue	8.2	(0.2)	8.0	2.4%
– Loans 31 to 60 days overdue	2.0	(0.2)	1.8	10.0%
– Loans 61 to 90 days overdue	0.9	(0.1)	0.8	11.1%
– Loans 91 to 180 days overdue	1.3	(0.3)	1.0	23.1%
– Loans over 180 days overdue	23.4	(23.4)	—	100.0%
Total mortgage loans to individuals	**777.4**	**(28.8)**	**748.6**	**3.7%**
CAR LOANS TO INDIVIDUALS				
Collectively assessed				
– Not past due	80.7	(1.0)	79.7	1.2%
– Loans up to 30 days overdue	1.0	—	1.0	—
– Loans 31 to 60 days overdue	0.2	—	0.2	—
– Loans 61 to 90 days overdue	0.1	—	0.1	—
– Loans 91 to 180 days overdue	0.1	—	0.1	—
– Loans over 180 days overdue	2.1	(2.1)	—	100.0%
Total car loans to individuals	**84.2**	**(3.1)**	**81.1**	**3.7%**
Total loans to individuals	**1,805.6**	**(69.2)**	**1,736.4**	**3.8%**
Total loans and advances to customers as at 31 December 2011	**8,382.2**	**(662.5)**	**7,719.7**	**7.9%**

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2012:

In billions of Russian Roubles	1 group	2 group	3 group	Total
Commercial loans to legal entities	522.7	2,620.7	1,829.1	4,972.5
Specialised loans to legal entities	151.3	1,336.7	1,284.8	2,772.8
Consumer and other loans to individuals	36.8	1,405.8	30.0	1,472.6
Mortgage loans to individuals	43.2	1,036.4	15.0	1,094.6
Car loans to individuals	2.5	113.6	2.1	118.2
Total	**756.5**	**6,513.2**	**3,161.0**	**10,430.7**

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2011:

In billions of Russian Roubles	1 group	2 group	3 group	Total
Commercial loans to legal entities	159.1	2,125.2	1,511.2	3,795.5
Specialised loans to legal entities	98.6	1,141.7	1,035.8	2,276.1
Consumer and other loans to individuals	5.6	892.6	0.5	898.7
Mortgage loans to individuals	5.0	735.4	1.2	741.6
Car loans to individuals	0.5	80.1	0.1	80.7
Total	**268.8**	**4,975.0**	**2,548.8**	**7,792.6**

For the purpose of these consolidated financial statements, all not past due collectively assessed loans to legal entities are classified in three quality groups presented in the tables above with group 1 loans being of the highest quality. The 1-st group includes borrowers with sound level of liquidity and profitability as well as high capital adequacy ratio. The probability of breach of loan agreement terms is assessed as low. The 2-nd group includes borrowers with average level of liquidity and profitability as well as average capital adequacy ratio. The probability of breach of loan agreement terms is assessed as moderate. The 3-rd group includes borrowers with satisfactory level of liquidity and profitability as well as moderate capital adequacy ratio. The probability of breach of loan agreement terms is assessed as above moderate.

For the purpose of these consolidated financial statements, all not past due loans to individuals are combined into three groups presented in the tables above. The 1-st group of these loans to individuals is represented by loans with good debt servicing and excellent financial position of a borrower. The 2-nd group is represented by loans with good/average debt servicing and excellent/moderate financial position of a borrower. The 3-rd group is represented by loans with average debt servicing and moderate financial position of a borrower.

As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

As at 31 December 2012 the outstanding non-performing loans were as follows:

In billions of Russian Roubles	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	190.4	(163.4)	27.0	85.8%
Specialised loans to legal entities	83.2	(71.4)	11.8	85.8%
Consumer and other loans to individuals	45.9	(37.4)	8.5	81.5%
Mortgage loans to individuals	29.0	(24.4)	4.6	84.1%
Car loans to individuals	2.5	(2.1)	0.4	84.0%
Total non-performing loans and advances to customers as at 31 December 2012	**351.0**	**(298.7)**	**52.3**	**85.1%**

As at 31 December 2011 the outstanding non-performing loans were as follows:

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

Provisions for loan impairment. The analysis of changes in provisions for loan impairment for the year ended 31 December 2012 is presented in the table below:

In billions of Russian Roubles	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Provision for loan impairment as at 1 January 2012	**299.6**	**293.7**	**37.3**	**28.8**	**3.1**	**662.5**
Net provision charge/ (net recovery of provision) for loan impairment during the reporting period	41.2	(29.9)	11.2	(0.8)	(0.2)	21.5
Foreign currencies translation	—	(0.2)	—	(0.2)	—	(0.4)
Loans and advances written off during the reporting period	(30.9)	(83.0)	(3.0)	(1.3)	(0.4)	(118.6)
Provision for loan impairment as at 31 December 2012	**309.9**	**180.6**	**45.5**	**26.5**	**2.5**	**565.0**

The analysis of changes in provisions for loan impairment for the year ended 31 December 2011 is presented in the table below:

In billions of Russian Roubles	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Provision for loan impairment as at 1 January 2011	**312.9**	**320.8**	**36.1**	**29.3**	**3.4**	**702.5**
Net provision charge/ (net recovery of provision) for loan impairment during the reporting period	10.7	(15.7)	3.0	1.1	(0.3)	(1.2)
Foreign currencies translation	(0.5)	(1.1)	(0.2)	—	0.1	(1.7)
Loans and advances written off during the reporting period	(23.5)	(10.3)	(1.6)	(1.6)	(0.1)	(37.1)
Provision for loan impairment as at 31 December 2011	**299.6**	**293.7**	**37.3**	**28.8**	**3.1**	**662.5**

Renegotiated loans. Information on loans whose terms have been renegotiated, as at 31 December 2012 and 31 December 2011 is presented in the table below. It shows the amount for renegotiated loans before provision for loan impairment by class.

In billions of Russian Roubles	Commercial loans to legal entities	Specialised loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
31 December 2012:						
Not past due collectively assessed loans	477.2	379.8	3.0	8.2	0.5	868.7
Other renegotiated loans	90.4	37.1	2.0	6.4	0.6	136.5
Total renegotiated loans before provision for loan impairment	**567.6**	**416.9**	**5.0**	**14.6**	**1.1**	**1,005.2**
31 December 2011:						
Not past due collectively assessed loans	552.0	329.5	7.0	5.4	0.5	894.4
Other renegotiated loans	85.1	42.1	3.3	6.0	0.7	137.2
Total renegotiated loans before provision for loan impairment	**637.1**	**371.6**	**10.3**	**11.4**	**1.2**	**1,031.6**

Disclosure of corporate loans before provision for loan impairment by business size of borrowers. Sberbank Group members apply its own management policies in allocating corporate borrowers according to business size.

In billions of Russian Roubles	2012	2011
Major clients	4,164.6	3,557.0
Large clients	1,964.4	1,439.3
Medium business	1,379.5	1,099.2
Small business	719.3	481.1
Total loans and advances to legal entities before provision for loan impairment	**8,227.8**	**6,576.6**

Investments in finance lease. Included in specialised loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 31 December 2012 and as at 31 December 2011 is as follows:

In billions of Russian Roubles	2012	2011
Gross investment in finance lease	152.4	134.9
Unearned future finance income on finance lease	(46.5)	(46.6)
Net investment in finance lease before provision for impairment	**105.9**	**88.3**
Less provision for impairment	(3.3)	(2.3)
Net investment in finance lease after provision for impairment	**102.6**	**86.0**

The contractual maturity analysis of net investments in finance lease as at 31 December 2012 is as follows:

In billions of Russian Roubles	Net investment in finance lease before provision for impairment	Provision for impairment	Net investment in finance lease after provision for impairment
Not later than 1 year	31.3	(1.4)	29.9
Later than 1 year but not later than 5 years	62.8	(1.6)	61.2
Later than 5 years	11.8	(0.3)	11.5
Total as at 31 December 2012	**105.9**	**(3.3)**	**102.6**

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

In billions of Russian Roubles	Net investment in finance lease before provision for impairment	Provision for impairment	Net investment in finance lease after provision for impairment
Not later than 1 year	26.6	(0.7)	25.9
Later than 1 year but not later than 5 years	48.9	(1.3)	47.6
Later than 5 years	12.8	(0.3)	12.5
Total as at 31 December 2011	**88.3**	**(2.3)**	**86.0**

The analysis of minimal finance lease receivables as at 31 December 2012 and as at 31 December 2011 per contractual maturity is as follows:

In billions of Russian Roubles	2012	2011
Not later than 1 year	34.5	28.5
Later than 1 year but not later than 5 years	88.9	72.0
Later than 5 years	29.0	34.4
Total	**152.4**	**134.9**

Economic sector risk concentration. Economic sector risk concentrations within the customer loan portfolio as at 31 December 2012 and as at 31 December 2011 are as follows:

In billions of Russian Roubles	2012		2011	
	Amount	%	Amount	%
Individuals	2,836.5	25.6	1,805.6	21.5
Services	1,962.5	17.7	1,658.5	19.8
Trade	1,304.3	11.8	1,134.8	13.5
Food and agriculture	862.4	7.8	703.9	8.4
Machine building	528.6	4.8	355.6	4.2
Energy	512.2	4.6	379.9	4.5
Telecommunications	489.2	4.4	332.0	4.0
Metallurgy	410.6	3.7	299.4	3.6
Construction	402.7	3.6	451.3	5.4
Transport, aviation, space industry	387.0	3.5	285.4	3.4
Chemical industry	378.2	3.4	340.2	4.1
Government and municipal bodies	370.4	3.3	268.1	3.2
Oil and gas	162.2	1.5	164.7	2.0
Timber industry	72.3	0.7	50.4	0.6
Other	385.2	3.6	152.4	1.8
Total loans and advances to customers before provision for loan impairment	**11,064.3**	**100.0**	**8,382.2**	**100.0**

"Services" category includes financial, insurance and other service companies, as well as loans granted to holding and multi-industry companies.

Refer to Note 36 for the information on amounts in loans and advances to customers which are collateralised by securities received under reverse sale and repurchase agreements.

As at 31 December 2012 the Group had 20 largest corporate borrowers with aggregated loan amounts due from each of these borrowers exceeding 59.1 billion RUB (2011: 20 largest borrowers with loan amounts due from each of these borrowers exceeding 47.9 billion RUB). The total aggregate amount of these loans was 2,140.3 billion RUB or 19.3% of the total gross loan portfolio of the Group (2011: 1,956.2 billion RUB or 23.3%).

Interest income accrued on loans, for which individual impairment has been recognised, for the year ended 31 December 2012, comprised 7.3 billion RUB (2011: 8.9 billion RUB).

For the year ended 31 December 2012 in interest income on loans and advances to customers in the consolidated income statement are included fines and penalties received from borrowers in the amount of 6.3 billion RUB (2011: 8.7 billion RUB).

The estimated fair value of loans and advances to customers is disclosed in Note 35. Currency and maturity analyses of loans and advances to customers are disclosed in Note 32. The information on related party balances is disclosed in Notes 37 and 38.

11. SECURITIES PLEDGED UNDER REPURCHASE AGREEMENTS

In billions of Russian Roubles	2012	2011
Trading securities pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	19.7	0.4
Corporate bonds	19.5	6.1
Corporate shares	8.0	34.3
Foreign government bonds	6.0	—
Municipal and subfederal bonds	3.4	—
Russian Federation Eurobonds	0.5	7.0
Investments in mutual funds	—	0.3
Total trading securities pledged under repurchase agreements	**57.1**	**48.1**
Securities designated at fair value through profit or loss pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	8.7	8.1
Municipal and subfederal bonds	0.1	—
Corporate shares	—	1.3
Total securities designated at fair value through profit or loss pledged under repurchase agreements	**8.8**	**9.4**
Investment securities available for sale pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	401.7	25.5
Corporate bonds	150.2	30.8
Foreign government bonds	26.7	0.3
Municipal and subfederal bonds	25.4	—
Russian Federation Eurobonds	11.1	29.4
Corporate shares	1.2	20.1
Total investment securities available for sale pledged under repurchase agreements	**616.3**	**106.1**
Investment securities held to maturity pledged under repurchase agreements		
Federal loan bonds (OFZ bonds)	160.3	136.4
Municipal and subfederal bonds	60.1	—
Corporate bonds	47.1	0.8
Total investment securities held to maturity pledged under repurchase agreements	**267.5**	**137.2**
Total securities pledged under repurchase agreements	**949.7**	**300.8**

Analysis by credit quality of debt securities pledged under repurchase agreements outstanding at 31 December 2012 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	590.4	—	—	590.4
Corporate bonds	89.2	102.8	24.8	216.8
Municipal and subfederal bonds	72.4	16.6	—	89.0
Foreign government bonds	32.7	—	—	32.7
Russian Federation Eurobonds	11.6	—	—	11.6
Total debt securities pledged under repurchase agreements	**796.3**	**119.4**	**24.8**	**940.5**

Analysis by credit quality of debt securities pledged under repurchase agreements outstanding at 31 December 2011 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	170.4	—	—	170.4
Corporate bonds	24.9	11.5	1.3	37.7
Russian Federation Eurobonds	36.4	—	—	36.4
Foreign government bonds	—	0.3	—	0.3
Total debt securities pledged under repurchase agreements	**231.7**	**11.8**	**1.3**	**244.8**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

Refer to Note 36 for the detailed information on securities pledged under sale and repurchase agreements with banks and corporate customers.

All corporate bonds pledged under repurchase agreements are not past due. None of the securities pledged under repurchase agreements were renegotiated.

Currency and maturity analyses of securities pledged under repurchase agreements are disclosed in Note 32. The information on related party balances is disclosed in Note 38.

12. INVESTMENT SECURITIES AVAILABLE FOR SALE

In billions of Russian Roubles	2012	2011
Corporate bonds	320.2	320.3
Foreign government bonds	150.2	22.0
Federal loan bonds (OFZ bonds)	149.6	410.9
Russian Federation Eurobonds	117.7	23.6
Municipal and subfederal bonds	21.3	47.6
Total debt investment securities available for sale	**759.0**	**824.4**
Corporate shares	45.5	60.1
Total investment securities available for sale	**804.5**	**884.5**

Investment securities available for sale are carried at fair value which also reflects credit risk related write downs. Fair value of investment securities available for sale is based on their market quotations and valuation models with use of data both observable and not observable on the open market. According to the assessment of the Group as at 31 December 2012 impairment of investment securities available for sale comprised 5.0 billion RUB (2011: 1.1 billion RUB) and was recognised in profit or loss. The unrealised gains/(losses) on revaluation of investment securities available for sale other than impairment loss are recognised in other comprehensive income and presented in equity as fair value reserve for investment securities available for sale as at 31 December 2012 in the cumulative gain of 37.3 billion RUB (2011: loss of 7.5 billion RUB).

As at 31 December 2012 included in investment securities available for sale are past due fully impaired corporate bonds with nominal value of 0.1 billion RUB (2011: 0.1 billion).

None of the investment securities available for sale were renegotiated.

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2012 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	219.9	95.1	5.2	320.2
Foreign government bonds	126.9	21.2	2.1	150.2
Federal loan bonds (OFZ bonds)	149.6	—	—	149.6
Russian Federation Eurobonds	117.7	—	—	117.7
Municipal and subfederal bonds	8.1	13.0	0.2	21.3
Total debt investment securities available for sale	**622.2**	**129.3**	**7.5**	**759.0**

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2011 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	410.9	—	—	410.9
Corporate bonds	163.9	140.0	16.4	320.3
Municipal and subfederal bonds	28.8	18.5	0.3	47.6
Russian Federation Eurobonds	23.6	—	—	23.6
Foreign government bonds	8.2	13.8	—	22.0
Total debt investment securities available for sale	**635.4**	**172.3**	**16.7**	**824.4**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

Currency and maturity analyses of investment securities available for sale are disclosed in Note 32. The information on related party balances is disclosed in Note 38.

13. INVESTMENT SECURITIES HELD TO MATURITY

In billions of Russian Roubles	2012	2011
Corporate bonds	84.2	130.1
Federal loan bonds (OFZ bonds)	8.8	74.7
Municipal and subfederal bonds	6.8	79.6
Foreign government bonds	6.1	0.1
Promissory notes	—	2.0
Total investment securities held to maturity	**105.9**	**286.5**

Analysis by credit quality of debt investment securities held to maturity outstanding at 31 December 2012 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	17.7	55.8	10.7	84.2
Federal loan bonds (OFZ bonds)	8.8	—	—	8.8
Municipal and subfederal bonds	0.1	6.7	—	6.8
Foreign government bonds	3.7	1.8	0.6	6.1
Total investment securities held to maturity	**30.3**	**64.3**	**11.3**	**105.9**

Analysis by credit quality of debt investment securities available for sale outstanding at 31 December 2011 is as follows:

In billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	27.3	48.2	54.6	130.1
Municipal and subfederal bonds	63.3	16.3	—	79.6
Federal loan bonds (OFZ bonds)	74.7	—	—	74.7
Promissory notes	—	—	2.0	2.0
Foreign government bonds	—	0.1	—	0.1
Total investment securities held to maturity	**165.3**	**64.6**	**56.6**	**286.5**

Credit quality in the table above is based on the rating scale developed by the international rating agencies.

At 31 December 2012 and 31 December 2011 there are no renegotiated debt investment securities held to maturity that would otherwise be past due. All debt investment securities held to maturity are not past due.

The estimated fair value of investment securities held to maturity is disclosed in Note 35. Currency and maturity analyses of investment securities held to maturity are disclosed in Note 32. The information on related party balances is disclosed in Note 38.

14. PREMISES AND EQUIPMENT

In billions of Russian Roubles	Note	Office premises	Other premises	Office and equipment	Vehicles and other equipment	Construction in progress	Total
Cost or revalued amount at 1 January 2011		199.9	7.6	136.8	22.0	23.1	389.4
Accumulated depreciation		(6.3)	(0.1)	(89.9)	(9.3)	—	(105.6)
Carrying amount at 1 January 2011		**193.6**	**7.5**	**46.9**	**12.7**	**23.1**	**283.8**
Additions		10.5	1.2	49.4	5.8	42.5	109.4
Acquisitions through business combinations		0.8	0.1	0.6	—	0.3	1.8
Transfers		26.9	7.7	0.1	1.7	(36.4)	—
Disposals — at cost or revalued amount		(4.9)	(4.4)	(6.2)	(5.9)	(2.7)	(24.1)
Disposals — accumulated depreciation		0.2	0.2	5.8	1.9	—	8.1
Depreciation charge	26.27	(6.7)	(0.8)	(32.7)	(3.4)	—	(43.6)
Impairment of construction in progress recognised in profit or loss		—	—	—	—	(0.1)	(0.1)
Revaluation of office premises recognised in profit or loss		(11.3)	—	—	—	—	(11.3)
Revaluation of office premises recognised in other comprehensive income		36.9	—	—	—	—	36.9
Foreign currencies translation		(1.0)	—	—	—	—	(1.0)
Carrying amount at 31 December 2011		**245.0**	**11.5**	**63.9**	**12.8**	**26.7**	**359.9**
Cost or revalued amount at 31 December 2011		245.0	12.2	180.7	23.6	26.7	488.2
Accumulated depreciation		—	(0.7)	(116.8)	(10.8)	—	(128.3)
Additions		17.5	7.6	58.0	7.8	57.2	148.1
Acquisitions through business combinations		4.1	1.0	6.7	2.2	5.5	19.5
Transfers		27.2	0.4	—	0.1	(27.7)	—
Transfers to investment property from fixed assets		—	(0.1)	—	—	—	(0.1)
Disposals — at cost or revalued amount		(12.7)	(16.7)	(7.1)	(5.8)	(8.1)	(50.4)
Disposals — accumulated depreciation		0.4	2.7	7.7	4.4	—	15.2
Depreciation charge	26.27	(8.3)	(2.4)	(40.6)	(4.8)	—	(56.1)
Foreign currencies translation		0.1	—	(0.2)	—	—	(0.1)
Carrying amount at 31 December 2012		**273.3**	**4.0**	**88.4**	**16.7**	**53.6**	**436.0**
Cost or revalued amount at 31 December 2012		281.1	4.3	238.1	28.0	53.6	605.1
Accumulated depreciation		(7.8)	(0.3)	(149.7)	(11.3)	—	(169.1)

Construction in progress consists of construction or refurbishment of the Group's premises and equipment. Upon completion, assets are transferred to office premises, other premises or equipment categories.

Office premises have been revalued to market value at 31 December 2011. At 31 December 2012 the carrying amount of office premises would have been 183.6 billion RUB (2011: 156.5 billion RUB) had the premises been carried at cost less depreciation.

At 31 December 2012 included in office and computer equipment were fully depreciated items in the amount of 5.2 billion RUB (2011: 22.1 billion RUB). At 31 December 2012 included in vehicles and other equipment were fully depreciated items in the amount of 1.1 billion RUB (2011: nil).

15.OTHER ASSETS

In billions of Russian Roubles	2012	2011
Other financial assets		
Receivables on plastic cards settlements	107.5	78.8
Derivative financial instruments	74.4	51.1
Settlements on currency conversion operations	16.7	6.5
Settlements on operations with securities	10.1	15.2
Funds in settlement	5.7	0.2
Accrued fees and commissions	4.5	3.9
Trade receivables	4.4	2.7
Other	6.7	6.9
Provision for impairment of other financial assets	(2.4)	(2.2)
Total other financial assets	**227.6**	**163.1**
Other non-financial assets		
Precious metals	84.8	66.0
Prepayments for premises and other assets	67.7	29.9
Inventory of non-banking subsidiaries	58.9	12.7
Intangible assets acquired through business combinations	35.8	12.2
Goodwill	25.0	15.1
Investment property	15.3	11.8
Non-exclusive licences	13.3	8.9
Investments in associates	8.6	4.7
Prepaid expenses	8.6	3.8
Tax settlements (other than on income)	8.0	9.8
Non-current assets held for sale and assets of the disposal group	5.1	14.4
Prepayment on income tax	2.4	1.5
Other	13.1	10.0
Provision for impairment of other non-financial assets	(6.1)	(3.9)
Total other non-financial assets	**340.5**	**196.9**
Total other assets	**568.1**	**360.0**

As at 31 December 2012 receivables on plastic cards settlements of 107.5 billion RUB (2011: 78.8 billion RUB) represent receivables due within 30 days on operations of the Group`s customers with plastic cards.

As at 31 December 2012 and 31 December 2011 intangible assets acquired through business combinations are as follows:

In billions of Russian Roubles	2012	2011
Core deposit intangible	15.6	5.4
Brand	10.3	—
Client base	4.0	—
Bank licenses	1.0	—
Licenses for oil exploitation	—	2.4
Other	4.9	4.4
Total intangible assets acquired through business combinations	**35.8**	**12.2**

Movements in the provision for impairment of other assets during 2012 are as follows:

In billions of Russian Roubles	Funds in settlement	Other financial assets	Prepayments for premises and other assets	Other non-financial assets	Total
Provision for impairment at 1 January 2012	**0.1**	**2.1**	**1.0**	**2.9**	**6.1**
Net provision charge for impairment during the year	—	0.5	0.1	3.5	4.1
Other assets written off during the year as uncollectible	—	(0.3)	—	(1.4)	(1.7)
Provision for impairment at 31 December 2012	**0.1**	**2.3**	**1.1**	**5.0**	**8.5**

Movements in the provision for impairment of other assets during 2011 are as follows:

In billions of Russian Roubles	Funds in settlement	Other financial assets	Prepayments for premises and other assets	Other non-financial assets	Total
Provision for impairment at 1 January 2011	**0.1**	**2.1**	**1.1**	**1.5**	**4.8**
Net provision charge for impairment during the year	—	0.3	(0.1)	1.7	1.9
Other assets written off during the year as uncollectible	—	(0.3)	—	(0.3)	(0.6)
Provision for impairment at 31 December 2011	**0.1**	**2.1**	**1.0**	**2.9**	**6.1**

Provision for impairment of other assets is recognised by the Group on operations conducted in the normal course of the Group's business. Provision is accessed on the basis of the Group's best estimates of recoverability of other assets.

Movements in goodwill arising on the acquisition of subsidiaries are:

In billions of Russian Roubles	Note	2012	2011
Carrying amount at 1 January		**15.1**	**8.3**
Acquisition of subsidiaries	39	16.7	8.0
Disposal of subsidiaries		(5.1)	—
Impairment loss		(1.7)	(1.2)
Carrying amount at 31 December		**25.0**	**15.1**

The estimated fair value of other financial assets is disclosed in Note 35. Currency and maturity analyses of other assets are disclosed in Note 32. The information on related party balances is disclosed in Note 37.

16. DUE TO BANKS

In billions of Russian Roubles	2012	2011
Sale and repurchase agreements with banks	854.9	232.9
Term placements of banks	518.2	240.4
Correspondent accounts and overnight placements of banks	79.3	59.1
Total due to banks	**1,452.4**	**532.4**

Term placements of other banks represent funds received on interbank market.

Refer to Note 36 for information on the amounts in due to other banks received under sale and repurchase agreements and fair value of securities pledged.

The estimated fair value of due to other banks is disclosed in Note 35. Currency and maturity analyses of due to other banks are disclosed in Note 32. The information on related party balances is disclosed in Note 37.

17. DUE TO INDIVIDUALS AND CORPORATE CUSTOMERS

In billions of Russian Roubles	2012	2011
Individuals:		
Current/demand accounts	1,401.1	1,077.0
Term deposits	5,582.1	4,649.3
Total due to individuals	**6,983.2**	**5,726.3**
State and public organisations:		
Current/settlement accounts	99.0	142.2
Term deposits	270.1	39.6
Total due to state and public organisations	**369.1**	**181.8**
Other corporate customers:		
Current/settlement accounts	1,130.1	1,230.1
Term deposits	1,696.9	793.9
Total due to other corporate customers	**2,827.0**	**2,024.0**
Total due to corporate customers	**3,196.1**	**2,205.8**
Total due to individuals and corporate customers	**10,179.3**	**7,932.1**

Economic sector concentrations within customer accounts are as follows:

In billions of Russian Roubles	2012		2011	
	Amount	%	Amount	%
Individuals	6,983.2	68.6	5,726.3	72.2
Services	826.3	8.1	450.2	5.7
Oil and gas	453.7	4.5	311.9	3.9
Trade	404.8	4.0	305.6	3.9
Construction	253.8	2.5	182.7	2.3
Municipal bodies and state organisations	208.4	2.0	58.3	0.7
Energy	167.4	1.6	122.2	1.5
Machine building	165.6	1.6	132.2	1.7
Transport, aviation, space industry	118.5	1.2	79.7	1.0
Chemical	96.6	0.9	56.3	0.7
Food and agriculture	84.3	0.8	61.7	0.8
Metallurgy	77.2	0.8	43.3	0.5
Telecommunications	59.4	0.6	48.7	0.6
Timber industry	26.2	0.3	17.2	0.2
Other	253.9	2.5	335.8	4.3
Total due to individuals and corporate customers	**10,179.3**	**100.0**	**7,932.1**	**100.0**

As at 31 December 2012 included in Due to corporate customers are deposits of 79.0 billion RUB (31 December 2011: 95.0 billion RUB) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 33.

As at 31 December 2012 the Group had 20 largest customers with balances above 13.1 billion RUB (31 December 2011: 20 customers with balances above 11.5 billion RUB). The aggregate balance of these customers was 914.2 billion RUB (31 December 2011: 621.1 billion RUB) or 9.0% (31 December 2011: 7.8%) of total due to individuals and corporate customers.

Refer to Note 36 for information on the amounts in due to corporate customers received under sale and repurchase agreements and fair value of securities pledged. The estimated fair value of due to individuals and corporate customers is disclosed in Note 35. Currency and maturity analyses of due to individuals and corporate customers are disclosed in Note 32. The information on related party balances is disclosed in Notes 37 and 38.

18. DEBT SECURITIES IN ISSUE

In billions of Russian Roubles	2012	2011
Loan participation notes issued under the MTN programme	291.6	169.6
Savings certificates	227.2	9.8
Promissory notes	110.1	77.2
Bonds issued	44.3	9.9
Notes issued under the ECP programme	16.1	—
Structured notes	2.3	1.5
Other debt securities issued	0.1	0.7
Total debt securities in issue	**691.7**	**268.7**

At 31 December 2012 included in loan participation notes issued under the MTN programme are notes issued by the Group under 10 billion USD loan participation notes MTN issuance programme launched in 2006. In 2012 the limit for the issues under the programme was extended to 30 billion USD.

In May 2006 the Group issued the first series of notes under this programme in the amount of 0.5 billion USD equivalent to 13.5 billion RUB as at the date of issue. As at 31 December 2012 these notes were accounted for at amortised cost of 15.3 billion RUB (2011: 16.4 billion RUB). The notes mature in May 2013 and have contractual fixed interest rate of 6.5% p.a. As at 31 December 2012 the effective interest rate on the notes was 6.6% p.a. (2011: 6.6% p.a.).

In July 2008 the Group issue the third series of notes under the MTN issuance programme in the amount of 0.5 billion USD equivalent to 11.7 billion RUB as at the date of issue. As at 31 December 2012 these notes were accounted for at amortised cost of 15.7 billion RUB (2011: 16.7 billion RUB). These notes mature in July 2013 and have contractual fixed interest rate of 6.5% p.a. As at 31 December 2012 the effective interest rate on the notes was 6.6% p.a. (2011: 6.6% p.a.).

In July 2010 the Group issued the fourth series of loan participation notes under the MTN issuance programme in the amount of 1 billion USD equivalent to 31.1 billion RUB as at the date of issue. The notes mature in July 2015 and have contractual fixed interest rate of 5.5% p.a. Additional notes of 0.5 billion USD (equivalent to 15.1 billion RUB as at the date of issue) were issued In August 2010 with a premium and form a single series with the fourth series issue. Additional notes have the same interest rate and maturity date. As at 31 December 2012 the notes were accounted for at amortised cost of 46.9 billion RUB (2011: 49.7 billion RUB); the effective interest rate on the notes was 5.4% p.a. (2011: 5.4% p.a.).

In September 2010 the Group issued the fifth series of loan participation notes under the MTN issuance programme in the amount of 1 billion USD equivalent to 31.0 billion RUB as at the date of issue. The notes mature in March 2017 and have contractual fixed interest rate of 5.4% p.a. In October 2010 the Group issued additional notes for 0.25 billion USD (equivalent to 7.6 billion RUB as at the date of issue) with a premium which form a single series with the fifth series issue and have the same interest rate and maturity. As at 31 December 2012 the notes were accounted for at amortised cost of 38.6 billion RUB (2011: 40.9 billion RUB); the effective interest rate was 5.4% p.a. (2011: 5.4% p.a.).

In November 2010 the Group issued the sixth series of loan participation notes under the MTN issuance programme in the amount of 0.4 billion CHF equivalent to 12.6 billion RUB as at the date of issue. The notes mature in November 2014 and have contractual fixed interest rate of 3.5% p.a. As at 31 December 2012 the notes were accounted for at amortised cost of 13.4 billion RUB (2011: 13.7 billion RUB); the effective interest rate was 3.6% p.a. (2011: 3.6% p.a.).

In June 2011 the Group issued the seventh series of loan participation notes under the MTN issuance programme in the amount of 1 billion USD equivalent to 27.9 billion RUB as at the date of issue. The notes mature in June 2021 and have contractual fixed interest rate of 5.7% p.a. As at 31 December 2012 the notes were accounted for at amortised cost of 30.4 billion RUB (2011: 32.2 billion RUB); the effective interest rate on the notes was 5.8% p.a. (2011: 5.8% p.a.).

In February 2012 the Group issued the eighth series of loan participation notes under the MTN issuance programme in the amount of 1 billion USD equivalent to 30.2 billion RUB as at the date of issue. The notes mature in February 2017 and have contractual fixed interest rate of 5.0% p.a. In August 2012 the Group issued additional notes for 0.3 billion USD (equivalent to 9.6 billion RUB as at the date of issue) which form a single series with the eighth series issue and have the same interest rate and maturity. As at 31 December 2012 the notes were accounted for at amortised cost of 38.9 billion RUB; the effective interest rate on the notes was 4.8% p.a.

In February 2012 the Group issued the ninth series of loan participation notes under the MTN issuance programme in the amount of 0.75 billion USD equivalent to 22.7 billion RUB as at the date of issue. The notes mature in February 2022 and have contractual fixed interest rate of 6.1% p.a. In July 2012 the Group issued additional notes for 0.75 billion USD (equivalent to 24.3 billion RUB as at the date of issue) which form a single series with the ninth series issue and have the same interest rate and maturity. As at 31 December 2012 the notes were accounted for at amortised cost of 48.4 billion RUB; the effective interest rate on the notes was 5.6% p.a.

In March 2012 the Group issued the tenth series of loan participation notes under the MTN issuance programme in the amount of 0.41 billion CHF equivalent to 13.2 billion RUB as at the date of issue. The notes mature in September 2015 and have contractual fixed interest rate of 3.1% p.a. As at 31 December 2012 the notes were accounted for at amortised cost of 13.7 billion RUB; the effective interest rate on the notes was 3.2% p.a.

In June 2012 the Group issued the eleventh series of loan participation notes under the MTN issuance programme in the amount of 1 billion USD equivalent to 32.8 billion RUB as at the date of issue. The notes mature in June 2019 and have contractual fixed interest rate of 5.2% p.a. As at 31 December 2012 the notes were accounted for at amortised cost of 30.3 billion RUB; the effective interest rate on the notes was 5.3% p.a.

Promissory notes are interest-bearing or discount securities issued by the Group. They are denominated in Russian roubles, US Dollars and Euro and have maturity dates from two weeks to three years (2011: from two weeks to three years). Interest or discount rates on promissory notes issued by the Group vary from 4.7% to 8.3% p.a. (2011: from 0.1% to 6.5% p.a.). Promissory notes are freely tradable on the Russian financial market.

Savings certificates are interest-bearing securities issued by the Group. They are denominated in Russian Roubles and have maturity dates from three months to three years (2011: from three months to three years). Interest rates on these securities vary from 0.01% to 10.5% p.a. (2011: from 4.1% to 7.2% p.a.).

In November 2012 the Group launched Euro-Commercial Paper programme (ECP programme) for the total amount of issues limited by 3 billion USD. The notes issued under ECP programme will have maturity of one year or less. As at 31 December 2012 the Group has launched three issues under the programme for the total amount of 0.5 billion USD equivalent to 16.3 billion RUB as at the date of issue. As at 31 December 2012 these notes were accounted for at amortised cost of 16.1 billion RUB. The notes have maturity dates from November 2013 to December 2013; floating nominal discount rates for the two issues are 12 months LIBOR + 0.9% p.a., for the third issue — fixed discount rate of 1.6% p.a.; effective interest rates vary from 1.6%p.a. to 1.8% p.a.

Structured notes represent interest-bearing and non-interest-bearing securities issued by the Group. They are denominated in Russian Roubles and have maturity dates from ”on demand” to June 2021 (2011: from ”on demand” to August 2018). Interest rates on these securities vary from 0.0% to 13.3% p.a. (2011: from 0.0% to 17% p.a.).

Bonds issued represent interest-bearing securities issued by the Group. They are denominated in Turkish Lyra, Belorussian roubles, US dollars, Euro, Ukranian Hryvnia and have maturity dates from ”on demand” to September 2023 (2011: from “on demand” to 2019). Interest rates on these securities vary from 0.0% to 8.0% p.a. (2011: from 5.5% to 12.8% p.a.).

19.OTHER BORROWED FUNDS

In billions of Russian Roubles	2012	2011
Trade finance deals	306.3	141.9
Syndicated loans received	162.9	102.1
Total other borrowed funds	**469.2**	**244.0**

In December 2010 the Group received a syndicated loan in the amount of 2 billion USD from a consortium of foreign banks equivalent to 61.5 billion RUB as at the date of issue. As at 31 December 2012 the loan was accounted for at amortised cost of 60.6 billion RUB (2011: 61.5 billion RUB). This loan matures in December 2013 and had contractual floating interest rate of 6 months LIBOR + 1.5% p.a. As at 31 December 2012 the effective interest rate on the loan was 2.4% p.a. (2011: 2.7% p.a.).

In November 2011 the Group received a multicurrency syndicated loan in the total amount of 1.2 billion USD from a consortium of foreign banks equivalent to 37.6 billion RUB as at the date of issue. The loan was received in two tranches in two different currencies: c. 90% of the above sum was received in USD dollars and the remaining part in Euro. The loan matures in November 2014 and has contractual floating interest rates of 3 months LIBOR + 1.5% p.a. for the tranche in USD dollars and 3 months EURIBOR + 1.1% p.a. for the tranche in Euro. As at 31 December 2012 the loan was accounted for at amortised cost of 36.1 billion RUB (2011: 38.1 billion RUB); the effective interest rate on the tranche in USD dollars was 2.2% p.a. (2011: 2.4% p.a.), on the tranche in Euro — 1.6% p.a. (2011: 2.9% p.a.).

In October 2012 the Group received a syndicated loan in the amount of 1.5 billion USD from a consortium of foreign banks equivalent to 47.2 billion RUB as at the date of issue. As at 31 December 2012 the loan was accounted for at amortised cost of 45.0 billion RUB. This loan matures in October 2015 and had contractual floating interest rate of 3 months LIBOR + 1.5% p.a. As at 31 December 2012 the effective interest rate on the loan was 2.3% p.a.

In November 2012 the Group received a syndicated loan in the amount of EUR 0.4 billion from a European bank equivalent to 15.8 billion RUB as at the date of issue. As at 31 December 2012 the loan was accounted for at amortised cost of 15.6 billion RUB. This loan matures in November 2013 and had contractual floating interest rate of 6 months EURIBOR + 0.75% p.a. As at 31 December 2012 the effective interest rate on the loan was 1.1% p.a.

In November 2012 the Group received a syndicated loan in the amount of 0.2 billion USD from a European bank equivalent to 5.7 billion RUB as at the date of issue. As at 31 December 2012 the loan was accounted for at amortised cost of 5.6 billion RUB. This loan matures in November 2013 and had contractual floating interest rate of 6 months LIBOR + 0.75% p.a. As at 31 December 2012 the effective interest rate on the loan was 1.3% p.a.

As at 31 December 2012 trade finance deals were accounted for at amortised cost of 306.3 billion RUB (2011: 141.9 billion RUB), had interest rates varying from 0.3% to

12.4% p.a. (2011: from 0.9% to 8.3% p.a.) and maturity dates from January 2013 to December 2021 (2011: from January 2012 to December 2021).

The estimated fair value of other borrowed funds is disclosed in Note 35. Currency and maturity analyses of other borrowed funds are disclosed in Note 32.

20. OTHER LIABILITIES

In billions of Russian Roubles	2012	2011
Other financial liabilities		
Payables on plastic card settlements	63.7	45.8
Derivative financial instruments	41.7	26.7
Funds in settlement	36.5	10.1
Securties sold, not yet purchased	18.6	67.4
Trade payables	11.7	13.1
Deposit insurance system fees payable	6.2	5.2
Settlements on operations with securities	4.1	10.5
Deferred consideration on acquisition of subsidiaries	2.7	36.1
Deferred commissions received on guarantees issued	1.3	1.4
Other	13.2	6.5
Total other financial liabilities	**199.7**	**222.8**
Other non-financial liabilities		
Accrued employee benefit costs	29.3	17.9
Taxes payable other than on income	18.1	9.5
Income tax payable	3.3	1.5
Advances received	2.8	1.8
Deferred gains on initial recognition of financial instruments	0.4	0.8
Liabilities of the disposal group	—	8.5
Other	9.5	2.4
Total other non-financial liabilities	**63.4**	**42.4**
Total other liabilities	**263.1**	**265.2**

Defined benefit plans of the Group. The Group applies IAS 19 Employee Benefits for accounting for its pension liabilities. As at 31 December 2012 the Group operates two benefit plans — benefit plan with defined pension payments and benefit plan with defined pension contributions. The Group takes direct liability to provide pension payments and contributions defined according to the Group's pension programmes.

All the employees of the Bank (including retired) who are entitled for state pension payments or have five years or less to retirement as at 1 January 2011 participate in the benefit plan with defined pension payments. The amount of payments is determined based on employee staying with the Bank at the date of retirement. As at 31 December 2012 the Bank operates 18 separate pension programmes with defined payments, for Central Head Office and each Regional Head Office.

All the employees of the Bank with three years of continuous employment with the Bank except the Management Board members, those employees who have five years or less to retirement as at 1 January 2011 or those who are already entitled for state pension payments participate in the benefit plan with defined pension contributions (which are calculated as a percent of wage). According to the programme employees whose continuous employment with the Bank reaches seven years become unconditionally entitled for these contributions upon retirement.

As at 31 December 2012 pension liabilities of the Group comprised 8.1 billion RUB (2011: 4.7 billion RUB). Pension expenses for 2012 amounted to 4.4 billion RUB (2011: 0.7 billion RUB) and were included in staff costs within operating expenses.

The estimated fair value of other financial liabilities is disclosed in Note 35. Currency and maturity analyses of other liabilities are disclosed in Note 32.

21.SUBORDINATED DEBT

In billions of Russian Roubles	2012	2011
Subordinated debt received from the Bank of Russia	303.3	303.3
Subordinated debt received under the MTN programme	61.1	—
Other subordinated debts	20.3	0.2
Total subordinated debt	**384.7**	**303.5**

In December 2008 the Group received a subordinated loan of 500 billion RUB from the Bank of Russia with a contractual fixed interest rate of 8.0% p.a. The transaction was structured in three tranches. In May 2010 the Group paid back 200 billion RUB of the loan. The remaining part of the loan matures in two tranches: in October 2019 and December 2019. On 30 July 2010 under the additional agreement with the Bank of Russia the interest rate was changed to 6.5% p.a. As at 31 December 2012 the loan was accounted for at amortised cost of 303.3 billion RUB (2011: 303.3 billion RUB); the effective interest rate on the loan was 6.5% p.a. (2011: 6.5% p.a.).

In October 2012 the Group issued the twelfth series of loan participation notes under the MTN issuance programme in the amount of 2 billion USD equivalent to 63.0 billion RUB as at the date of issue. The notes have the status of subordinated. The notes mature in October 2022 and have contractual fixed interest rate of 5.1% p.a. As at 31 December 2012 the notes were accounted for at amortised cost of 61.1 billion RUB; the effective interest rate on the notes was 5.2% p.a.

In the event of the Bank's liquidation the holders of these debts would be subordinated to all other creditors.

The estimated fair value of subordinated debt is disclosed in Note 35. Currency and maturity analyses of subordinated debt are disclosed in Note 32. The information on related party balances is disclosed in Note 37.

22.SHARE CAPITAL AND TREASURY SHARES

In billions of Russian Roubles, except for number of shares	2012			2011		
	Number of shares, in millions	Nominal amount	Inflation adjusted amount	Number of shares, in millions	Nominal amount	Inflation adjusted amount
Ordinary shares	21,587	64.8	83.3	21,587	64.8	83.3
Preference shares	1,000	3.0	4.4	1,000	3.0	4.4
Total share capital	**22,587**	**67.8**	**87.7**	**22,587**	**67.8**	**87.7**

As at 31 December 2012 all ordinary shares have a nominal value of RUB 3 per share and rank equally. Each ordinary share carries one vote. All issued ordinary shares are fully paid. Preference shares have a nominal value of RUB 3 per share and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders meeting. If preference dividends are not declared, the preference shareholders obtain the right to vote as ordinary shareholders, but lose this right when the next dividend is paid. Preference share dividends are set at 86.3% of nominal value in 2012 for the year ended 31 December 2011 (2011: 38.3% of nominal value for the year ended 31 December 2010). Preference share dividends rank above ordinary dividends.

On 22 March 2013 Supervisory Board in accordance with the Dividend policy recommended to the General Shareholders Meeting to pay 58.7 billion RUB to shareholders as dividends for the year ended 31 December 2012.

The treasury shares as at 31 December 2012 and 31 December 2011 were as follows:

In billions of Russian Roubles, except for number of shares	2012			2011		
	Number of shares, in millions	Inflation adjusted amount	Acquisition cost	Number of shares, in millions	Inflation adjusted amount	Acquisition cost
Ordinary shares	56.4	0.2	5.4	32.2	0.1	4.3
Preference shares	32.1	0.1	2.2	44.8	0.2	2.7
Total treasury shares	**88.5**	**0.3**	**7.6**	**77.0**	**0.3**	**7.0**

23. INTEREST INCOME AND EXPENSE

In billions of Russian Roubles	2012	2011
Interest income		
Interest income on financial assets carried at amortised cost and on financial assets available for sale:		
– Loans and advances to customers	1,037.4	741.8
– Debt investment securities available for sale	76.8	67.4
– Debt investment securities held to maturity	28.9	26.8
– Due from banks	6.0	6.9
– Correspondent accounts with banks	0.7	0.1
	1,149.8	**843.0**
Interest income on financial assets carried at fair value through profit or loss:		
– Debt trading securities	5.7	4.0
– Debt securities designated at fair value through profit or loss	1.6	3.6
– Other interest income	0.2	—
	7.5	**7.6**
Total interest income	**1,157.3**	**850.6**
Interest expense		
Term deposits of individuals	(230.6)	(186.2)
Term deposits of legal entities	(73.1)	(26.0)
Term placements of banks	(45.4)	(5.0)
Debt securities in issue	(25.1)	(12.8)
Subordinated debt	(20.9)	(19.5)
Current/settlement accounts of legal entities	(16.7)	(10.5)
Current/demand accounts of individuals	(8.0)	(4.7)
Other borrowed funds	(6.9)	(4.2)
Correspondent accounts of banks	(1.2)	(0.6)
Other interest expense	(0.7)	—
Total interest expense	**(428.6)**	**(269.5)**
Deposit insurance expenses	(23.9)	(20.1)
Total interest expense including deposit insurance expenses	**(452.5)**	**(289.6)**
Net interest income	**704.8**	**561,0**

24. FEE AND COMMISSION INCOME AND EXPENSE

In billions of Russian Roubles	2012	2011
Fee and commission income		
Plastic cards operations	51.9	35.1
Cash and settlements transactions with individuals	48.7	41.5
Cash and settlements transactions with legal entities	47.5	42.5
Agent commissions on selling insurance contracts	17.0	14.0
Guarantees issued	7.3	4.4
Operations with foreign currencies	5.2	6.5
Cash collection	5.1	4.7
Transactions with securities	2.6	1.1
Other	3.9	2.1
Total fee and commission income	**189.2**	**151.9**
Fee and commission expense		
Settlement transactions	(12.3)	(7.5)
Operations with foreign currencies	(0.5)	(0.4)
Cash collection	(0.3)	(0.3)
Other	(5.8)	(3.0)
Total fee and commission expense	**(18.9)**	**(11.2)**
Net fee and commission income	**170.3**	**140.7**

25. NET GAINS ARISING FROM TRADING IN FOREIGN CURRENCIES, OPERATIONS WITH FOREIGN CURRENCY DERIVATIVES AND FOREIGN EXCHANGE TRANSLATION GAINS

In billions of Russian Roubles	2012	2011
Net gains arising from trading in foreign currencies	10.6	5.5
Net gains on revaluation of foreign currency derivatives	8.4	2.6
Net foreign exchange translation gains	0.6	1.4
Total net gains arising from trading in foreign currencies, foreign exchange translation and revaluation of foreign currency derivatives	**19.6**	**9.5**

26. NET INCOME/(EXPENSES) OF NON-CORE BUSINESS ACTIVITIES

In billions of Russian Roubles	2012	2011
Revenue from sale of goods	45.8	54.6
Revenue from completed construction contracts	1.5	7.8
Revenue from other activities	3.9	3.7
Total revenue of non-core business activities	**51.2**	**66.1**
Cost of sales:		
– cost of goods sold	(23.2)	(41.7)
– depreciation of fixed assets	(4.3)	(1.2)
– staff costs	(1.7)	(2.5)
– transport costs	(0.7)	(1.4)
– maintenance of premises and eqiupment	(0.5)	(0.2)
– customs duties and taxes	(4.9)	(2.8)
– other costs	(2.9)	(4.8)
Total cost of sales	**(38.2)**	**(54.6)**
Total net income/(expense) of non-core business activities	**13.0**	**11.5**

27. OPERATING EXPENSES

In billions of Russian Roubles	Note	2012	2011
Staff costs		245.8	201.3
Depreciation of premises and equipment	14	51.8	42.4
Administrative expenses		30.7	22.5
Repairs and maintenance of premises and equipment		29.8	24.8
Taxes other than on income		19.3	11.7
Telecommunication expenses		19.1	10.8
Operating lease expenses for premises and equipment		16.8	10.4
Advertising and marketing services		9.6	5.1
Consulting and assurance services		7.3	3.5
Other		21.2	9.3
Total operating expenses		**451.4**	**341.8**

28. INCOME TAXES

Income tax expense comprises the following:

In billions of Russian Roubles	2012	2011
Current tax	101.0	75.7
Deferred tax	9.9	3.5
Less: Deferred tax recognised in other comprehensive income	(10.9)	0.6
Income tax expense for the year	**100.0**	**79.8**

The income tax rate applicable to the major part of the Group's income for 2012 is 20% (2011: 20%).

Reconciliation between the expected and the actual taxation charge is provided below:

In billions of Russian Roubles	2012	2011
IFRS profit before tax	**447.9**	**395.7**
Theoretical tax charge at statutory rate (2012: 20%; 2011: 20%)	89.6	79.2
Tax effect on income on government securities taxed at different rates	(3.2)	(3.3)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible staff costs	1.7	2.6
Unrecognised tax assset of subsidiaries	9.8	0.6
Non-deductible losses on cessions	1.1	0.6
Other non-temporary differences	1.0	0.1
Income tax expense for the year	**100.0**	**79.8**

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2011: 20%), except for income on state, municipal and certain other types of securities that is taxed at 15%, 9% and 0% (2011: 15%, 9% and 0%) and on dividends that is taxed at a standard rate of 9% (2011: 9%).

In billions of Russian Roubles	31 December 2011	Business combinations	Credited/ (charged) to profit or loss	Recognised in other comprehensive income	Unrecognised currency translation differences	31 December 2012
Tax effect of deductible temporary differences						
Deferred fees and commissions income	5.1	0.5	(0.3)	—	—	5.3
Accrued employee benefit costs	0.1	0.4	0.4	—	—	0.9
Low value items write-off	1.9	—	0.6	—	—	2.5
Accrued interest on loans	5.2	(0.4)	(1.0)	—	—	3.8
Fair valuation of trading securities and securities designated at fair value through profit or loss	9.3	—	7.7	—	—	17.0
Other	(8.6)	—	14.5	—	—	5.9
Gross deferred tax asset	**13.0**	**0.5**	**21.9**	**—**	**—**	**35.4**
Tax effect of taxable temporary differences						
Loan impairment provision	(4.5)	3.0	(12.1)	—	(0.1)	(13.7)
Premises and equipment	(22.4)	0.7	1.0	—	—	(20.7)
Fair valuation of investment securities available for sale	2.4	—	1.3	(10.9)	—	(7.2)
Other	(1.9)	(6.7)	(11.1)	—	0.2	(19.5)
Gross deferred tax liability	**(26.4)**	**(3.0)**	**(20.9)**	**(10.9)**	**0.1**	**(61.1)**
Total net deferred tax asset / (liability)	**(13.4)**	**(2.5)**	**1.0**	**(10.9)**	**0.1**	**(25.7)**

In billions of Russian Roubles	31 December 2010	Business combinations	Credited/ (charged) to profit or loss	Recognised in other comprehensive income	31 December 2011
Tax effect of deductible temporary differences					
Deferred fees and commissions income	5.8	—	(0.7)	—	5.1
Accrued employee benefit costs	—	—	0.1	—	0.1
Low value items write-off	1.3	—	0.6	—	1.9
Accrued interest on loans	6.6	—	(1.4)	—	5.2
Fair valuation of investment securities available for sale	4.2	—	5.1	—	9.3
Other	—	—	(8.6)	—	(8.6)
Gross deferred tax asset	**17.9**	**—**	**(4.9)**	**—**	**13.0**
Tax effect of taxable temporary differences					
Loan impairment provision	(2.9)	—	(1.6)	—	(4.5)
Premises and equipment	(17.9)	—	2.8	(7.3)	(22.4)
Fair valuation of trading securities and securities designated at fair value through profit or loss	(5.5)	—	—	7.9	2.4
Other	—	(1.5)	(0.4)	—	(1.9)
Gross deferred tax liability	**(26.3)**	**(1.5)**	**0.8**	**0.6**	**(26.4)**
Total net deferred tax asset / (liability)	**(8.4)**	**(1.5)**	**(4.1)**	**0.6**	**(13.4)**

As at 31 December 2012, the temporary difference associated with investments in subsidiaries in the statement of financial position of the parent company amounted to 27.3 billion RUB (2011: 20.5 billion RUB). In accordance with IAS 12 Income Taxes respective deferred tax asset of 5.5 billion RUB (2011: respective deferred tax asset of 4.1 billion RUB) was not recognized in the financial statements.

29. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares; therefore the diluted earnings per share equals the basic earnings per share.

In billions of Russian Roubles	2012	2011
Profit for the reporting period attributable to the shareholders of the Bank	348.8	316.2
Less preference dividends declared	(2.6)	(1.1)
Profit attributable to the ordinary shareholders of the Bank	**346.2**	**315.1**
Weighted average number of ordinary shares in issue (billions)	21.6	21.6
Earnings per ordinary share, basic and diluted (expressed in RUB per share)	**16.03**	**14.59**

30. DIVIDENDS

In billions of Russian Roubles	2012		2011	
	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January	0.1	—	0.1	—
Dividends declared during the year ended 31 December	44.9	2.6	19.9	1.1
Dividends paid during the year ended 31 December	(44.8)	(2.5)	(19.8)	(1.1)
Dividends payable as at 31 December	**0.2**	**0.1**	**0.2**	**—**
Dividends per share declared during the year (RUB per share)	**2.08**	**2.60**	**0.92**	**1.15**

All dividends were declared and paid in Russian Roubles.

31. SEGMENT ANALYSIS

For the purposes of management the Group is divided into operating segments of activity — central head office, 17 regional banks and subsidiaries — which are defined on the basis of organizational structure of the Group and geographical areas. The principal activity of all operating segments is banking operations. For the purposes of presentation in these consolidated financial statements the operating segments are aggregated in the following reportable segments:

- Moscow, including:
  - Central head office of the Group;
  - Regional bank of Moscow;
  - Subsidiaries of the Group located in the region.

- Central and Northern Regions of European part of Russia, including:

Regional banks:
  - Severny — Yaroslavl;
  - Severo-Zapadny — St. 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 banks:
  - 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 banks:
  - 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 Turkey;
  - Subsidiaries located in CIS (Ukraine, Kazakhstan, Belarus);
  - Subsidiaries located in Austria and Switzerland;
  - Subsidiaries of Sberbank Europe AG (former Volksbank International AG ("VBI") located in Central and Eastern Europe;
  - Companies of CJSC Sberbank CIB located in the USA, the United Kingdom, Cyprus and certain other jurisdictions;
  - A branch office in India.

The Management of the Group analyses operating results of every segment of activity for the purposes of making decision about allocation of resources and assessment of segments' business results. The segments' reporting and operating results which are provided to the Management of the Group for analysis are prepared under Russian accounting standards, except the segments' reporting of the subsidiaries which is prepared under International Financial Reporting Standards.

Intersegment operations are performed on the basis of internal transfer pricing rates which are established, approved and regularly revised by the Management of the Group.

The subsidiaries' activity is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 31 December 2012 is as follows:

In billions of Russian Roubles	Moscow	Central and Northern Regions of European part of Russia	Volga Region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	**6,226.8**	**2,299.7**	**1,971.7**	**2,694.2**	**1,913.9**	**15,106.3**
Total liabilities	**5,651.6**	**2,395.3**	**1,725.9**	**2,213.2**	**1,497.8**	**13,483.8**

Segment reporting of the Group's assets and liabilities as at 31 December 2011 is as follows:

In billions of Russian Roubles	Moscow	Central and Northern Regions of European part of Russia	Volga Region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	**4,849.0**	**1,877.8**	**1,530.8**	**2,110.4**	**445.5**	**10,813.5**
Total liabilities	**3,825.7**	**2,045.3**	**1,434.0**	**1,876.4**	**349.5**	**9,530.9**

Reconciliation of total assets and total liabilities as per the reportable segments with the Group's total assets and total liabilities under IFRS as of 31 December 2012 and 31 December 2011 is as follows:

In billions of Russian Roubles	Total assets		Total liabilities	
	2012	2011	2012	2011
Total amount per segment information	**15,106.3**	**10,813.5**	**13,483.8**	**9,530.9**
Adjustment of provisions	96.4	73.0	(16.4)	(17.2)
Additional interest accrued on loans	4.6	4.2	0.1	0.5
Deferred commission income on loans	(23.7)	(25.5)	0.4	0.7
Adjustment of depreciation and cost or revalued amount of premises and equipment including effect of deferred tax	(57.1)	(51.2)	(2.0)	3.4
Differencies arising on securities classification	—	—	10.5	(8.4)
Loaned repo securities	(36.0)	—	(36.0)	—
Accounting for derivatives at fair value	2.4	17.4	(0.1)	17.2
Staff expenses accrued related to the reporting period (bonuses, annual leave, pension liabilities)	0.2	0.2	17.5	13.8
Adjustment of income tax	0.4	—	7.8	18.9
Deferred comission income on guarantees	—	-	1.3	1.3
Other adjustments	3.9	3.5	6.7	6.0
The Group's total amount under IFRS	**15,097.4**	**10,835.1**	**13,473.6**	**9,567.1**

Segment reporting of the Group's income and expenses for the year ended 31 December 2012 is as follows:

In billions of Russian Roubles	Moscow	Central and Northern Regions of European part of Russia	Volga Region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	413.9	207.1	180.0	256.3	84.7	1,142.0
Interest expense	(198.6)	(75.9)	(53.0)	(67.2)	(34.0)	(428.7)
Inter-segment (expense) / income	(24.3)	31.8	1.1	(8.6)	—	—
Fee and commission income	46.4	42.2	36.2	52.3	13.0	190.1
Fee and commission expense	(13.4)	(0.4)	(0.6)	(0.7)	(4.0)	(19.1)
Net gains arising from securities	5.2	—	—	—	2.1	7.3
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	8.7	3.9	2.6	3.1	5.6	23.9
Net gains arising from operations with other derivatives	—	—	—	—	3.0	3.0
Net gains/ (losses) arising from operations with precious metals	0.7	0.4	0.4	0.7	(0.3)	1.9
Revenue of non-core business activities	15.3	2.8	14.2	18.8	0.1	51.2
Cost of sales of non-core business activities	(11.9)	(2.1)	(13.4)	(10.6)	(0.1)	(38.1)
Other net operating gains/ (losses)	10.6	4.6	1.6	(1.1)	(1.6)	14.1
Operating income before provision charge for loan impairment	**252.6**	**214.4**	**169.1**	**243.0**	**68.5**	**947.6**
Net provision charge for loan impairment	(0.2)	(12.8)	(16.4)	(1.7)	(21.1)	(52.2)
Operating income	**252.4**	**201.6**	**152.7**	**241.3**	**47.4**	**895.4**
Operating expenses	(136.2)	(92.2)	(76.4)	(116.6)	(40.1)	(461.5)
Profit before tax (Segment result)	**116.2**	**109.4**	**76.3**	**124.7**	**7.3**	**433.9**
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	39.9	27.5	27.2	48.5	3.5	146.6
Depreciation of premises and equipment	(11.5)	(7.1)	(6.5)	(13.1)	(2.0)	(40.2)

Segment reporting of the Group's income and expenses for the year ended 31 December 2011 is as follows:

In billions of Russian Roubles	Moscow	Central and Northern Regions of European part of Russia	Volga Region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Interest income	323.6	160.2	138.8	186.2	23.3	832.1
Interest expense	(113.6)	(58.1)	(40.3)	(48.8)	(8.6)	(269.4)
Inter-segment (expense) / income	(35.5)	24.5	5.8	5.2	—	—
Fee and commission income	29.6	39.4	31.7	45.0	4.5	150.2
Fee and commission expense	(2.8)	(2.2)	(2.0)	(3.4)	(1.0)	(11.4)
Net gains/ (losses) arising from securities	7.5	—	—	—	(0.1)	7.4
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	12.6	3.7	2.3	2.8	2.2	23.6
Net gains arising from operations with other derivatives	0.7	—	—	—	—	0.7
Net gains/ (losses) arising from operations with precious metals	3.1	1.0	0.9	1.4	(0.1)	6.3
Revenue of non-core business activities	26.1	10.3	21.2	6.4	2.1	66.1
Cost of sales of non-core business activities	(21.4)	(8.2)	(19.2)	(4.2)	(1.6)	(54.6)
Other net operating gains/ (losses)	9.6	(4.2)	(3.8)	(4.4)	0.7	(2.1)
Operating income before recovery of provision / provision charge for loan impairment	**239.5**	**166.4**	**135.4**	**186.2**	**21.4**	**748.9**
Net recovery of provision/ (net provision charge) for loan impairment	25.3	(13.6)	(8.5)	7.6	(3.7)	7.1
Operating income	**264.8**	**152.8**	**126.9**	**193.8**	**17.7**	**756.0**
Operating expenses	(92.2)	(80.0)	(69.1)	(98.7)	(8.5)	(348.5)
Profit before tax (Segment result)	**172.6**	**72.8**	**57.8**	**95.1**	**9.2**	**407.5**
Other disclosures						
Capital expenditure incurred (additions of fixed assets)	19.7	18.7	17.1	24.7	2.6	82.8
Depreciation of premises and equipment	(6.9)	(6.2)	(5.6)	(7.9)	(1.3)	(27.9)

Reconciliation of profit before tax, interest income and expense, fee and commission income, gains from operations with securities and gains from operations with foreign currencies for the reportable segments with the Group's consolidated income statement items under IFRS for the year ended 31 December 2012 is as follows:

In billions of Russian Roubles	Profit before tax	Interest income	Interest expense	Fee and commission income	Net gains arising from operations with securities	Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains
Total amount per reportable segment	**433.9**	**1,142.0**	**(428.7)**	**190.1**	**7.3**	**23.9**
Adjustment of provisions	24.4	(1.4)	—	—	—	—
Staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	(5.1)	—	—	—	—	—
Differences arising on reporting of fee and commission income and expense	—	11.9	—	(1.9)	—	(4.5)
Differencies arising on securities classification	6.1	1.3	—	—	(2.3)	—
Accounting for derivatives at fair value	3.9	—	—	—	—	0.2
Additional interest accrued on loans	0.5	0.5	—	—	—	—
Adjustment of depreciation and cost or revalued amount of premises and equipment	(9.0)	—	—	—	—	—
Adjustment of amortised cost and partial repurchase of other borrowed funds	(1.4)	—	(0.1)	—	—	—
Other adjustments	(5.4)	3.0	0.2	1.0	—	—
The Group's total amount under IFRS	**447.9**	**1,157.3**	**(428.6)**	**189.2**	**5.0**	**19.6**

Reconciliation of profit before tax, interest income and expense, fee and commission income, gains from operations with securities and gains from operations with foreign currencies for the reportable segments with the Group's consolidated income statement items under IFRS for the year ended 31 December 2011 is as follows:

In billions of Russian Roubles	Profit before tax	Interest income	Interest expense	Fee and commission income	Net gains arising from operations with securities	Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains
Total amount per reportable segment	**407.5**	**832.0**	**(269.4)**	**150.3**	**7.3**	**23.7**
Adjustment of provisions	11.2	(2.8)	—	—	—	—
Staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	2.1	—	—	—	—	—
Differences arising on reporting of fee and commission income and expense	3.3	18.5	—	1.3	—	(6.0)
Differences arising on securities classification	1.0	(0.3)	—	—	1.4	(0.1)
Accounting for derivatives at fair value	(4.2)	—	—	—	—	(6.6)
Additional interest accrued on loans	2.2	2.2	—	—	—	—
Adjustment of depreciation and cost or revalued amount of premises and equipment	(19.2)	—	—	—	—	—
Adjustment of amortised cost and partial repurchase of other borrowed funds	—	—	(0.1)	—	(1.0)	—
Other adjustments	(8.2)	1.0	—	0.3	(0.9)	(1.5)
The Group's total amount under IFRS	**395.7**	**850.6**	**(269.5)**	**151.9**	**6.8**	**9.5**

The differences shown above arise from classification variances as well as different accounting policies.

Adjustment of provisions is related to the difference between estimation methodology applied in statutory accounting records used as a basis for management reporting and estimation methodology according to IFRS.

Differences arising on securities' classification relate to gains/(losses) on revaluation of securities designated at fair value through profit or loss in IFRS reporting but classified as available for sale in statutory accounting records used as a basis for management reporting.

For the year ended 31 December 2012 the Group's revenues from customers in the Russian Federation amounted to 1,345.1 billion RUB (for the year ended 31 December 2011: 1,073.0 billion RUB); revenues from customers in all foreign countries from which the Group derives revenues amounted to 96.1 billion RUB (for the year ended 31 December 2011: 34.2 billion RUB).

As at 31 December 2012 the carrying value of premises and equipment located in the Russian Federation amounted to 413.5 billion RUB (2011: 350.7 billion RUB). Carrying value of premises and equipment of the Group located in foreign countries amounted to 22.5 billion RUB (2011: 9.2 billion RUB).

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during the year ended 31 December 2012 and during the year ended 31 December 2011.

32. FINANCIAL RISK MANAGEMENT

Integrated risk management system (IRMS) of the Group is defined by Integrated risk management policy of the Bank stated in the Resolution of The Bank's Management Board in February 2012. In accordance with its Policy risk management for the Group is represented as three-level process defined below:

- first management level (performed by The Bank's Management Board, The Group's Risk Committee of the Bank) — is management of aggregated risk. This process results in setting requirements and limits to the management of specific groups of risks, to the management of the Group members' risks as well as appointment of collective bodies and subdivisions of the Group responsible for the management of certain risk groups;
- second management level (performed by the appropriate Bank's committees) — the management of specific groups of risks considering requirements and limits stated on the first management level;
- third management level (performed by collective bodies and structural subdivisions of the Group) — the management of specific groups of risks in the companies of the Group considering requirements and limits stated on the first and second management level.

Integrated risk management process includes five core group steps:

- risk identification and measurement of its materiality for the Group — aimed to identify all the significant risks which the Group is exposed to;
- developing system for managing significant risks — aimed to allocate functions (or actualize such allocation) of risk management between executives, subdivisions and collective bodies of the Bank and its subsidiaries as well as developing (or actualize such development) methodological framework regulating risk management for the Group;
- forecasting risk exposure level — aimed to define target risk level using risk-metrics in business-plan of the Group and each of its members;
- setting risk appetite for the Group and each of its members — aimed to confirm by the Bank and then by its Supervisory Board maximum allowable risk exposure for the Group and launch of limit and restriction system that will enable not to exceed the maximum risk level;
- management of aggregated risk level of the Group — aimed to provide correspondence between risk level and target values.

In order to implement IRMS the following initiatives were realised during 2012:

- risk identification was performed resulting in definition of significant risks divided into specific groups for the management purposes: credit, country, market and credit risks of the operations on financial markets, interest rate risk and currency risk of non-trading positions; risk of losses in case of changes in property value, operational risk, legal and regulatory risk, compliance risk, liquidity risk, risk of impairment of goodwill, strategic and business risks, risk of models and tax risk;
- due to the decision of The Group's Risk Committee of The Bank significant risk management functions are allocated between collegial authorities and structural subdivisions of the Bank;
- methodological framework was developed defining risk-metrics which characterize aggregate risk level for the Group, their calculation procedure and the way of stress-test performance;
- risk-metrics which characterize aggregate risk level for the Group are included in Bank business-plan for the 2013-2015;
- bank risk appetite is stated in accordance with the resolution of the Group's Risk Commitee.

Distribution of methodology and integrated risk management processes between Group's members is planned on year 2013.

The Group is constantly developing risk management system in order to correspond to the best practices and recommendations of regulators. In accordance with these decisions it is expected that during 2013-2015 risk management methods and processes would be integrated and improved on aggregate level as well as on the level of specific risks management systems.

Credit Risk. The Group is exposed to credit risk, which is a risk of a counterparty being unable to meet its credit obligations in whole or in part when due. The Group's risk management policy is performed in accordance with IRMS and aims at increasing competitive advantage of the Group by expanding the list of counterparties and the range of credit products, implementing systemic approach to credit risk to maintain or bring down the level of credit risk losses, optimization of credit portfolio structure by industry, region and product.

The Group applies the following basic methods of credit risk management:

- prevention of credit risk by identifying, analyzing and assessing potential risks before entering the transaction creating risk exposure;
- planning the level of credit risk by assessing the level of expected losses;
- implementation of common assessment processes and identification of risks;
- limiting credit risk by setting exposure or risk limits;
- structuring of transactions;
- collateral management for transactions on financial markets;
- monitoring and control of credit risk level;
- application of the system of decision-making authority;
- provisions for impairment losses.

Assessment of the Group's credit risk is made in aggregate, by individual portfolios of credit risk bearing assets, by individual counterparties, transactions and groups, by country, geographic region and by industry.

The Group operates a system of internal ratings based on economic-mathematical models for estimating the probability of default of counterparties and transactions. Assessment of individual credit risks of the Group's counterparties in transactions which carry credit risks depends on the counterparty category:

- corporate customers, credit institutions, financial companies, individual entrepreneurs, sovereigns, subjects of the Russian Federation and municipal entities, insurance and leasing companies are assessed on the basis of the system of credit ratings and expected cash flow models or other important indicators;
- individuals are assessed based on their creditworthiness in accordance with the Bank's internal regulatory documents and express assessment.

The Group's system of credit ratings provides a differentiated assessment of probability of default/non-execution by the counterparties of their obligations by analyzing quantitative (financial) and qualitative factors of credit risk, materiality of their impact on the ability of the counterparty to serve and repay their obligations.

The Group's internal procedures provide for a multi-factor approach, the factor list being standardized depending on the counterparty category.

Risk factors related to counterparty's creditworthiness and its volatility, ownership structure, business reputation, credit history, cash flow and financial risks control, transparency, position of the client in the industry and the region, strength of support from local administration and parent companies (in case of a holding) as well as the so-called early warning factors are subject to mandatory monitoring and control. Based on the analysis of these risk factors the probability of default is assessed and graded by counterparty/transaction with their subsequent classification ratings.

The Group closely monitors its credit risk concentration and compliance with prudential regulations of the Bank of Russia, making analysis and forecast of credit risk level. In analysis, monitoring and management of credit risk concentration the following methods are used:

- a distributed criteria mechanism for identifying legally and economically related borrowers, followed by the centralized maintenance of a uniform hierarchical list of groups of related borrowers;
- control of large loans per borrower in groups of related borrowers;
- identifying groups of borrowers by industry, country and region.

The system of controlling and monitoring credit risk level is based on the principles stipulated by the Group's internal regulatory documents that provide for a preliminary, current and follow-up control of transactions creating exposure to credit risk, of keeping within set risk limits and their timely update.

The Group developed a multi-tier system of limits to separate credit risk of lending business and operations on financial markets.

The Group usually requires collateral for granted loans. Different kinds of collateral could be approved in order to limit credit risk simultaneously. In accordance with Group's policy collateral for loans provided to legal entities (pledge amount and/or liability amount (limit of responsibilities) through surety agreement and/or guarantee amount) should cover the amount of credit and interests, accrued during not less than 3 months.

One of the concepts concerning hedge of credit deals risks is represented by developed Pledge policy (as a part of Credit policy) which defines basis principles and elements of work organization for pledges in case of loan granting.

Pledge policy is concentrated on the improvement of quality of credit portfolio in the part of collateral. Collateral quality depends on the probability of cash receipt in amount of supporting pledge in case of enforcement or realization of pledge. Collateral quality can be indirectly characterized by the list and materiality of risks conjugated to the pledge and is represented by the range of factors (liquidity, reliability of cost determination, impairment risks, susceptibility to the risks of loss and damage, law risks and others).

Pledge amount assessment is performed on the base of internal expert valuation of Group experts, assessment of independent valuers or pledge amount stated in borrower's financial reports with discount correction. Using surety of creditworthiness legal entities as the collateral requires risk assessment from the side of guarantor as well as from borrower's side.

For the purpose of effective management of credit risk on transactions with legal entities Group defines two main types of operations:

- corporate lending operations;
- financial market transactions with clients and counterparties — legal entities (corporate clients and financial institutions).

In 2012, the common Group's credit risk management process on financial market transactions was drafted and approved. Implementation of this process in the Group as well as common principles of identifying, evaluating and limiting of credit risks on financial market transactions will be carried out in 2013. Also, the strategic IT-programme "Automatization of risk management system on Corporate-Investment unit" was launched making the base for automated common risk management process on financial markets, including credit risk.

At the same time, the Group operates a multi-dimensional system of authority to determine the level of decision-making for each loan application. Each territorial unit is assigned a risk profile, which defines the discretionary powers of the unit to take independent decisions, depending on the risk category of the requested loan. In its turn, the risk category of the requested loan depends on the aggregate risk limit and the risk category of the borrower/group of related borrowers and also on loan product category. Thus, existing systems of limits and decision-making authority allows to optimize the lending process and provides for proper management of credit risk.

In 2012, the Group has spread credit risk management methods used by the Bank to its subsidiaries. However, the Group is working to further improve the methodology for setting limits, including through implementation of Basel II in the Bank. In particular, in December 2012, the Bank has developed and approved approaches to set portfolio limits on consumption of economic capital for the industries, largest borrowers and retail products in order to control risk concentrations.

Considering the focus of the Bank and the Group for the using of modern technics and instruments of credit risk managing, the Bank is in the process of constructing the most common standardized processes of retail lending considering the customer segmentation by risk profile and minimizing the number of participants in the process by centralizing and automatizing. In particular, in 2012, the risk management system of retail customers based on «Credit factory» technology was further developed at the Bank and at the Group level.

The Bank provides basic types of loan products to individual customers — consumer loans, auto and mortgage loans, credit cards under «Credit Factory» technology.

In 2012, in the technology at the Bank's level the following changes were made:

- scoring assessment of credit history of individual clients on the basis of the statistical approach has been implemented under «Credit Factory» technology for mortgage loans;
- Risk-Based-Pricing technology, used for consumer loans, spread to new customer segments;
- rating models of reliability customers estimating introduced for all products;
- integrated scoring model introduced for car loans, mortgage loans and credit cards;
- regional scoring cards of risk level by accounting regional specificity of risk profile have been implemented for the purpose of consumer loans;
- fraud-monitoring system introduced in the pre-credit data processing. It will be further developed in 2013.

At the Group's level the implementation of the "Credit Factory" technology is continued in the subsidiaries — Belpromstroy Bank OJSC (OAO BPS Bank) (Belarus), Sberbank of Russia JSC (Ukraine), Sberbank SB JSC (Kazakhstan).

In addition, in 2012, the process of transfer to the "Credit factory" technology of retail loan products in subsidiaries of Sberbank Europe has started. Thus, in December 2012 consumer loans were launched in the Czech Republic, new projects were initiated in Slovakia, Serbia and the Czech Republic.

As part of the introduction of Basel II in the Bank, the complete set of behavioral models of Basel for all retail lending products has been developed. Also, there were identified indicators required to calculate economic capital (total developed 42 models PD, 21 LGD models and 18 EAD models).

During 2010-2011, the Bank progressed towards an intra-bank automated lending system resulted to achieve end-to-end automation of the lending process. During 2012, works under optimizing and expanding the functionality of this system have been continued. In particular, significant changes in the accounting credit risk methodology, aiming in compliance methods with recommendations of the Basel Committee on Banking Supervision, were taken into account.

In addition, in 2012, the Group progressed towards a complex automated systems:

- credit risk management systems, which allows to assess the current status, dynamics and prediction of credit risks;
- corporate credit limits management system, which is able to provide a flexible mechanism for controlling the structure of limits, in case of further development of a methodology, to optimize the process of preparation of analytical materials.

Integration of existing and implementing automated systems, scheduled for 2013-2014, will ensure adequacy of the credit risk management process to requirements of the Basel Committee on Banking Supervision.

Using the macroeconomic scenarios, the Group conducts sensitivity analyses of credit risk level by both counterparty and credit portfolio to identify macro factors of maximum correlation with the counterparties' probability of default. Statistics on radical changes of macro factors is used in stress-scenario for ratings models for the purpose of stress-testing.

The Group monitors debt recovery at all phases of debt collection. In case of identification of problem areas/phases in the process of debt recovery, drop in debt recovery ratio and non-performing loans growth in territorial units, customer or product segments, the optimization of lending/collection process is performed.

Following performances have been taken in 2012 in order to improve the effectiveness of the debt recovery process for overdue loans to individuals the number of actions has been taken. In particular, functional improvements of the "Tallyman" system, making the base for automated debt collection process for individual loans at an early stage of delays in loan repayments, were implemented. Also, the automated system of outgoing call (PDS) on the base of AVAYA PROACTIVE CONTACT programme complex were implemented. This system has led to a substantial increase of the number of overdue loans that are processed by a single operator.

Also in 2012, implementation of the "Development and automation of business process of debt collection of individuals at an early stage" program in the subsidiaries of the Bank (in particular in BPS Sberbank OJSC(Belarus)), was continued.

Country risk is the risk of losses due to the default by sovereign and other counterparties in a particular country for reasons other than the standard risks (caused by the Government actions but beyond the control of the counterparties).

Risk exposure of the Group when financing non-residents or foreign Governments is minimized by assessment of the country related risk and setting country risk limits. Assessment of country risks is based on the ratings by international rating agencies (Fitch, Moody's, S&P), the nominal GDP, the level of economic development of the country and its strategic relevance for the group. Countries without international ratings are assessed in accordance with internal procedures, which include the analysis of risk factors related to sovereign solvency, current development trends, efficiency of external debt management, offshore status and international reputation, public policy and domestic political situation. To reduce the country risk, transactions with counterparties are conducted within the risk limits on the countries concerned.

Market risk is the possibility of the Group's financial losses as a result of unfavorable movements in exchange rates, equity prices, interest rates, precious metal prices and other market indicators. The main goal of Market Risk Management is the optimization of market risk level within the Group, compliance of the risk level risk with limits set and minimization of loss in case of unfavorable scenario realization.

The Group categorises market risk into:

- ***Currency risk*** is the risk of losses or reduction of income due to fluctuations in the prevailing foreign currency exchange rates;
- ***Interest rate risk*** is the risk of losses or reduction of income due to fluctuations in interest rates;
- ***Equity price risk*** is the risk of losses or reduction of income due to changes in fair value of equity securities, for example, ordinary and preference shares;
- ***Commodity risk*** is the risk of losses or reduction of income due to changes in value of commodity assets, in particular, precious metals;
- ***Volatility risk*** is the risk of losses or reduction of income on option operations due to changes in imputed option volatility of underlying assets;
- ***Liquidity risk*** is the risk of inability to open / close or change of a market position on the market, exchange, or in case of market quotation against a particular counterparty, and an inability to fulfill contractual obligations in time without incurring losses unacceptable to the financial stability.

The Group manages its market risks through securities portfolios management and control over open positions in currencies, interest rates and derivatives. For this purpose the Committee on Assets and Liabilities Management (the ALMC) sets limits on securities portfolios, open positions, stop-loss and other limits. Authorized bodies and departments determine the methodology for the market risk management and set limits on particular transactions.

Market risk limits are set on the basis of the value-at-risk analysis (VaR), scenario analysis and stress-testing as well as regulatory requirements of the Bank of Russia and recommendations of the Basel Committee on Banking Supervision. The Group calculates VaR for the operations on financial markets both by components and in aggregate, determining the diversification effect.

The Group divides the principles of market risk management under the trading and banking book. Authority to manage the market risks are divided between the ALMC and Trading Risk Committee (TRC) by type of market risk on a group of operations (trading and non-trading operations).

Market risk management is carried out in accordance with the “Policy for managing market and credit risk operations on financial markets” and “Policy for managing interest rate and currency risk of the banking book”.

Market risk on non-trading positions

Interest rate risk on non-trading assets and liabilities. The Group accepts risk on market interest rate fluctuations effect on cash flows. Interest rate risk of non-trading positions is a result of unfavourable interest rate movement and includes:

- the risk of a parallel shift, change in the slope and shape of the yield curve resulting from the maturities (repricing) mismatch of assets and liabilities sensitive to interest rate changes;
- basis risk, which results from a mismatch in the degree of interest rate sensitivity, of assets and liabilities with similar maturity (repricing term); and
- risk of early repayment (repricing) of interest rate sensitive assets and liabilities.

Increasing interest rates can drive the cost of borrowed funds up faster and at a higher growth rate than return on investments, thus worsening financial results and interest rate margin, whereas decreasing interest rates can decrease return on working assets faster than the cost of borrowed funds.

The objective of managing this type of market risk is minimization of potential losses caused by realization of interest rate risk and currency risk and stabilization of bank interest margin regardless of market conditions. To manage interest rate risk the ALMC sets maximum interest rates on corporate deposits/ current accounts and minimum rates on corporate loans, minimum rate of return on investments into securities and limits on investments into long-term assets bearing inherently the maximum interest rate risk. The Bank's Management Board approves fixed interest rates on deposits for the Bank's Head Office and Regional Head Offices, which require preliminary approval from the ALMC. Interest rates on deposits depend on loan or deposit maturity date, amount and the client's category. Interest rates on loans for individuals are confirmed by ALMC.

ALMC of each regional bank approves interest rates for corporate clients taking into account the regional market situation and the efficiency of the regional bank's transactions on the assets and liabilities side as well as the limits on interest rates set by the ALMC of the Bank's Head Office for corporate funds and placements.

This type of interest rate risk is assessed using the standardized shock in accordance with Basel Committee for Banking Supervision (BCBS) recommendations. Forecasting of possible changes in interest rates is carried out separately for Russian Rouble positions and positions in foreign currency. The shock of interest rates is calculated as 1% and 99% of the allocation quantile of average annual interest rate's change by historical simulations method on the base of data for the last 5 years. As basic rate for the purpose of shock assessment in RUR the indicative rate is used for interest swap in RUB with 1 year terms (RUB IRS 1Y) as well as LIBOR 3M for the foreign currency position.

The table below shows the impact of bps interest rates increase and decrease on profit before tax as at 31 December 2012:

Change in profit before tax as at 31 December 2012 (in billions of Russian Roubles)	RUB positions	Foreign currency positions	Total
Decrease in interest rates by 302 bps	50.7	—	50.7
Increase in interest rates by 583 bps	(98.0)	—	(98.0)
Decrease in interest rates by 20 bps	—	0.3	0.3
Increase in interest rates by 85 bps	—	(1.4)	(1.4)

In calculation of the impact of interest rates increase and decrease on profit before tax as of 31 December 2012 new methodology for the estimation of interest rates volatility in RUR and foreign currency was used:

- the estimation of interest rate changes scenario has changed in comparison with the report dated 31 December 2011. In the report for the previous year interest rates decrease and increase were calculated as 10% and 90% of the allocation quantile of interest rate's change by historical simulations method on the base of data for the last 1 year;
- as the indicative rate in RUR as of 31 December 2011 was used rate for 3 month-term loans at the Moscow interbank market (MOSPRIME 3M).

The table below shows the impact of bps interest rates increase and decrease on profit before tax as at 31 December 2011:

Change in profit before tax as at 31 December 2012 (in billions of Russian Roubles)	RUB positions	Foreign currency positions	Total
Decrease in interest rates by 290 bps	22.2	—	22.2
Increase in interest rates by 412 bps	(31.5)	—	(31.5)
Decrease in interest rates by 31 bps	—	1.0	1.0
Increase in interest rates by 83 bps	—	(2.6)	(2.6)

In order to ensure in correspondence between comparative data for the 2012 and 2011 the table of impact of bps interest rates increase and decrease on profit before tax as at 31 December 2011, calculated on the base of interest rate volatility in RUB and foreign currency in accordance with methodology stated in 2012, is presented below:

Change in profit before tax as at 31 December 2012 (in billions of Russian Roubles)	RUB positions	Foreign currency positions	Total
Decrease in interest rates by 299 bps	22.9	—	22.9
Increase in interest rates by 599 bps	(45.9)	—	(45.9)
Decrease in interest rates by 38 bps	—	1.2	1.2
Increase in interest rates by 167 bps	—	(5.2)	(5.2)

The sensitivity analysis above shows changes in profit before tax given a parallel shift of the yield curve across all interest rate sensitive positions, i.e. when interest rates move by the same value for all maturities. In addition, interest rate risk is assessed considering the following simplifications: the calculation disregards possible early repayment or call of instruments.

From the beginning of 2012 the Group has started the development of Interest rate risk of non-trading positions management system in accordance with BCBS recommendations. New approaches for measurement, stress-testing, setting limit and hedging of interest rate risk of non-trading positions are being developed within the framework of this project. The methodology and models of assessment of sensitivity to interest rate risk based on client behavior that allows to increase the accuracy and efficiency of interest rate and currency risks of non-trading positions management significantly are also being developed. At the same time there is the project of ALMC system integration, which will cover all the goals of management over assets and liabilities of the Group members including goals of management of interest rate risk for non-trading positions.

Currency risk of non-trading assets and liabilities. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign exchange risk on open positions (mainly US dollar/RUB and EUR/RUB exchange rate fluctuations).

As part of managing foreign exchange risk the Group sets sublimits for open foreign exchange positions for Regional Head Offices. Besides, limits and control system are in place for arbitrage operations which sets open position limits for foreign currencies, limits on operations on the international and domestic markets, and stop-loss limits.

The Bank's Treasury Department undertakes daily aggregation of the currency position of the Group and takes measures for maintaining of the Group's currency risk exposure at a minimum level. The Group uses swaps, forwards and USD futures contracts tradable on MICEX as the main instruments for risk management.

Market risk on the operations on financial markets. Among credentials of TRC there is management over market risk of the trade operations, concerning liquidity risk TRC obeys to ALMC.

Market risks are controlled by monitoring of operations on foreign exchange and securities market by departments independent of trading divisions. Monitoring of market risks implies continual control over trading deals at all steps of operational process.

For the purposes of market risk management of the financial markets' operations, trade operations are aggregated in portfolios with hierarchical structure defined in accordance with risk types and responsibilities allocation. Market risk management of the trade operations in Group is performed through the system of authorized bodies, making decisions depending on risk level and portfolio hierarchy, such system allows to reach efficiency and flexibility of decision making.

The Group derives following most important types of market risk of the trade operations.

Interest rate risk on the trade operations. The Group is exposed to interest rate risk of its trade operations with debt securities and derivatives.

For managing and limiting interest rate risk in accordance with the "Policy for managing market and credit risk operations on financial markets" TRC as well as persons authorized by it set following types of limits and restrictions: limits on investments, limits on sensitivity to interest rate changes (DV01), concentration limits, limits on losses of trade operations, VaR limits, limits on direct and reverse REPO-deals.

Equity Price Risk. The Group is exposed to equity price risk through changes in fair value of corporate lobar securities as well as its derivatives in case of Group having positions in them. In order to limit equity price risk the TRC and persons authorized by it set common position limits, limits on losses of trade operations, VaR limits, sensitivity limits. Regional Head Offices does not take part in trade operations with shares.

Currency Risk. In order to limit the foreign exchange risk of financial market operations TRC as well as persons authorised by it set VaR limits and limits for open foreign exchange positions for all operations, which are sensitive to currency risk.

Value-at-Risk, VaR. The VaR methodology is one of the main instruments of assessing market risk of the Group. VaR allows to estimate the maximum financial loss with a defined confidence level of probability and time horizon.

The Group calculates VaR using the historical modeling methodology. This method allows to evaluate probability scenarios of future price fluctuations on the basis of past changes taking into account market indicators correlations (e.g. interest rates and foreign exchange rates) as well as changes in price of specific instruments not due to changes in the market situation.

VaR is calculated using the following assumptions:
- historical data on changes in financial market indicators comprise 2 years preceding the reporting date;
- the market indicators used include currency exchange rates, bond, equity and precious metal prices as well as interest rates levels;
- movements in financial market indicators are calculated over a 10-day period, i.e. an average period when the Group is able to close or hedge its positions exposed to market risk; and
- a 99% one-way confidence level is used, which means that losses in the amount exceeding VaR are expected by the Group maximum once every 100 trading days.

For evaluating the adequacy of the applied VaR calculation model the Group regularly back-tests the model by comparing the modeled losses with actual losses.

Despite the fact that VaR allows to measure risk, its shortcomings must be taken into account such as:
- past price fluctuations are not sufficient to assess accurately future price fluctuations;
- calculation of financial market price indicators over a 10-day period is based on the assumption that the Group will be able to close (or hedge) all positions within this period. This assessment may be far from accurate in measuring risk exposure at the time of reduced market liquidity, when the period of closing (or hedging) the Group's positions may increase;
- using 99% one-way confidence level of probability does not provide for estimating losses with a probability below 1%; and
- VaR is calculated based on end-of-day position and misses the intra-day risks accepted by the Group.

Taking into account the shortcomings of the VaR methodology the Group applies scenario analysis and stress-testing to have a better understanding of market risk exposure.

The table below shows the interest rate, equity and currency risk calculation using the VaR methodology as at 31 December 2012:

In billions of Russian Roubles	Value as at 31 December 2012	Average value for 2012	Maximum value for 2012	Minimum value for 2012	Impact on equity	Impact on profit
Interest rate risk on debt securities	18.1	16.6	21.7	12.1	1.1%	5.2%
Equity price risk	4.0	9.0	12.6	4.3	0.2%	1.2%
Currency risk	5.3	3.1	7.0	1.4	0.3%	1.5%
Market risk including diversification effect	19.6	17.6	24.5	12.1	1.2%	5.7%
Diversification effect	7.8	—	—	—	0.5%	2.3%

In 2012 a new model of calculation was confirmed in accordance with which more accurate way of VaR estimation for debt instruments portfolio was developed. Weighted average number of days to maturity of debt securities (duration) are used in this calculation that allows to significantly decrease the market risk of the debt instruments portfolio. The new model more accurately defines equity risks of illiquid securities which can increase equity risk.

The table below shows the interest rate, equity and currency risk calculation using the VaR methodology as at 31 December 2011:

In billions of Russian Roubles	Value as at 31 December 2011	Average value for 2011	Maximum value for 2011	Minimum value for 2011	Impact on equity	Impact on profit
Interest rate risk on debt securities	41.7	35.3	63.5	21.8	2.8%	13.4%
Equity price risk	9.9	9.3	10.7	7.4	0.7%	3.2%
Currency risk	5.4	5.4	6.9	2.5	0.4%	1.7%
Market risk including diversification effect	43.0	37.6	64.6	28.8	2.8%	13.8%
Diversification effect	14.0	—	—	—	0.9%	4.5%

In order to ensure in correspondence between comparative data for the 2012 and 2011 the table below shows the interest rate. equity and currency risk calculation using the VaR method as at 31 December 2011 based on the methodology accepted in 2012:

In billions of Russian Roubles	Value as at 31 December 2011	Average value for 2011	Maximum value for 2011	Minimum value for 2011	Impact on equity	Impact on profit
Interest rate risk on debt securities	12.7	12.6	15.5	10.7	1.0%	4.1%
Equity price risk	10.3	11.7	14.8	9.3	0.8%	3.3%
Currency risk	2.0	1.5	2.0	0.8	0.2%	0.6%
Market risk including diversification effect	13.9	15.0	17.2	13.2	1.1%	4.5%
Diversification effect	11.1	—	—	—	0.9%	3.6%

Data in the tables above are calculated on the basis of the Bank's internal management accounting system which is based on the statutory accounting reports of the Bank.

The table below summarizes the Group's exposure to foreign exchange risk in respect of monetary assets, liabilities and notional positions on currency derivatives as at 31 December 2012. Foreign exchange risk on forward and future contracts is represented by their notional positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates.

In billions of Russian Roubles	Russian Roubles	USD	Euro	Turkish Lyra	Other	Total
Assets						
Cash and cash equivalents	946.0	125.6	118.8	19.8	80.6	1,290.8
Mandatory cash balances with central banks	122.6	32.8	31.5	5.6	18.7	211.2
Debt trading securities	40.5	23.9	0.4	7.3	2.4	74.5
Debt securities designated at fair value through profit or loss	8.9	0.6	—	—	0.7	10.2
Due from banks	60.6	1.7	39.6	—	12.9	114.8
Loans and advances to customers	7,714.9	1,783.9	366.4	367.9	266.2	10,499.3
Debt securities pledged under repurchase agreements	882.1	25.8	—	32.6	—	940.5
Debt investment securities available for sale	356.1	216.9	71.4	77.6	37.0	759.0
Debt investment securities held to maturity	85.0	13.2	2.5	2.4	2.8	105.9
Other financial assets (less fair value of derivatives)	123.8	18.7	3.0	6.5	1.2	153.2
Total monetary assets	**10,340.5**	**2,243.1**	**633.6**	**519.7**	**422.5**	**14,159.4**
Liabilities						
Due to banks	1,289.4	52.7	57.7	22.3	30.3	1,452.4
Due to individuals	5,660.1	521.8	452.1	170.5	178.7	6,983.2
Due to corporate customers	1,958.3	747.8	171.6	153.3	165.1	3,196.1
Debt securities in issue	297.7	327.3	17.2	12.9	36.6	691.7
Other borrowed funds	0.7	362.9	76.8	25.4	3.4	469.2
Other financial liabilities (less fair value of derivatives)	97.2	21.9	4.5	20.5	2.0	146.1
Subordinated debt	303.4	71.6	4.7	—	5.0	384.7
Total monetary liabilities	**9,606.8**	**2,106.0**	**784.6**	**404.9**	**421.1**	**13,323.4**
Net monetary assets/ (liabilities)	**733.7**	**137.1**	**(151.0)**	**114.8**	**1.4**	**836.0**
Net foreign exchange derivatives	**(323.3)**	**223.9**	**178.9**	**(39.1)**	**(7.6)**	**32.8**
Credit related commitments (Note 33)	**1,848.2**	**621.7**	**236.8**	**258.4**	**64.6**	**3,029.7**

The table below summarizes the Group's exposure to foreign exchange risk in respect of monetary assets, liabilities and notional positions on currency derivatives as at 31 December 2011.

In billions of Russian Roubles	Russian Roubles	USD	Euro	Other	Total
Assets					
Cash and cash equivalents	488.7	58.9	20.9	57.1	625.6
Mandatory cash balances with central banks	99.5	0.6	0.1	1.0	101.2
Debt trading securities	47.9	17.1	2.4	2.6	70.0
Debt securities designated at fair value through profit or loss	30.6	—	—	0.2	30.8
Due from other banks	23.7	8.1	0.1	3.2	35.1
Loans and advances to customers	6,074.4	1,385.5	157.4	102.4	7 719.7
Debt securities pledged under repurchase agreements	178.4	65.8	0.1	0.5	244.8
Debt investment securities available for sale	696.6	73.4	39.5	14.9	824.4
Debt investment securities held to maturity	273.4	12.9	0.1	0.1	286.5
Other financial assets (less fair value of derivatives)	93.1	17.1	1.3	0.5	112.0
Total monetary assets	**8,006.3**	**1,639.4**	**221.9**	**182.5**	**10,050.1**
Liabilities					
Due to other banks	404.6	98.9	21.0	7.9	532.4
Due to individuals	4,959.6	366.6	265.2	134.9	5,726.3
Due to corporate customers	1,517.5	524.6	88.2	75.5	2,205.8
Debt securities in issue	64.4	181.8	1.8	20.7	268.7
Other borrowed funds	0.3	222.3	19.8	1.6	244.0
Other financial liabilities (less fair value of derivatives)	145.5	48.3	0.8	1.5	196.1
Subordinated debt	303.3	0.2	—	—	303.5
Total monetary liabilities	**7,395.2**	**1,442.7**	**396.8**	**242.1**	**9,476.8**
Net monetary assets/ (liabilities)	**611.1**	**196.7**	**(174.9)**	**(59.6)**	**573.3**
Net foreign exchange derivatives	**6.0**	**(167.4)**	**167.6**	**16.2**	**22.4**
Credit related commitments (Note 33)	**1,406.3**	**594.1**	**113.3**	**41.8**	**2,155.5**

The Group provides loans and advances to customers in foreign currency. Fluctuations of foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss.

Liquidity risk. Liquidity risk is defined as the risk of mismatch between the maturities of assets and liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, customer's current accounts, term deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of the above mentioned needs, as according to historical data a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the ALMC.

The Group liquidity risk management is aimed at ensuring timely and complete fulfillment of its payment obligations at minimum cost. For this purpose the Group:

- maintains a stable and diversified liabilities structure including both term resources and funds on demand;
- reserves capacity for immediate borrowing of funds on financial markets; and
- invests in highly liquid assets diversified by currencies and maturities for quick and effective coverage of unexpected gaps in liquidity.

Policy and Procedures. The Treasury performs analysis and forecasts and advices Management on regulation of current, short-term, medium-term and long-term liquidity of the Group. Liquidity position and execution of requirements on managing the liquidity risk are controlled by the ALMC of the Bank. Liquidity risk is assessed, managed and controlled on the basis of "Policies of the Bank for Management and Control of Liquidity" and the guidelines of the Bank of Russia and the Basel Committee for Banking Supervision.

Provisions of this Policy lay down the guidelines for organizing the liquidity management in the Regional Head Offices of the Bank and subsidiaries. The Management Board of the Bank's Regional Head Office and subsidiaries are responsible for efficiently managing and controlling the Regional Head Office liquidity. They are also responsible for monitoring limits and controls required by the Group's internal regulations. Guided by the limits, controls, requirements and policies, the Regional Head Office selects evaluation methods and the necessary level of liquidity and develops and implements measures to ensure liquidity. In case of an insufficient liquidity the Treasury provides funds to the Regional Head Office or subsidiary (according to an established procedure) in the required amount.

Liquidity risk management includes the following procedures:

- forecasting payment flows by major currencies to ensure the necessary volume of liquid assets to cover liquidity deficit;
- forecasting assets and liabilities structure based on scenario analysis to control the required volume of liquid assets in medium-term and long-term perspective;
- forecasting and monitoring liquidity ratios compliance with regulatory and internal policy requirements;
- control over liquidity reserves of the Group to assess maximum opportunities for the Group to attract funds from various sources in different currencies;
- diversification of funding sources in different currencies taking into account maximum amounts, cost of funding and maturity;
- stress-testing and planning actions for restoring the required liquidity level in unfavorable conditions or during crisis periods; and
- setting limits on risk metrics including but not only components of risk appetite of the Group.

The tables below show distribution of undiscounted contractual cash flows (taking into account future interest payments) on liabilities by remaining contractual maturities.

The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity at 31 December 2012 is set out below:

In billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Total
Liabilities						
Due to banks	1,050.3	230.8	123.0	24.4	39.9	1,468.4
Due to individuals	1,871.6	1,252.4	1,159.6	2,599.8	361.4	7,244.8
Due to corporate customers	1,271.1	375.1	91.0	1,558.5	5.7	3,301.4
Debt securities in issue	74.3	145.7	159.0	163.1	242.1	784.2
Other borrowed funds	29.6	75.7	174.4	192.6	42.3	514.6
Other liabilities (including derivative financial instruments)	137.1	41.4	11.7	45.2	37.9	273.3
Subordinated debt	—	1.8	22.0	46.0	500.3	570.1
Total liabilities	**4,434.0**	**2,122.9**	**1,740.7**	**4,629.6**	**1,229.6**	**14,156.8**
Credit related commitments	3 029.7	—	—	—	—	3,029.7

The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity at 31 December 2011 is set out below:

In billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Total
Liabilities						
Due to banks	356.2	119.8	48.2	12.7	1.6	538.5
Due to individuals	1,639.7	1,584.9	1,271.5	1,757.4	229.4	6,482.9
Due to corporate customers	1,626.0	194.3	78.5	341.6	14.7	2,255.1
Debt securities in issue	42.1	38.5	18.9	62.1	144.4	306.0
Other borrowed funds	0.3	23.4	54.1	160.9	20.4	259.1
Other liabilities (including derivative financial instruments)	187.4	18.7	2.6	13.1	5.0	226.8
Subordinated debt	—	0.1	19.5	39.2	400.9	459.7
Total liabilities	**3,851.7**	**1,979.7**	**1,493.3**	**2,387.0**	**816.4**	**10,528.1**
Credit related commitments	2,155.5	—	—	—	—	2,155.5

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 and highly liquid portion of investment securities available for sale, including those pledged under repurchase agreements are considered to be liquid assets as these securities could be easily converted into cash within short period of time. Such financial instruments are disclosed in gap analysis table as “on demand and less than 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 including those pledged under repurchase agreements are classified based on the remaining maturities;
- loans and advances to customers, amounts due from other banks, other assets, debt securities in issue, amounts due to other banks, other borrowed funds and other liabilities are included into gap analysis table based on remaining contractual maturities;
- customer deposits aren’t disclosed as “on demand and less than 30 days” although customers have an opportunity to withdraw money from any account, including term deposits, before maturity date, losing the right on accrued interest. Customer deposits diversification by number and type of depositors and the past experience of the Group indicate that such accounts and deposits provide a long-term and stable source of funding, and as a result they are allocated per expected time of funds outflow in the gap analysis table on the basis of statistical data accumulated by the Group during the previous periods and assumptions regarding the “permanent” part of current account balances.

The liquidity position of the Group's assets and liabilities as at 31 December 2012 is set out below.

In billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
Assets							
Cash and cash equivalents	1,290.8	—	—	—	—	—	1,290.8
Mandatory cash balances with central banks	61.4	32.4	25.6	80.7	11.1	—	211.2
Trading securities	90.4	—	—	—	—	—	90.4
Securities designated at fair value through profit or loss	19.2	—	—	—	—	—	19.2
Due from banks	57.0	46.2	0.6	2.4	8.6	—	114.8
Loans and advances to customers	469.5	1,403.5	1,538.5	3,496.5	3,591.3	—	10,499.3
Securities pledged under repurchase agreements	723.6	21.4	39.4	89.4	75.9	—	949.7
Investment securities available for sale	788.3	2.7	2.6	8.4	2.2	0.3	804.5
Investment securities held to maturity	0.2	5.8	8.8	38.5	52.6	—	105.9
Deferred income tax asset	—	—	—	—	—	7.5	7.5
Premises and equipment	—	—	—	—	—	436.0	436.0
Other assets	174.3	72.7	36.3	94.3	46.3	144.2	568.1
Total assets	**3,674.7**	**1,584.7**	**1,651.8**	**3,810.2**	**3,788.0**	**588.0**	**15,097.4**
Liabilities							
Due to banks	1,046.3	226.6	115.4	18.5	45.6	—	1,452.4
Due to individuals	1,848.2	1,162.9	1,091.2	2,521.1	359.8	—	6,983.2
Due to corporate customers	1,245.5	363.4	82.3	1,500.7	4.2	—	3,196.1
Debt securities in issue	70.9	140.6	142.5	131.2	206.5	—	691.7
Other borrowed funds	29.1	69.9	169.6	160.1	40.5	—	469.2
Deferred income tax liability	—	—	—	—	—	33.2	33.2
Other liabilities	135.5	53.4	21.2	21.9	6.0	25.1	263.1
Subordinated debt	—	0.1	0.7	—	383.9	—	384.7
Total liabilities	**4,375.5**	**2,016.9**	**1,622.9**	**4,353.5**	**1,046.5**	**58.3**	**13,473.6**
Net liquidity (gap)/ surplus	**(700.8)**	**(432.2)**	**28.9**	**(543.3)**	**2,741.5**	**529.7**	**1,623.8**
Cumulative liquidity (gap)/ surplus at 31 December 2012	**(700.8)**	**(1,133.0)**	**(1,104.1)**	**(1,647.4)**	**1,094.1**	**1,623.8**	**—**

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

In billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
Assets							
Cash and cash equivalents	625.6	—	—	—	—	—	625.6
Mandatory cash balances with central banks	27.7	10.7	8.9	47.7	6.2	—	101.2
Trading securities	102.0	—	—	—	—	—	102.0
Securities designated at fair value through profit or loss	52.0	—	—	—	—	—	52.0
Due from other banks	19.0	13.8	1.8	0.2	0.3	—	35.1
Loans and advances to customers	253.2	1,043.4	1,243.3	2,477.6	2,702.2	—	7 719.7
Securities pledged under repurchase agreements	163.7	—	39.0	82.1	16.0	—	300.8
Investment securities available for sale	869.3	—	2.8	3.1	8.4	0.9	884.5
Investment securities held to maturity	0.7	11.7	9.0	116.9	148.2	—	286.5
Deferred income tax asset	—	—	—	—	—	7.8	7.8
Premises and equipment	—	—	—	—	—	359.9	359.9
Other assets	138.3	35.7	29.9	39.7	19.1	97.3	360.0
Total assets	**2,251.5**	**1,115.3**	**1,334.7**	**2,767.3**	**2,900.4**	**465.9**	**10,835.1**
Liabilities							
Due to other banks	373.1	118.9	36.7	3.2	0.5	—	532.4
Due to individuals	1,243.7	739.2	654.1	2,726.0	363.3	—	5 726.3
Due to corporate customers	973.9	88.0	50.8	1,081.8	11.3	—	2 205.8
Debt securities in issue	35.3	36.7	17.9	53.5	125.3	—	268.7
Other borrowed funds	0.2	19.7	52.3	152.0	19.8	—	244.0
Deferred income tax liability	—	—	—	—	—	21.2	21.2
Other liabilities	186.0	47.5	9.6	11.9	6.5	3.7	265.2
Subordinated debt	—	—	—	0.2	303.3	—	303.5
Total liabilities	**2,812.2**	**1,050.0**	**821.4**	**4,028.6**	**830.0**	**24.9**	**9,567.1**
Net liquidity (gap) / surplus	**(560.7)**	**65.3**	**513.3**	**(1,261.3)**	**2,070.4**	**441.0**	**1,268.0**
Cumulative liquidity (gap)/ surplus at 31 December 2011	**(560.7)**	**(495.4)**	**17.9**	**(1,243.4)**	**827.0**	**1,268.0**	**—**

The Management believes that matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain maturity with deviation from contract terms being observed. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Operational Risk. Operational risk management is performed by the Group in accordance with CBR recommendations and requirments of Basel Committee on Banking Supervision and defined by the Group's Policy for operational risk management aimed at prevention or/and decrease of losses arised from deficiencies in operational management, technologies and information systems in use, unauthorised actions or errors of the staff, or by external events.

In order to prevent or/and decrease losses arised from operational risk the Group has developed and used mechanisms and procedures such as overall reglamentation of business-processes and procedures, segregation of duties, rules and procedures for deals and transactions execution, control over credit limit discipline, action plan for information security, continuity, improvement of an audit procedures and quality control over performance of automatized systems and hardware complex, property and assets insurance, ongoing professional development of staff across the Group's hierarchy, etc.

Accordingly there are risk-coordinators in the Bank's Head Office, Regional Head Offices, all subdivisions responsible for interaction with operational risk subdivisions concerning identification, valuation, monitoring and control over operational risk.

In 2012 the Bank was continuing collection and sistematization of information concerning realized risk actions, development of internal data base of realized risk actions and losses.

During the period of data base development valuation, forecast and monitoring of operational risk level are performed using base indicative method, recommended by Basel Committee on Banking Supervision, on the basis of income statement and with expert assessments. Current operational risk level for the Group is estimated as acceptable.

33. CONTINGENCIES AND COMMITMENTS

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and internal professional advice the Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated financial statements.

Tax legislation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged. As a result, additional taxes, penalties and interest may be assessed by the relevant authorities.

Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

The new Russian transfer pricing legislation, which came into force on 1 January 2012, allows the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions if the transaction price deviates from the market prices determined for tax purposes. The list of "controlled" transactions includes transactions concluded with Russian and foreign related parties and certain types of cross-border transactions concluded with independent parties concluded starting 1 January 2012 or earlier if related income and expenses were recognized in 2012 or thereafter. Russian transfer pricing rules which are currently in effect have considerably increased the compliance burden for the taxpayers as compared to the transfer pricing rules which were in effect before 2012 due to, inter alia, shifting the burden of proof from the Russian tax authorities to the taxpayers. Special transfer pricing rules continue to apply to securities transactions and derivatives.

In 2012 the Group determined its tax liabilities arising from "controlled" transactions using actual transaction prices and making appropriate transfer pricing adjustments (where applicable).

Due to the uncertainty and absence of any stable practice of the application of the current Russian transfer pricing legislation the Russian tax authorities may challenge the level of prices applied by the Group under the "controlled" transactions and accrue additional tax liabilities, unless the Group is able to demonstrate the use of market prices with respect to the "controlled" transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation.

As at 31 December 2012 management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

Capital expenditure commitments. At 31 December 2012 the Group has contractual capital expenditure commitments in respect of premises and equipment totaling 38.9 billion RUB (2011: 21.6 billion RUB) and in respect of computer equipment acquisition of 2.1 billion RUB (2011: 1.9 billion RUB). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

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

In billions of Russian Roubles	2012		2011	
	Lease payments under cancellable operating lease	Lease payments under non-cancellable operating lease	Lease payments under cancellable operating lease	Lease payments under non-cancellable operating lease
Not later than 1 year	10.8	1.4	7.2	1.2
Later than 1 year and not later than 5 years	19.0	3.2	12.2	2.9
Later than 5 years	14.5	3.3	11.1	2.4
Total operating lease commitments	**44.3**	**7.9**	**30.5**	**6.5**

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group. The Group is in compliance with covenants as at 31 December 2012 and as at 31 December 2011.

Credit related commitments. The primary purpose of credit related commitments instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet the obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than direct lending.

Commitments to extend credit represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss equal to the total amount of unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the maturities of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

In billions of Russian Roubles	2012	2011
Commitments to extend credit	1,112.0	741.9
Guarantees issued	934.2	490.6
Undrawn credit lines	495.2	378.0
Export letters of credit	302.8	364.5
Import letters of credit and letters of credit for domestic settlements	185.5	180.5
Total credit related commitments	**3,029.7**	**2,155.5**

At 31 December 2012 included in Due to corporate customers are deposits of 79.0 billion RUB (31 December 2011: 95.0 billion RUB) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 17.

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash payments, as these financial instruments may expire or terminate without any payments being made.

Fiduciary assets. These assets are not included in the consolidated statement of financial position as they are not assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets fall into the following categories:

In billions of Russian Roubles	2012	2011
	Nominal value	Nominal value
State savings bonds and OFZ bonds	711.6	599.8
Corporate shares	416.7	317.2
Promissory notes	22.3	13.4
Corporate bonds	41.2	8.9
Foreign government bonds	3.7	1.2
Debt securities of municipal and subfederal bodies of the Russian Federation	3.6	0.3
Eurobonds of the Russian Federation	3.4	—
Other securities	4.2	0.3
Total fiduciary assets	**1,206.7**	**941.1**

Assets under management. As at 31 December 2012 and 31 December 2011 several asset management companies of the Group were managing assets of various investment entities. The net value of such assets was as follows:

In billions of Russian Roubles	2012	2011
Pension funds	47.7	—
Mutual investment funds	17.5	17.4
Designated funds	4.3	7.6
Hedge funds	3.7	5.1
Venture funds	2.7	3.4
Private equity funds	0.9	1.5
Other	8.5	—
Total	**85.3**	**35.0**

34. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange and other derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. Fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

Fair value of forward contracts is calculated as present value of amounts receivable less present value of amounts payable. The inputs in the discounted cash flows model used are forward exchange rate quotations and quoted implied depo rates. Such instruments are classified as level 2 of fair value hierarchy. Refer to Note 35.

Fair value of option contracts is calculated using the Black-Scholes model. Adjustments for credit risk are made where appropriate. The main inputs of this model are current market price and implied volatility. Where these inputs could be observed on the open market, the carrying amounts are disclosed as level 2 of fair value hierarchy. Otherwise, the amounts are disclosed as level 3. Refer to Note 35.

The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature.

As at 31 December 2012 (In billions of Russian Roubles)	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Assets positive fair value	Liabilities negative fair value
Foreign currency:				
Market options	0.3	(0.3)	—	—
Market swaps	(6.7)	6.7	(0.1)	0.1
OTC options	246.1	(245.5)	9.7	(9.1)
OTC swaps	1,018.6	(1,000.9)	30.7	(13.0)
Forwards	203.2	(203.7)	1.8	(2.3)
Futures	13.1	(13.1)	0.4	(0.4)
Total	**1,474.6**	**(1,456.8)**	**42.5**	**(24.7)**
Interest rate:				
Market swaps	2.1	(1.9)	0.2	—
OTC options	0.6	(0.6)	—	—
OTC swaps	406.6	(403.4)	16.9	(13.7)
Forwards	0.3	(0.3)	—	—
Futures	14.4	(14.4)	—	—
Total	**424.0**	**(420.6)**	**17.1**	**(13.7)**
Commodities including precious metals:				
OTC options	2.5	(2.5)	2.3	(2.3)
OTC swaps	21.3	(12.8)	8.7	(0.2)
Forwards	3.2	(3.2)	—	—
Futures	2.5	(2.5)	—	—
Total	**29.5**	**(21.0)**	**11.0**	**(2.5)**
Equities:				
Market options	0.6	(0.6)	0.1	(0.1)
OTC options	9.6	(6.4)	3.5	(0.3)
Forwards	2.5	(2.4)	0.2	(0.1)
Futures	7.8	(7.8)	—	—
Total	**20.5**	**(17.2)**	**3.8**	**(0.5)**
Debt securities:				
Forwards	0.2	(0.2)	—	—
Total	**0.2**	**(0.2)**	—	—
Other:				
OTC swaps	—	(0.3)	—	(0.3)
Total	**—**	**(0.3)**	**—**	**(0.3)**
Total	**1,948.8**	**(1,916.1)**	**74.4**	**(41.7)**

As at 31 December 2012 (In billions of Russian Roubles)	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Assets positive fair value	Liabilities negative fair value
Foreign currency:				
Market options	27.7	(27.2)	0.5	(0.7)
OTC swaps	394.8	(397.7)	4.9	(7.8)
Forwards	218.8	(207.5)	14.9	(3.6)
Futures	33.0	(33.0)	2.3	(0.4)
Total	**674.3**	**(665.4)**	**22.6**	**(12.5)**
Interest rate:				
OTC swaps	272.3	(269.6)	14.5	(11.8)
Futures	71.6	(71.6)	—	—
Total	**343.9**	**(341.2)**	**14.5**	**(11.8)**
Commodities including precious metals:				
Market options	0.8	(1.0)	—	(0.2)
Forwards	35.3	(28.4)	8.3	(1.4)
Futures	0.6	(0.6)	—	—
Total	**36.7**	**(30.0)**	**8.3**	**(1.6)**
Equities:				
OTC options	16.6	(18.5)	5.5	(0.2)
Forwards	4.0	(3.8)	0.2	—
Futures	12.9	(12.9)	—	—
Total	**33.5**	**(35.2)**	**5.7**	**(0.2)**
Debt securities:				
OTC options	(5.3)	(4.7)	—	(0.6)
Futures	0.1	(0.1)	—	—
Total	**(5.2)**	**(4.8)**	**—**	**(0.6)**
Total	**1,083.2**	**(1,076.6)**	**51.1**	**(26.7)**

During the year the Group has incurred a net gain on foreign currency derivatives in the amount of 8.4 billion RUB (2011: a net gain of 2.6 billion RUB) and earned net gain on precious metals derivatives in the amount of 6.0 billion RUB (2011: a net gain of 6.5 billion RUB), which is recorded in the Group's consolidated income statement within net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation, and net gains arising from operations with precious metals and precious metals derivatives correspondingly.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2012 (In billions of Russian Roubles)	Level 1	Level 2	Level 3	Total
Financial assets				
Trading securities	81.5	8.0	0.9	90.4
Securities designated at fair value through profit or loss	11.5	0.6	7.1	19.2
Securities pledged under repurchase agreements	677.9	4.3	—	682.2
Investment securities available for sale	734.3	52.1	18.1	804.5
Derivative financial instruments	—	52.2	22.2	74.4
Total financial assets at fair value	**1,505.2**	**117.2**	**48.3**	**1,670.7**
Financial liabilities				
Derivative financial instruments	—	41.4	0.3	41.7
Securties sold. not yet purchased	15.9	2.7	—	18.6
Structured notes	—	1.3	1.0	2.3
Total financial liabilities at fair value	**15.9**	**45.4**	**1.3**	**62.6**

As at 31 December 20121 (In billions of Russian Roubles)	Level 1	Level 2	Level 3	Total
Financial assets				
Trading securities	94.6	4.7	2.7	102.0
Securities designated at fair value through profit or loss	32.2	14.4	5.4	52.0
Securities pledged under repurchase agreements	163.0	0.7	—	163.7
Investment securities available for sale	842.6	27.6	14.3	884.5
Derivative financial instruments	2.3	25.3	23.6	51.2
Total financial assets at fair value	**1,134.7**	**72.7**	**46.0**	**1,253.4**
Financial liabilities				
Securties sold, not yet purchased	65.9	1.3	0.3	67.5
Derivative financial instruments	0.5	25.6	0.6	26.7
Structured notes	0.6	—	0.9	1.5
Total financial liabilities at fair value	**67.0**	**26.9**	**1.8**	**95.7**

Level 2 includes debt securities of first-class borrowers that are not actively traded on the market. Fair value of the securities was calculated using techniques for which all inputs which have a significant effect on the recorded fair value are observable. Financial characteristics of comparable financial instruments actively traded on the market were used as inputs for the fair valuation models.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value as at 31 December 2012:

In billions of Russian Roubles	At 1 January 2012	Total gains reported in income statement	Foreign currency revaluation	Changes in fair value due to deferred gains	Purchases	Sales	Transfers from Level 3	Transfers to Level 3	At 31 December 2012
Financial assets									
Trading securities	2.7	(0.5)	—	—	0.5	(1.9)	—	0.1	0.9
Securities designated at fair value through profit or loss	5.4	(2.3)	—	—	7.6	(0.5)	(3.5)	0.4	7.1
Investment securities available for sale	14.3	—	—	—	5.3	(1.5)	—	—	18.1
Derivative financial instruments	23.6	3.3	(2.1)	0.2	0.1	(2.9)	—	—	22.2
Total level 3 financial assets	**46.0**	**0.5**	**(2.1)**	**0.2**	**13.5**	**(6.8)**	**(3.5)**	**0.5**	**48.3**
Financial liabilities									
Structured notes	0.9	—	—	—	0.1	—	—	—	1.0
Derivative financial instruments	0.6	(0.6)	—	—	0.3	—	—	—	0.3
Secturies sold, not yet purchased	0.3	(0.3)	—	—	—	—	—	—	—
Total level 3 financial liabilities	**1.8**	**(0.9)**	**—**	**—**	**0.4**	**—**	**—**	**—**	**1.3**

Transfers from Level 3 during the year ended 31 December 2012 were due to receipt of control over construction company. The carrying amount of the total assets transferred was 3.5 billion RUB.

For the year ended 31 December 2012 the losses in the amount of 1.8 billion RUB reported in income statement on Level 3 financial assets were unrealized.

Total gains recognized as profit or loss on trading securities which are presented in the table above are reported in income statement within net gains arising from trading securities.

Total gains recognized as profit or loss on securities designated at fair value through profit or loss which are presented in the table above are reported in income statement within net losses arising from securities designated at fair value through profit or loss.

Total gains recognized as profit or loss on derivative financial instruments which are presented in the table above are reported in income statement within net gains from operations with other derivatives.

Valuation of available for sale shares in a stock exchange of 13.7 billion RUB using valuation techniques based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of WACC and estimated future operating cash flows.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be 1.2 billion RUB lower / 1.4 billion RUB higher.

Valuation of investments in shares of an associated company involved in innovation business at fair value through profit and loss of 4.4 billion RUB using a valuation technique based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of the weighted average cost of capital (hereinafter — «WACC»); volume of production, sale price of goods sold (in particular crystal polisilicon), cost of sales. When determining the sale price of goods sold the Group used current market prices and forecasts of analytical companies. As at 31 December 2012 the estimated value of the WACC used by the Group comprised 18.38%.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be 0.3 billion RUB lower / 0.3 billion RUB higher.

Valuation of available for sale shares in a real estate company of 3.1 billion RUB using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated capitalization rate which depend on forecasts on property prices.

Should the discount rate used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be 0.1 billion RUB lower / 0.1 billion RUB higher. Should the capitalization rate used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be 0.3 billion RUB lower / 0.3 billion RUB higher.

Valuation of available for sale non-voting shares in a special investment fund (SIF) of 1.6 billion RUB using valuation techniques based on non-observable inputs

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated guaranteed fixed yield on exit.

Guaranteed fixed yield has not linked to the market and so has immaterial influence on the value of the financial instrument.

Should the discount rate used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be 0.03 billion RUB lower / 0.03 billion RUB higher.

Valuation of foreign currency derivatives contracts of 19.8 RUB billion using non-observable inputs

The inputs used for estimation of fair values of foreign currency derivatives were the yield to maturity of the Belarusian Eurobonds in USD (7.44%). The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles at the reporting date (37.0%). Should the input rate for Belarusian roubles decrease for 1000 base points the carrying value of the foreign currency derivatives would be 3.1% lower.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value as at 31 December 2011:

In billions of Russian Roubles	At 1 January 2011	Total gains reported in income statement	Purchases	Business combinations	Sales	At 31 December 2011
Financial assets						
Trading securities	—	—	—	2.7	—	2.7
Securities designated at fair value through profit or loss	3.4	0.3	0.5	1.2	—	5.4
Investment securities available for sale	11.9	(0.2)	8.5	—	(5.9)	14.3
Derivative financial instruments	5.0	20.6	—	—	(2.0)	23.6
Total level 3 financial assets	**20.3**	**20.7**	**9.0**	**3.9**	**(7.9)**	**46.0**
Financial liabilities						
Securties sold, not yet purchased	—	—	—	0.3	—	0.3
Derivative financial instruments	—	—	0.6	—	—	0.6
Structured notes	—	—	—	0.9	—	0.9
Total level 3 financial liabilities	**—**	**—**	**0.6**	**1.2**	**—**	**1.8**

For the year ended 31 December 2011 the gains in the amount of 21.4 billion RUB reported in income statement on Level 3 financial assets were unrealized. All the gains reported in other comprehensive income on Level 3 financial assets were unrealized.

Total gains recognized as profit or loss on securities designated at fair value through profit or loss which are presented in the table above are reported in income statement within net (losses)/ gains arising from securities designated at fair value through profit or loss.

Total gains recognized as profit or loss on investment securities available for sale which are presented in the table above are reported in income statement within net gains arising from investment securities available for sale.

Total gains recognized as profit or loss on derivative financial instruments which are presented in the table above are reported in income statement within net gains arising from operations with other derivatives.

Investments in shares of a company involved in construction business at fair value through profit and loss of 3.6 billion RUB using a valuation technique based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of the weighted average cost of capital (hereinafter — "WACC"); volume of construction of housing premises and hotels, terms of construction and subsequent sale, sale price per square meter of housing premises and respective cost of sale, booking rates for hotel rooms.

When determining the sale prices per square meter of housing premises and booking rates for hotel rooms the Group used comparable analogues and estimation of the annual increase in prices. As at 31 December 2011 the estimated value of the WACC used by the Group comprised 17.02%.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be 0.3 billion RUB lower / 0.3 billion RUB higher.

Valuation of available for sale shares in a stock exchange of 13.2 billion RUB using valuation techniques based on non-observable inputs

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of WACC and estimated future operating cash flows.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be 1.1 billion RUB lower / 0.9 billion RUB higher.

Valuation of forward foreign currency contracts and forward precious metals contracts of 20.1 billion RUB using non-observable inputs

Fair values for forward foreign currency contracts and forward precious metals contracts are obtained from the interest rates parity model, using rates prevailing on the market of the Republic of Belarus and international markets with comparable business conditions.

The inputs used for estimation of fair values of foreign currency derivatives were the quotes of sovereign credit default swaps of the countries with the same credit rating as the rating of the Republic of Belarus (10.2%).

Claims in precious metals were estimated against the rate of attracting cashless precious metals in term deposits (6%).

The obligations in Belorusian Roubles were estimated against the prevailing rate of attracting funds in Belorusian Roubles at the reporting date (57.9%).

Should the input rate for Belorusian Roubles decrease/increase for 10 p.p. the carrying value of the foreign currency derivatives would be 2.7% lower / 2.2% higher.

Valuation of a put option on unquoted retail trading company shares of 1.2 billion RUB using non-observable inputs

The fair value of the option was determined using the Black-Scholes option pricing model. The inputs of the model include current market price of underlying shares and its historical volatility, option strike price and market risk-free rate of return, the principal input being the price of the shares.

Fair value of the underlying shares as at 31 December 2011 was estimated using the discounted cash flow model and comprised 9.1 billion RUB. Should the estimated value of shares used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be 0.02 billion RUB lower / 0.02 billion RUB higher.

Valuation of a put/call option on shares of 2.6 billion RUB using non-observable inputs

The fair value of the option was determined using the Black-Scholes option pricing model. The principal inputs of the model include share price volatility of publicly traded companies operating in the same industry, share price valuation made using the discounted cash flow model and market risk-free rate of return.

Fair values of financial assets are as follows:

In billions of Russian Roubles	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets carried at amortised cost				
Cash and cash equivalents:				
– Cash on hand	680.8	680.8	438.7	438.7
– Cash balances with the Bank of Russia (other than mandatory reserve deposits)	260.4	260.4	51.3	51.3
– Correspondent accounts and overnight placements with other banks with original maturities up to 30 days	268.5	268.5	113.9	113.9
– Reverse-repo agreements with original maturities up to 30 days	81.1	81.1	21.7	21.7
– Mandatory cash balances with the Bank of Russia	211.2	211.2	101.2	101.2
Due from other banks	114.8	114.8	35.1	35.1
Loans and advances to customers:				
– Commercial loans to legal entities	4,971.6	5,029.4	3,713.3	3,658.1
– Specialized loans to legal entities	2,765.7	2,734.4	2,270.0	2,215.4
– Consumer and other loans to individuals	1,524.2	1,464.2	906.7	930.3
– Mortgage loans to individuals	1,116.9	1,094.1	748.6	778.6
– Car loans to individuals	120.9	118.2	81.1	82.3
Securities pledged under repurchase agreements:				
– Investment securities held to maturity pledged under repurchase agreements	267.5	266.8	137.2	136.1
Investment securities held to maturity	105.9	105.5	286.5	278.9
Other financial assets:				
– Receivables on plastic cards settlements	107.5	107.5	78.8	78.8
– Settlements on currency conversion operations	16.7	16.7	6.5	6.5
– Settlements on operations with securities	10.1	10.1	15.2	15.2
– Funds in settlement	5.6	5.6	0.1	0.1
– Accrued fees and commissions	4.5	4.5	3.9	3.9
– Trade receivables	4.4	4.4	2.7	2.7
– Other	4.4	4.4	4.8	4.8
Total financial assets carried at amortised cost	**12,642.7**	**12,582.6**	**9,017.3**	**8,953.6**

Fair values of financial liabilities are as follows:

In billions of Russian Roubles	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities carried at amortised cost				
Due to other banks:				
– Sale and repurchase agreements with other banks	854,9	854,9	232,9	232,9
– Term placements of other banks	518,2	518,2	240,4	240,4
– Correspondent accounts and overnight placements of other banks	79,3	79,3	59,1	59,1
Due to Individuals:				
– Current/demand accounts	1 401,1	1 401,1	1 077,0	1 077,0
– Term deposits	5 582,1	5 541,7	4 649,3	4 667,9
Due to corporate customers:				
– Current/settlement accounts of state and public organisations	99,0	99,0	142,2	142,2
– Term deposits of state and public organisations	270,1	273,9	39,6	39,5
– Current/settlement accounts of other corporate customers	1 130,1	1 130,1	1 230,2	1 230,2
– Term deposits of other corporate customers	1 696,9	1 722,1	793,9	837,0
Debt securities in issue:				
– Loan participation notes issued under the MTN programme	291,6	315,0	169,6	168,1
– Savings certificates	227,2	231,6	9,8	9,8
– Promissory notes	110,1	109,7	77,2	70,8
– Bonds issued	44,3	44,5	9,9	10,0
– Notes issued under the ECP programme	16,1	16,1	—	—
– Other debt securities except for structured notes	0,1	0,1	0,7	0,7
Other borrowed funds:				
– Trade finance deals	306,3	304,7	141,9	141,9
– Syndicated loans received	162,9	162,7	102,1	102,1
Other financial liabilities:				
– Payables on plastic card settlements	63,7	63,7	45,8	45,8
– Funds in settlement	36,5	36,5	10,1	10,1
– Trade payables	11,7	11,7	13,1	13,1
– Deposit insurance system fees payable	6,2	6,2	5,2	5,2
– Settlements on operations with securities	4,1	4,1	10,5	10,5
– Deferred commissions received on guarantees issued	1,3	1,3	1,4	1,4
Other	13,2	13,2	6,5	6,5
Subordinated debt:				
– Subordinated debt received by the Group from the Bank of Russia	303,3	303,3	303,3	303,3
– Subordinated debt received under the MTN programme	61,1	62,3	—	—
– Other subordinated debts	20,3	19,0	0,2	0,2
Total financial liabilities carried at amortised cost	**13 311,7**	**13 326,0**	**9 371,9**	**9 425,7**

Financial instruments carried at fair value. Trading securities, other assets at fair value through profit or loss, financial derivatives, available for sale financial assets are carried in the consolidated statement of financial position at fair value.

Cash and cash equivalents are carried at amortised cost which approximately equals their current fair value.

Refer to Note 3 for accounting policy on financial instruments carried at fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. Due to significant changes in market situation interest rates for loans and advances to customers and due from other banks issued at fixed interest rates can be revised. Therefore interest rates for loans issued just before reporting date do not differ significantly from interest rates for new credit instruments with similar credit risk and remaining maturity. If under the Group assessment interest rates for the loans issued before reporting date differ significantly from current interest rates for similar credit instruments the fair value for these loans is estimated. The estimation is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty.

Contractual interest rates on loans and advances to customers and due from banks as at 31 December 2012 and 31 December 2011 were as follows:

	2012	2011
Due from banks	0.01% to 11.0% p.a.	1.5% to 8.5% p.a.
Loans and advances to customers:		
Corporate loans	5.2% to 18.7% p.a.	5.3% to 17.1% p.a.
Loans to individuals	7.4% to 24.0% p.a.	8.0% to 21.0% p.a.

Estimated fair value of other financial assets including trade debtors equals their carrying amount considering short-term nature of these assets.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Discount rates used were consistent with the Group's credit risk and also depend on currency and maturity of the instrument and ranged from 0.0% p.a. to 13.3% p.a. (2011: from 0.1% p.a. to 17.0% p.a.).

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Refer to Note 34.

36. TRANSFERRED FINANCIAL ASSETS AND ASSETS HELD OR PLEDGED AS COLLATERAL

The following note provides a summary of financial assets which have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition.

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business.

In billions of Russian Roubles	2012				2011			
	Due to banks		Due to customers		Due to banks		Due to customers	
	Assets pledged	Related liabilities	Assets pledged	Related liabilities	Assets pledged	Related liabilities	Assets pledged	Related liabilities
Securities pledged under repurchase agreements	919,2	845.9	30.5	23.8	254.7	232.9	46.1	38.1
Securities of clients	10.2	8.8	17.6	11.9	—	—	5.1	3.9
Total	**929.4**	**854.7**	**48.1**	**35.7**	**254.7**	**232.9**	**51.2**	**42.0**

Refer to Note 11 for detailed information on types of securities pledged under repurchase agreements.

Assets pledged and restricted. As at 31 December 2012 the Group has pledged loans to corporate customers with the Bank of Russia as collateral against interbank borrowings to support its everyday operations in terms of liquidity for the amount of 223.2 billion RUB. Funds attracted amounted to 168.5 billion RUB (2011: nil).

As at 31 December 2012 the Group has pledged loans to corporate customers with the KfW as collateral against interbank borrowings for the amount of 1.6 billion RUB. Funds attracted amounted to 2.2 billion RUB (2011: nil).

As at 31 December 2012 the Group has pledged Eurobonds of the Russian Federation for the amount of 20.0 billion RUB as collateral against interbank borrowings for the amount of 17.6 billion RUB from European Investment Bank (2011: nil).

As at 31 December 2012 the Group has pledged collateral and guarantees against loans received for the amount of 17.7 billion RUB as well as a 50.029% share in OJSC Krasnaya Polyana as collateral against loans received from GK Vneshekonombank.

As at 31 December 2012 the Group has also pledged federal loan bonds (OFZ bonds) and Eurobonds of the Russian Federation on the special accounts with the Bank of Russia as collateral against overnight interbank borrowings that the Group attracts on a regular basis from the Bank of Russia. The carrying value of assets pledged is as follows:

In billions of Russian Roubles	Notes	2012	2011
Trading securities	8		
– Federal loan bonds (OFZ bonds)		5.4	15.8
Securities designated at fair value through profit or loss	9		
– Federal loan bonds (OFZ bonds)		8.3	28.6
Investment securities available for sale	12		
– Federal loan bonds (OFZ bonds)		142.5	203.9
– Russian Federation Eurobonds		56.8	—
– Corporate bonds		2.5	—
Investment securities held to maturity	13		
– Federal loan bonds (OFZ bonds)		11.3	36.7
Total		**226.8**	**285.0**

Mandatory cash balances with the Bank of Russia in the amount of 211.2 billion RUB (2011: 101.2 billion RUB) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

The Group also enters into reverse sale and repo agreements. The summary of such operations is provided in the table below:

In billions of Russian Roubles	2012		2011	
	Amount of loans granted under repo agreements	Fair value of securities received as collateral	Amount of loans granted under repo agreements	Fair value of securities received as collateral
Cash and cash equivalents	81.1	88.7	21.7	27.0
Due from banks	9.8	12.1	—	—
Loans and advances to customers	133.5	167.3	189.9	295.1
Total	**244.4**	**268.1**	**211.6**	**322.1**

37. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise key management personnel, their close family members, associated companies of the Group. Disclosures are made in Note 38 for significant transactions with state-controlled entities and government bodies.

As at 31 December 2012 and 31 December 2011, the outstanding balances with the Bank of Russia and other related parties were as follows:

In billions of Russian Roubles	Note	2012		2011	
		the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Assets					
Cash and cash equivalents		260.4	—	51.3	0.9
Mandatory cash balances with the Bank of Russia		122.6	—	99.5	—
Due from banks (contractual interest rates: 2.0% p.a. – 6.5% p.a.)		—	—	—	0.8
Gross amount of loans and advances to customers (contractual interest rates: 7.5% p.a. 21.0% p.a.)		—	0.1	—	0.3
Other assets		—	0.1	—	0.1
Liabilities					
Due to banks (contractual interest rates: 5.5% p.a. – 8.0% p.a.)		1,070.8	—	265.6	—
Due to individuals		—	8.3	—	—
Due to corporate customers (contractual interest rates: 1.0% p.a. – 8.4% p.a.)		—	0.9	—	1.5
Subordinated debt (effective interest rate: 6.5% p.a.)	21	303.3	—	303.3	—
Other liabilities		—	—	—	0.3

The income and expense items with the Bank of Russia and other related parties for the year ended 31 December 2012 and 31 December 2011 were as follows:

In billions of Russian Roubles	2012		2011	
	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Interest income	—	—	9.0	—
Interest expense on subordinated debt	(19.6)	—	(19.5)	—
Interest expense other than on subordin ated debt	(38.6)	(0.3)	(3.3)	—
Operating expenses	(1.4)	(0.2)	(1.3)	(0.1)

For the year ended 31 December 2012, remuneration of the members of the key management personnel comprised salaries and bonuses totaling 2.4 billion RUB (for the year ended 31 December 2011: 2.2 billion RUB).

38. OPERATIONS WITH STATE-CONTROLLED ENTITIES AND GOVERNMENT BODIES

In the normal course of business, the Group enters into contractual agreements with the government of the Russian Federation and entities controlled or significantly influenced by it. The Group provides the government-related entities with a full range of banking services including, but not limited to, lending, deposit-taking, issue of guarantees, operations with securities, cash and settlement transactions. Operations with government-related entities are carried out on general market terms and constitute the minority of the Group's operations.

Balances with government-related entities which are significant in terms of the carrying amount as at 31 December 2012 are disclosed below:

In billions of Russian Roubles		31 December 2012		
Client	Sector	Loans and advances to customers/ Due from banks	Due to corporate customers/ Due to banks	Guarantees issued
Client 1	Oil and gas	77.0	23.4	—
Client 2	Oil and gas	4.3	16.7	—
Client 3	Energy	110.9	23.7	—
Client 4	Energy	106.7	35.0	0.6
Client 5	Energy	62.5	63.3	—
Client 6	Telecommunications	137.4	—	—
Client 7	Machine building	84.2	25.0	—
Client 8	Machine building	81.5	25.1	8.4
Client 9	Machine building	79.0	—	8.9
Client 10	Machine building	—	—	17.6
Client 11	Transport, aviation, space industry	—	—	21.6
Client 12	Transport, aviation, space industry	3.1	—	17.3
Client 13	Transport, aviation, space industry	—	—	15.1
Client 14	Government and municipal bodies	—	73.8	—
Client 15	Government and municipal bodies	—	55.7	—
Client 16	Government and municipal bodies	—	32.0	—
Client 17	Government and municipal bodies	—	15.0	—
Client 18	Banking	0,9	20.2	100.0
Client 19	Banking	33.3	25.2	—
Client 20	Services	—	17.6	—

Balances with government-related entities which are significant in terms of the carrying amount as at 31 December 2011 are disclosed below:

In billions of Russian Roubles		31 December 2011		
Client	Sector	Loans and advances to customers/ Due from banks	Due to corporate customers/ Due to banks	Guarantees issued
Client 2	Oil and gas	—	44.2	—
Client 3	Energy	79.3	37.9	—
Client 4	Energy	87.4	12.5	—
Client 5	Energy	52.6	11.6	—
Client 6	Telecommunications	93.4	—	—
Client 7	Machine building	65.4	13.5	—
Client 9	Machine building	51.1	—	—
Client 10	Machine building	—	—	19.5
Client 14	Government and municipal bodies	—	11.7	—
Client 18	Banking	—	3.9	100.0
Client 19	Banking	29.1	—	—
Client 20	Services	—	13.0	—

As at 31 December 2012 and 31 December 2011 the Group's investments in securities issued by government-related corporate entities were as follows:

In billions of Russian Roubles	31 December 2012		31 December 2011	
	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares
Trading securities	11.2	1.4	8.2	8.1
Securities designated at fair value through profit or loss	0.1	—	—	2.7
Securities pledged under repurchase agreements	98.9	3.9	11.6	40.5
Investment securities available for sale	166.9	15.2	139.2	20.7
Investment securities held to maturity	8.9	—	45.9	—

For disclosures on investments in government debt securities please refer to Notes 8, 9, 11, 12 and 13.

39. PRINCIPAL SUBSIDIARIES

The table below provides details on principal subsidiaries of the Bank as at 31 December 2012:

Name	Nature of business	Percentage of ownership, %	Country of registration
Subsidiaries:			
DenizBank AS	banking	99.85	Turkey
Sberbank Europe AG (former Volksbank International AG ("VBI"))	banking	100.00	Austria
OJSC BPS-Sberbank (former OJSC Belpromstroy Bank)	banking	97.91	Belarus
SB JSC Sberbank	banking	100.00	Kazakhstan
JSC Sberbank of Russia	banking	100.00	Ukraine
Sberbank (Switzerland) AG (former SLB Commercial Bank AG)	banking	99.15	Switzerland
BNP Pariba Vostok LLC	banking	70.00	Russia
CJSC Sberbank Leasing	leasing	100.00	Russia
LLC Sberbank Capital	finance	100.00	Russia
Troika Dialog Group Ltd.	finance	100.00	Cayman islands
CJSC Rublevo-Archangelskoe	construction	100.00	Russia
LLC Sberbank Investments	finance	100.00	Russia
LLC Aukcion	services	100.00	Russia
OJSC Krasnaya Polyana	construction	50.03	Russia
LLC Khrustalnye Bashni	construction	50.01	Russia

In September 2012 the Bank completed the acquisition of 99.85% of DenizBank AS (DenizBank) following the entering into the sale and purchase agreement in June 2012 with the shareholders of DenizBank — Dexia NV/SA and Dexia Participation Belgique SA (together "Dexia"). DenizBank is ranked 6th among private and 9th among all Turkish banks by consolidated total assets. The deal represents a major step in the implementation of the Group's strategy and allows the Group to enter the fast-growing Turkish banking market.

Consideration paid by the Bank amounted to 6.5 billion TRY. Payments were performed in Euro at the exchange rate as of the date of payment. In December 2012 the Bank paid to Dexia a further 0.4 billion TRY.

The goodwill is primarily attributable to the potential synergies of the business as well as well established business processes. The goodwill will not be deducted for tax purposes in future periods.

Gross amount of loans and receivables acquired through this business combination amounted to 637.3 billion RUB. The amount of cash flows not expected to be received was assessed at 23.0 billion RUB.

The Group's consolidated net profit for the year ended 31 December 2012 would be 354.2 billion RUB if the acquisition occurred on 1 January 2012.

Profit of DenizBank since the acquisition date amounted to 3.9 billion RUB.

For the purpose of determining goodwill from the business combination preliminary fair values of identifiable assets and liabilities of DenizBank based on the results of an independent external appraisal at the acquisition date were as follows:

In billions of Russian Roubles	Preliminary fair value
Cash and cash equivalents	47.2
Mandatory cash balances with central banks	64.7
Trading securities	7.4
Loans to banks	2.2
Loans and advances to customers	616.1
Securities pledged under repurchase agreements	22.7
Investment securities available for sale	95.7
Investment securities held to maturity	4.3
Deferred income tax asset	3.4
Premises and equipment	7.1
Other assets	50.0
Total assets	**920.8**
Due to banks	(45.1)
Due to individuals	(342.1)
Due to corporate customers	(238.6)
Debt securities in issue	(27.7)
Other borrowed funds	(103.8)
Deferred income tax liability	(6.4)
Other liabilities	(28.4)
Subordinated debt	(14.1)
Total liabilities	**(806.2)**
Fair value of net assets of subsidiary	**114.6**
Calculation of goodwill:	
Total purchase consideration	**118.7**
Non-controlling interest at fair value	0.4
Fair value of net assets of subsidiary	**(114.6)**
Goodwill on acquisition	**4.5**

In August 2012 the Bank and BNP Paribas Personal Finance, the consumer lending division of the BNP Paribas Group and leading provider of consumer loans in France and Europe. closed the transaction on the creation of the Russian POS (Point of Sale) finance bank. The bank BNP Paribas Vostok LLC will operate under the Cetelem brand. The Bank has 70% share in BNP Paribas Vostok LLC with the remaining 30% stake being owned by BNP Paribas Personal Finance France, which owns the Cetelem brand. The bank will allow the Group to take up a leading position in the Russian POS market. Consideration paid by the Bank amounted to 5.2 billion RUB.

The goodwill is primarily attributable to the potential synergies of the business as well as well-established business processes. The goodwill will not be deducted for tax purposes in future periods.

Gross amount of loans and receivables acquired through this business combination amounted to 16.9 billion RUB. The amount of cash flows not expected to be received was assessed at 0.1 billion RUB.

Loss of BNP Paribas Vostok LLC since the acquisition date amounted to 0.2 billion RUB.

For the purpose of determining goodwill from the business combination fair values of identifiable assets and liabilities of BNP Paribas Vostok LLC based on the preliminary results of an independent external appraisal at the acquisition date were as follows:

In billions of Russian Roubles	Fair value
Cash and cash equivalents	1.3
Mandatory cash balances with central banks	0.2
Due from banks	0.3
Loans and advances to customers	16.8
Premises and equipment	0.2
Other assets	1.3
Total assets	**20.1**
Due to banks	(11.7)
Due to customers	(0.8)
Other liabilities	(0.6)
Total liabilities	**(13.1)**
Fair value of net assets of subsidiary	**7.0**
Calculation of goodwill:	
Total purchase consideration	**5.2**
Non-controlling interest at fair value	2.1
Fair value of net assets of subsidiary	**(7.0)**
Goodwill on acquisition	**0.3**

In February 2012 following the entering into sale and purchase agreement in September 2011 the Bank has completed its acquisition of 100% of Sberbank Europe AG (former Volksbank International AG ("VBI")). Consideration paid by the Bank amounted to Euro 0.5 billion.

This transaction represents the Bank's first major acquisition outside the CIS and is another step in its transformation from a dominant domestic financial institution to a leading international bank. Sberbank Europe AG has 295 branches and over 600.000 clients. VBI's subsidiaries are within the top 10 financial institutions (by total assets) in each of Bosnia and Herzegovina, Croatia. Czech Republic, and Slovakia, and within the top 15 financial institutions (by total assets) in each of Hungary, Serbia and Slovenia. It also has presence in Ukraine and holds a limited banking license in Austria.

The goodwill is primarily attributable to the potential synergies and profitability of the business as well as set up business processes. The goodwill will not be deducted for tax purposes in future periods.

Gross amount of loans and receivables acquired through this business combination amounted to 301,2 billion RUB. The amount of cash flows not expected to be received was assessed at 18.2 billion RUB.

Loss of Sberbank Europe AG since the acquisition date amounted to 8.0 billion RUB.

The Group's consolidated net profit would not change if the acquisition occurred on 1 January 2012.

For the purpose of determining goodwill from the business combination fair values of identifiable assets and liabilities of Sberbank Europe AG based on the final results of an independent external appraisal at the acquisition date were as follows:

In billions of Russian Roubles	Fair value
Cash and cash equivalents	42.8
Mandatory cash balances with central banks	10.5
Trading securities	0.4
Loans to banks	15.9
Loans and advances to customers	251.0
Securities pledged under repurchase agreements	4.9
Investment securities available for sale	14.9
Investment securities held to maturity	1.9
Deferred income tax asset	1.2
Premises and equipment	4.5
Other assets	13.9
Total assets	**361.9**
Due to banks	(50.5)
Due to individuals	(109.4)
Due to corporate customers	(77.3)
Debt securities in issue	(9.4)
Other borrowed funds	(92.1)
Deferred income tax liability	(0.6)
Other liabilities	(4.4)
Subordinated debt	(3.4)
Total liabilities	**(347.1)**
Fair value of net assets of subsidiary	**14.8**
Calculation of goodwill:	
Total purchase consideration	**20.0**
Non-controlling interest at fair value	0.3
Fair value of net assets of subsidiary	**(14.8)**
Goodwill on acquisition	**5.5**

In June 2012 under the settlement of the loan to its borrower the Group repossessed a 100% share in CJSC Rublevo-Archangelskoe, a construction development company operating in Russia. The details of the fair value of net assets of CJSC Rublevo-Archangelskoe based on the results of the appraisal at the acquisition date were as follows:

In billions of Russian Roubles	Fair value
Other non-financial assets	37.5
Total assets	**37.5**
Due to corporate customers	(0.2)
Deferred income tax liability	(0.3)
Total liabilities	**(0.5)**
Fair value of net assets of subsidiary	**37.0**
Calculation of goodwill: **Total purchase consideration**	**37.0**
Fair value of net assets of subsidiary	**(37.0)**
Goodwill on acquisition	**—**

Net loss of CJSC Rublevo-Archangelskoe since the date of acquisition amounted to 0.2 billion RUB. The Group's consolidated net profit would not change if the acquisition occurred on 1 January 2012.

During the year ended 31 December 2012 the Group acquired controlling interests in OJSC Krasnaya Polyana and several other companies. The preliminary fair value of net assets of these companies was as follows:

In billions of Russian Roubles	Preliminary fair value
Cash and cash equivalents	1.5
Due from banks	0.6
Loans and advances to customers	1.1
Premises and equipment	5.8
Advances to developers	7.5
Other assets	8.3
Total assets	**24.8**
Borrowed funds	(5.8)
Advances received	(1.5)
Other liabilities	(1.2)
Total liabilities	**(8.5)**
Fair value of net assets of subsidiary	16.3
Calculation of goodwill:	
Total purchase consideration	**14.6**
Non-controlling interest at fair value	7.4
Fair value of net assets of subsidiary	**(16.3)**
Goodwill on acquisition	**6.4**
Bargain purchase on acquisition	**(0.7)**

Net loss of the acquired companies since the date of acquisition amounted 1.1 billion RUB. The Group's consolidated net profit would not change if the acquisition occurred on 1 January 2012.

In 2012 the Group disposed of the 100.0% share in OJSC Holding company GVSU Centre for 5.4 billion RUB. The gain from this operation amounted to 0.1 billion RUB.

In April 2012 the Group disposed of a 60.00% share in CJSC GOTEK Group Management Company, a company involved in production and sale of packaging materials, for 0.06 billion RUB. The gain from this operation amounted to 0.5 billion RUB.

In December 2012 the Group disposed of a 100.00% share in CJSC NK Dulisma for 2.0 billion RUB and 27 million USD. The loss from this operation amounted to 3,6 billion RUB.

In December 2012 the Group disposed of a 38% share in Vester Retail N.V., a company specializing in retail trading, for the amount of 1.6 billion RUB. As at 31 December 2012 a remaining 16% share of Vester Retail N.V. were classified as investment securities available for sale.

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 31 December 2012 was 14.5% (31 December 2011: 7.1%).

40. 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 December 2012 the regulatory capital adequacy ratio was 12.6% (31 December 2011: 15.0%). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining the calculation.

The Group also monitors capital adequacy ratio based on Basel Accord to make sure it maintains a level of at least 8%. As at 31 December 2012 and 31 December 2011, Capital Adequacy Ratios calculated by the Group in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel 1 requirements, were as follows:

In billions of Russian Roubles	2012	2011
Tier 1 capital		
Share capital	87.7	87.7
Share premium	232.6	232.6
Retained earnings	1,186.7	882.9
Treasury shares	(7.6)	(7.0)
Less goodwill	(25.0)	(15.1)
Total Tier 1 capital	**1,474.4**	**1,181.1**
Tier 2 capital		
Revaluation reserve for premises	79.0	81.5
Fair value reserve for investment securities available for sale	16.8	(3.4)
Foreign currency translation reserve	(4.7)	(5.7)
Subordinated capital	382.7	303.5
Less investments in associates	(8.6)	(4.7)
Total Tier 2 capital	**465.2**	**371.2**
Total capital	**1,939.6**	**1,552.3**
Risk weighted assets (RWA)		
Credit risk	13,693.1	9,867.8
Market risk	452.5	349.0
Total risk weighted assets (RWA)	**14,145.6**	**10,216.8**
Core capital adequacy ratio (Total Tier 1 capital to Total RWA)	**10.4**	**11.6**
Total capital adequacy ratio (Total capital to Total RWA)	**13.7**	**15.2**

41. SUBSEQUENT EVENTS

In January 2013 the Group Group issued the thirteenth series of loan participation notes under the MTN issuance programme in the amount of 25 billion RUB equivalent. The notes mature in January 2016 and have contractual fixed interest rate of 7.0% p.a.

In February 2013 the Group issued the fourteenth series of loan participation notes under the MTN issuance programme in the amount of 0.25 billion CHF equivalent to 8.2 billion RUB as at the date of issue. The notes mature in February 2017 and have contractual fixed interest rate of 2.065% p.a.

In March 2013 the Group issued the fifteenth series of loan participation notes under the MTN issuance programme in the amount of 0.55 billion TRY equivalent to 9.4 billion RUB as at the date of issue. The notes mature in March 2018 and have contractual fixed interest rate of 7.4% p.a.

On 22 March 2013 Supervisory Board in accordance with the Dividend policy recommended to the General Shareholders Meeting to pay 58.7 billion RUB to shareholders as dividends for the year ended 31 December 2012.

In March 2013, Republic of Cyprus experienced financial and economic crisis. Sberbank of Russia, through it's subsidiaries has presence in Cyprus. The Central Bank of Cyprus mandated additional bank holidays and the government and the parliament of Cyprus undertake measures, including certain capital transfer restrictions and restructure of certain largest Cypriot banks, aimed at averting the default of the country. Although currently it is not possible to fully predict further developments in Cyprus and potential economic, tax and banking regulatory measures and restrictions, management of Sberbank of Russia believes based on all available information that the financial and economic crisis in Cyprus will not have material effect on the financial standing and the results of operations of the Group. Management of Sberbank of Russia will continue to monitor further developments in Cyprus and take measures to protect the economic interests of the Group.

Corporate Social Responsibility Report 2012

Contents

Opening Statement

Dear colleagues and friends,

Last year we made a few very important steps on the way to implementing the bank's development strategy. We continue moving, though a bit slower than anticipated, towards the achievement of our principal goals — become a client-focused company, build up industrial systems and processes, raise operations efficiency. We still have a long way to go — but the changes that take place at the bank have become visible. They are visible for our clients, our shareholders, and our employees. I'd like to outline a number of important achievements of 2012.

Herman Gref
CEO
and Chairman of the Management Board

First of all, we have come close to solving the problem of queues. This is the problem that the bank was unable to solve over dozens of years and that was the greatest source of dissatisfaction of our clients. In 2012 we achieved an important result: 90% of our clients at 90% of our offices do not spend in queues more than 10 minutes. This is not the reason to stop, however: We need to ensure that this achievement becomes a norm at all our offices.

We have also made a considerable progress in streamlining our operations with small businesses. We have actively developed our cooperation with business associations and alliances in various sectors of economy. We launched a unique Business Environment project aimed at promoting cooperation with business people. Our flagship product — unsecured loan Trust — is in great demand today.

Last year witnessed successful implementation of the reformatting programme: Today, 35% of our customer service outlets (CSO) meet high standards of comfort and quality service. The reformatting process develops faster than anticipated. In the first place, we reformat our CSOs located in large cities where we derive most income from our business. At the same time, our goal is to provide comfortable service to every client wherever he or she resides. Therefore, in 2013 we plan to introduce new formats designed to develop effective solutions for specific business objectives.

It has already become evident that quality changes in our team is the most crucial transformation we are going through now. We realize that we will not be able to achieve our goals for 2013 and beyond without integrated and efficient teamwork.

A team is made up of its players. Therefore, realizing everyone's human potential becomes a critical task. Another critical goal for 2013 is a comprehensive development of HR initiatives. We plan to introduce a single professional resource management cycle at all divisions of the bank, which will ensure that our HR management system becomes really deep and sustainable.

Career planning is another important objective. It includes determining key professional competencies for every line of business, developing personal development plans including career growth. Ultimately, it will result in creating a succession pool for every position including Board members.

We continue developing our training system — now on the basis of our Corporate University. It's well known that it takes 5% talent and 95% insistency to become a master in your profession. In 2013 we'll invest considerable funds in our mass training system for all our key professions.

Health care is another important line of HR development. We'll focus primarily on preventive measures. We have expanded the number of offices included in the Corporate Doctor programme. In addition, based on comprehensive medical examination every employee will receive a Health Passport containing specific advice on future behavior.

We have determined key lines of the bank development for 2013. To ensure continuous effective operation, we need to change the fundamental principles of our activity. Our focus on products and services will need to be replaced with a comprehensive approach to every client segment. This is a complex and trooublesome transformation that will require further development of client relationships based on investigating their needs and preferences.

We still need to identify what we are for every segment in terms of client service, and to implement the findings. The following principles must become our 2013 motto:

- Quality;
- Reliability;
- Commitment to result;
- Efficiency in everything we do.

In fact, last year we completed creating the foundation for our future development. The next stage must be completed ahead of or abreast with today's leaders in an entire range of key technological developments. Those will be the target objectives of our new development strategy till 2019 that we are working on now.

Herman Gref

CSR and Business: Our Approach

INTERVIEW

What does CSR mean for the bank?

CSR means that the company decides — and undertakes — to conduct business subject to social and ecological impact both on itself and on its stakeholders. In other words, a modern company doesn't think only of the profits it can make, it also thinks of how to do business in such a way that would ensure long-term sustainability of the company itself, of its clients, and of the entire society.

Denis Bugrov,

Senior Vice-president, Board Member

In practice, CSR means target and liability management in three areas — economy, social life, and environment. All three areas are interconnected. Lacking any of them, the company will not reach sustainability.

For us, CSR means first of all proper management of stakeholder relations. We seek to do business in such a way that would bring benefits to all our stakeholders: client must receive affordable and quality service, employees must have the company they were dreaming of, shareholders must obtain a long-term, sustainable and profitable business that would attract investors, and ultimately the entire society must derive new ways for development and prosperity.

Why CSR is so important for the bank's long-term sustainability?

There are a few reasons why the bank is continuously committed to corporate social responsibility. Firstly, Sberbank has been traditionally deeply involved in social life and has always been a truly "popular" institution. We have always been aware of our social responsibility and commitments. In this sense, CSR is not a novelty for us. Rather, our objective is to determine right priorities and turn this traditional Sberbank's feature into a powerful competitive advantage.

Secondly, CSR is becoming a focal point for investors — international investors above all. They are keen to evaluate management quality including the bank's ability to control environmental and social risks. They think that these factors have a considerable impact on business sustainability. In view of expanding our international presence, we feel the growing importance of recognizing international market issues and global risks in our policies. Unfortunately, environmental and social risks do not get enough public attention in Russian domestic policy yet. We can see though that the situation is changing along with growing public welfare and social awareness. Recent experience of international banks which faced a serious problem of public confidence tells us that these are not the issues to ignore.

Thirdly, we see changes in the client confidence "formula". In the past our client confidence was based on the assumption that "Sberbank won't cheat or run away," now it becomes more and more important for us to build personal client relationships, to advance confidence on the basis of mutual values. This mission would be impossible unless the bank has it's own "social" face.

What risks and opportunities arise from the growing importance of sustainability?

Looking ahead, we see quite a few factors that will affect our activity in the long term. Lack of energy resources, water and food will support volatility of market prices, may result in national protectionism and bring stricter market regulation. Demographic problems, ageing population affect living standards, social security, and long-term financial planning. Climate changes, urbanization, industrial activity bring environmental impact and, consequently, raise a wide range of risks that affect successful implementation of various projects.

That said, we see a host of opportunities that arise in response to those factors. For example, there is a considerable potential in higher efficiency of resource utilization. This includes both own operations of the bank and the financing of client projects. Developing CSR projects meets positive response from our clients and employees, which, in turn, brings higher loyalty and willingness to cooperate with the bank. Active CSR position will attract investors' attention and open new sources to raise funds.

Finally, we see a good potential in developing responsible investment vehicles in terms of both risk management and creating new sources for fund raising. This is the issue we plan to focus on in the nearest future.

What are the bank's CSR objectives for the nearest future and its development strategy till 2019?

In the coming year, we plan to prepare CSR development strategy and include it in the bank's general development strategy till 2019. At this stage, it is important to determine priorities, formulate targets, and develop tools to control their achievement.

THE BANK'S MISSION AND CSR

We are committed to instill confidence, we make people's lives better, helping them to fulfill their dreams and aspirations.

We are determined to build one of the best financial companies in the world, and our success will be based on professionalism, harmony and satisfaction of our employees.

In 2008, along with the development strategy, we defined the bank's mission. Our mission reflects our deep conviction that the heart of banking lies not in money but in people, their needs and expectations. Our mission has a few dimensions that to a great extent make up the content of the business development strategy.

Firstly, we realize that we cannot achieve growth and profitability of our own business without supporting the welfare and prosperity of our clients. This represents an "economic dimension" which found its way to the bank's development strategy in the form of a special focus on developing small business operations, housing finance, affordability of financial services as well as achieving certain targets that have a considerable social effect promoting further growth and economic sustainability in the long term.

Confidence is another dimension. In fact, all our business is based on the resources that people confided to us, which we use to provide loans to other people that we confide in. Confidence is based on quality service, responsibility, reliability, transparency, ethical norms, and corporate governance standards. The higher is the confidence, the firmer and the longer are the relations between the bank and it's stakeholders. This is a "social dimension" of our business.

Finally, the third dimension is our human capital. We'll not be able to achieve our ambitious goals without a professional and well motivated team. This understanding is reflected in the bank's development strategy, and we are keen to implement it in practice.

Our analysis of financial market trends proves that client loyalty and employee involvement will continue to affect business success. Along with personalization of financial services, the relationships between the bank and its stakeholders will have to be based to a larger extent on common, mutually shared life values. On the one hand, this will require an active social position from the bank, involvement in finding solutions to critical social issues, and disclosing our principles, goals and achievements to all our stakeholders. On the other hand, we need to understand their needs, and hear their voice. In this respect, the bank makes every effort now to set up feedback channels with all our stakeholders — clients, shareholders, employees.

Sberbank is only waking up to seeing itself as a Group. Colleagues from other banks and business entities have joined us that represent various market segments and different nations. We still have to become a single team — not in form, but in spirit. And we still have a long way to go to create common values and integrate different corporate cultures. This is one of the challenges we have to take in the coming days.

HOW DOES THE BANK ADDRESS STAKEHOLDER INTERESTS?

Feedback makes up the basis for creating efficient relations between the bank and its stakeholders. We have set up various feedback channels: polls, complaint and proposal analysis, mass media review, hot line with the bank's president, etc. (see the Table below). They allow us to better understand our stakeholders' needs and expectations to be able to make timely changes to the bank's development strategy. Evaluating the bank perception, analyzing problematic issues, reviewing improvement proposals received through feedback channels make up a part of the governance process, and are continuously used by the bank's management to make decisions.

PRINCIPAL FEEDBACK TOOLS

Tool	Description	Principal results	Bank's response	Comments
Client voice, Customer Satisfaction Index	a system of research designed to evaluate the quality of interaction between clients and the bank: ◣ client satisfaction and loyalty polls ◣ evaluating compliance with service quality standards (Mystery Calling research) ◣ evaluating the level of comfort of the bank's systems and processes from client perspective, etc.	◣ Regular and consistent identification of problems in interaction between clients and the bank; developing guidelines to raise interaction effectiveness	◣ Research results are taken into account in developing activity plans for the bank's divisions ◣ A number of parameters measured by the Client Voice system is included in the system of motivation	p. 20, 35
Client complaint management	◣ Uniform Complaint Management System (UCMS) ◣ Central Automated Client Complaint Management System (CACCMS) ◣ Customer Care Service	◣ Over 2.8 million complaints received in 2012 ◣ Average period of review reduced nearly twofold — to 6.8 days ◣ Complaint handling is structured by principal topics and channels of occurrence	◣ The bank develops system solutions to change processes and technologies including those based on client requests	pp. 31–33
Internal Client Voice	◣ Employee online poll ◣ 14,000 employees polled ◣ 80 services evaluated	◣ Indicative valuation of key services obtained; service ranking developed ◣ Rating of impact on service satisfaction developed	◣ Proposals to improve internal services prepared ◣ Satisfaction indicators included in the moti-vation system (since 2013)	
Employee Polls	◣ Employee poll ◣ 116,000 employees polled	◣ Quantitative valuation of employee satisfaction and involvement obtained ◣ Progress may be evaluated by 13 factors that include over 100 attributes	◣ All top managers set targets to raise employee involvement; special improvement programmes devel-oped	p. 53 pp. 55–56

Tool	Description	Principal results	Bank's response	Comments
Hot line with the President	◣ Annual hot line (live video-conference) with Sberbank President & CEO	In 2012: ◣ Broadcasted in all regions of the bank's operation in Russian and English ◣ Broadcast audience exceeded 28,000 people ◣ Over 50 questions answered ◣ Over 800 questions asked before and over 1000 during the conference	◣ Answers to all questions from employees published on the bank's portal: The President's page, section Hot Line with Sberbank President Herman Gref	
Herman Gref's mail box	◣ Preparing answers on behalf of the President to questions from employees and clients delivered to Herman Gref's electronic mail box	◣ In 2012 344 mails received, including 206 from former and current employees, 114 from clients	◣ 118 askers received personal response from the CEO and Chairman of the Management Board Herman Gref, 205 from corresponding departments	
Mass Media Review	◣ Daily/weekly monitoring of the Russian-language mass media (nearly 10,000 sources) and the world wide web (approx. 30,000 sources) ◣ Daily monitoring of unfavorable comments in mass media and complaints to supervisors from dissatisfied clients	◣ Daily and weekly analytical report for top managers regarding the bank coverage in Russian and foreign mass media ◣ Daily and weekly digest for top managers including effectiveness analysis of PR projects	◣ Weekly briefings Informational Wednesday by top managers ◣ Press releases ◣ Comments and interviews by top managers for Russian and foreign mass media ◣ Monitoring results were taken into account in selecting material issues to included in the Report boundary	pp. 13–14
Perception study	◣ Phone interviews ◣ performed by an independent consulting company ◣ 32 institutional investors and analytics interviewed	◣ An objective picture of the bank perception by key investors and analytics obtained ◣ Progress achieved may be evaluated against previous year	◣ Solutions developed to raise the bank perception	p. 62

In 2012 the bank set up a new feedback channel based on crowdsourcing technology that allows to involve an unlimited number of participants (clients, employees, experts, etc) in developing critical solutions. The crowdsourcing technology was first tested in 2011 within the Sberbank-21 project.

In August 2012, Sberbank launched the first in Russia crowdsourcing platform http://sberbank21.ru that was used to develop such projects as No Queues*!*, Non-credit Corporate Products, Public Discussion of Corporate Social Responsibility Report 2011, Retail Office*:* Comfort and Quality Service*.* Over 20,000 people participated in developing first projects.

"Sberbank is the first Russian corporation that builds its operations on the basis of involving large numbers of people, all corporate employees in the process of creating daily values. Today, we create the environment where all employees generate ideas while key managers support the best of them, and turn them into standards of operation. In other words, we are building a corporation of the 21st century whose success depends on how deep people are involved in creating value and how fast the best innovations are implemented."

– ***Herman Gref***

Public discussion of the CSR Report was rather important for us. It allowed to obtain feedback from our clients, employees, experts and simply socially minded people. Sberbank was the first among major corporations that managed to involve such a large public in discussing its corporate social responsibility. This unique project — even in terms of international practice — proved rather successful.

Now, bank managers and heads of divisions can use the project results in their work. The project was also presented to the Committee for Interaction with Individual Minority Shareholders and received a positive feedback. The outcome of the crowdsourcing project and recommendations of the Committee for Interaction with Individual Minority Shareholders are included in this Report and will be taken into account in developing the bank's CSR strategy.

Sberbank's experiment proved high efficiency of the new approach to handling creative ideas. Crowdsourcing was chosen as a principal management approach, and we plan to use it actively in preparing critical corporate decisions, developing new products/services, optimizing our processes.

Public discussion of the bank's corporate social responsibility report

The project was based on the crowdsourcing format and took place from August 24 to October 24, 2012. A total of 5,368 users registered for the project, 2,447 took part in the discussion. 1,792 proposals were submitted, 35,244 comments were made. The discussion involved our clients, employees, representatives of public organizations, educational institutions, etc.

The project's main objectives were:

- *to evaluate Sberbank's CSR Report 2011 including completeness and materiality of disclosures;*
- *to identify prospective lines for CSR development;*
- *to prepare guidelines for CSR Report 2012.*

Principal results:

- *key stakeholder groups massively involved in discussing the report;*
- *a social network for future discussions created;*
- *quantitative valuation of the report based on formalized criteria obtained;*
- *proposals to improve the CSR Report as a document prepared;*
- *clients and Employees groups' priorities in CSR trends and initiatives identified;*
- *a bank of initial proposals regarding CSR development and specific initiatives created;*
- *the project enjoyed great popularity in professional and public communities.*

KEY CSR ISSUES IDENTIFIED BY PROJECT PARTICIPANTS

CSR Area	Key Issues
Economy & business	Reducing queues Service quality control Innovation support Banking product safety Socially oriented products Small business support Provision of housing
Social support	Raising financial literacy Supporting sports Supporting motherhood Employee training and education Achieving balance between business and private life
Environment	Improving urban life environment Financing environmental and energy saving projects Bank's own efficiency and environmental impact

Development of the crowdsourcing technology is a logical product of the bank's effort to involve employees in developing and implementing innovative solutions. In 2012 our in-house technological platform known as Ideas Exchange was used to file over 43,000 proposals: nearly 7,000 of them were implemented, and total implementation effect in 2009–2012 reached nearly 11 bln RUB. Now we are confident that involving employees in the daily improvement process became an important factor in raising operations efficiency.

The bank's achievements in innovation activity and crowdsourcing development were marked by professional community. In 2012 Sberbank was awarded prestigious international prize The Best Innovator from ATKearney, and a special award from the CEO magazine For Successful Implementation of the Crowdsourcing Idea.

THE MAIN ISSUES DISCUSSED IN 2012 (BASED ON THE ANALYSIS OF MEDIA COVERAGE)

	Topic/Issue (in the order of priority)	Content	Comments
1	Sberbank's SPO	Various opinions on the bank's SPO (relevance and venue)	SPO was launched within the exit policy of the government as a major shareholder. Venues (London Stock Exchange and Moscow Exchange) were selected to achieve the highest demand and, hence, the best price for shares. In addition, foreign placement brought a valuable experience of implementing this kind of projects.
2	Acquisition of foreign assets (VBI, DenizBank)	Results of Sberbank's international expansion in 2012	Primary objectives: risk diversification, access to new prospective financial markets, support for international corporate and retail transactions. The bank intends to raise operations efficiency and use this opportunity to create additional value in medium and long-term through implementing best technological solutions developed by the Group member banks.
3	Closing the acquisition of 100% interest in Troika Dialog.	What were Sberbank's purposes and objectives in acquiring Troika Dialog?	Integration of the Troika Dialog business will bring Sberbank to a new level of client relationships and allow the bank to offer new high quality financial advice and selection of investment strategies with a full range of modern financial instruments.
4	IT-system failures at Sberbank	What are the reasons for IT failures?	Sberbank is in the process of active upgrading its IT platform with a purpose to create a modern efficient infrastructure. The scale of this objective knows no equals in the world practice. In a relatively short period of time, we managed to overcome technological lag and lay the groundwork for achieving leading IT positions. However, the testing phase failed to detect all technological and operational risks which resulted in technological failures affecting our clients. Every failure was thoroughly investigated to prevent similar occurrences in future. In 2013 reliable and failure-free operation of all IT systems will be the main focus of IT infrastructure development.
5	Network reformatting, shutdown of customer service outlets	What is the reason for shutting down customer service outlets? Doesn't it restrict households access to financial services?	The bank has launched a large-scale network reformatting programme. A part of customer service outlets will have to be closed. Every decision to close a customer service outlet is based on thorough analysis and consultations with local authorities. In certain cases, the bank offers an alternative of self-service machines (ATMs, terminals) or mobile customer service outlets. For details, see the Ensuring availability of financial services section.

	Topic/Issue (in the order of priority)	Content	Comments
6	Fraud (including skimming and phishing); employee illegal activities	Concerns about safety of banking transactions	Growing offense in this area is a direct result of growing banking transactions, on the one hand, and deep penetration of innovative technologies in our daily life, on the other hand. Ensuring transaction safety and protecting business interests of our clients is among Sberbank's top priorities. Today, owing to close cooperation with law enforcement agencies, the detection rate of crime connected with Sberbank is coming close to 100%. For details, see the Safety of banking products and transactions section.
7	NPLs handling	A balance between business interests and ethical behavior	Non-performing loans is an inevitable part of banking business. Sberbank always takes the client side and is always prepared to negotiate and find a solution. The most important thing is that the bank has a long positive track record when both sides found solutions to borrowers' problems. If we see that the borrower's business has certain prospects we are always prepared to offer loan restructuring. That said, the bank takes the strictest measures allowed by law to the borrowers suspected of fraud or deliberate problem-making.
8	Top management remuneration	What is the reason for high remuneration?	The bank's HR policy is aimed at recruiting for top manager positions the best professionals available on the market. Therefore, their remuneration, on the one hand, reflects market demand for their professional competencies while, on the other hand, is considerably dependent on the results achieved. Ultimately, top manager remuneration depends on achieving operation efficiency targets that are set on an individual basis within the bank's planning system.

Contributing to Economic Growth and Business Development

SMALL BUSINESS SUPPORT

Small business support is the objective with the highest social effect. Public and social importance of developing this business rests on the fact that small businesses make up the foundation of sustainable economy and offer an effective tool to ensure self-employment of households and create the middle class population. This line of business is among our strategic priorities and a good example of close interlace between business interests and social objectives.

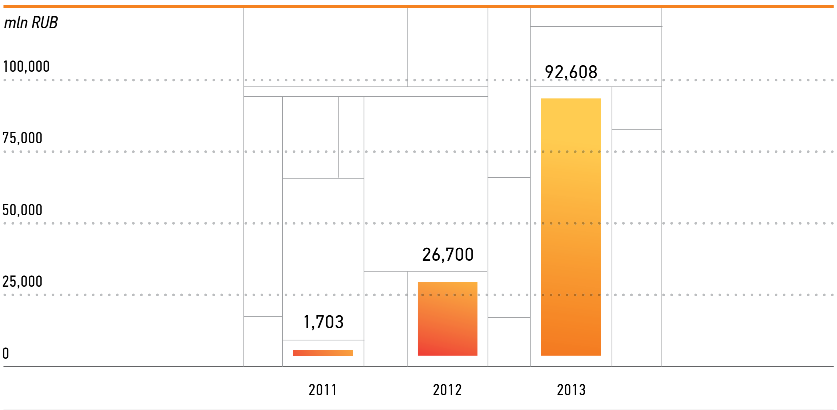
The bank's concept of small and micro business development includes the following tasks:

- to win leading positions on the small business market;
- to offer small businesses a wide range of financial and non-financial services;
- to expand the network of business development centres;
- to set up effective cooperation with public and social institutions responsible for supporting small and medium businesses, and with professional business associations

In 2012 the bank made considerable progress in developing the product range:

- the programme of small unsecured loans based on the scoring model (The Credit Factory*)* designed for mass micro segment (with an average financing of 900,000 rooubles and 3-year maturity) was brought to its full capacity. The Trust loan offered under this programme proved to be the most popular product among small businesses exercising an important social function of making financial resources available to Russian small businesses (see the diagram).

SBERBANK'S SCORING-BASED LOANS TO SMALL BUSINESSES (LOAN PORTFOLIO)



- In September 2012 the Express-auto product (a loan to finance vehicle acquisition for personal and business needs) was launched under the Credit Factory programme; since July 2012 the Express-asset product (a loan to finance equipment procurement) is offered in a test mode.

The Credit Factory

- In 2012 the number of borrowers under the Credit Factory programme rose from 42,500 to 114,000 (nearly 170% growth YTD).
- The number of Trust loans exceeded 120,000.
- The Credit Factory loan portfolio tripled year-to-date exceeding 90 bln RUB while maintaining high loan quality.

- In 2012 Sberbank launched the Business Start loan product designed for first-time entrepreneurs, based on franchising technology. The bank offers to finance up to 80% of the project value for a period of up to 42 months. A free multimedia training business course is available on the bank's web-site, the franchisors participating in the project also support the development of a new business. When offering this product to the market, we came across a number of restrictions connected, first of all, with the selection of franchisors for the project. It slowed the pace of implementation but allowed to preserve the quality of the offer.

The Business Start

- The Business Start package is continuously expanded: as of the year-end it included over 50 ready-made solutions.
- In December 2012, the bank issued 35 loans under the Business Start programme, and the project continues to expand. We can say that we launch a new business every day.
- The bank received more than 5,000 requests, over 800 loan applications out of which 100 applications were approved.
- The Business Start product is offered in 77 Russian cities.

Success story of a start-up

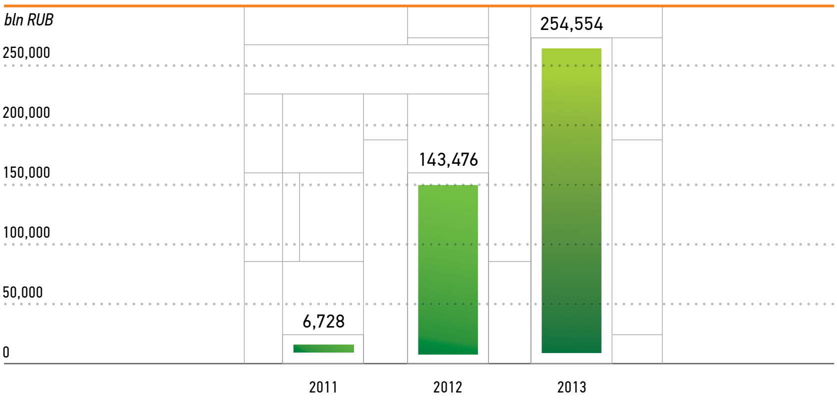
Over half a year ago, Oksana Kapralova of Togliatti used the Business Start programme to open a Subway fast food restaurant. Together with her husband, she decided to start her own business and approached Subway Russia with an offer to open a restaurant in her city. When she learned that the restaurant was a participant in Sberbank's Business Start programme, she took training in restaurant business and obtained a 2.41 mln RUB loan from Sberbank.

The family invested in their new business about a million of their own funds. The restaurant opened in summer 2012 — a month and a half after the loan was granted. The first month of operation brought about 400,000 roubles. That was not net profits though. Nearly 70% of revenues fall on business costs: rent payments, employee salaries, food procurement, and loan repayment. Still, general business performance allowed the Kapralovs to plan the opening of the second restaurant, even despite a number of minor difficulties.

The reality made certain corrections to their plans: In October 2012, after four months of operation, Oksana decided to relocate her restaurant to another business centre with higher traffic to raise the visitor flow. The relocation required another investment of her *own funds. Still, in November her revenues rose, and in December reached 550,000 roubles. Today, Oksana is an advisor to other business people that plan to join the Business Start programme to open their own Subway restaurant. Franchisors are also interested in start-ups to expand their networks.*

- As of the year-end, the bank's Business product line generated a total loan portfolio of more than 255 bln RUB, with a growth of over 70% (see the diagram). This programme is designed for the businesses that have a well-established sustainable operation.

SPECIALIZED LOAN PRODUCT LINE BUSINESS (LOAN PORTFOLIO)



- In 2012 the bank launched the Business Project, a pilot product designed to finance the expanding and upgrading of the client's operating business (i.e. investment lending) as well as business diversification and opening new lines of operation (project finance). In 2012 the bank financed over 80 projects worth nearly 2 bln RUB under this pilot programme. The project was approved and in 2013 will be used throughout the bank.

In 2012 the bank improved the conditions of a number of current loan products including Government Order, Business Confidence, Business Revenue.

Developing small business lending is among the most prospective lines of business development with a high growth potential.

The Business Environment — New Business Philosophy

To achieve the goal of providing small businesses with a range of financial and non-financial services, in 2012 the bank launched the Business Environment programme. The programme is operated by the bank's subsidiary ZAO Business Environment. The operator's main objective is to ensure fast development of the programme through continuous launching of new projects. Achieving this objective will require the creation of a business culture that would correspond to "business environment" of small businesses.

The Business Environment is a unique web-based platform (http://dasreda.ru) which provides business people with a wide range of services including networking, latest news, professional advice, special training, access to banking services and a lot more.

THE BUSINESS ENVIRONMENT PRIMARY SERVICES

Services	Description	Examples
School	Video courses and entrepreneurial skills tests offered in the format of distant business learning	◣ Small business taxation ◣ Franchise business start-up ◣ How to open a food store ◣ How to select the right corporate form
Shop	Sale of business applications and business services in the Software as a Service (SaaS) format; online requests for the bank's products and services	◣ Accounting ◣ Business management ◣ Sales accounting ◣ Documents required to register a business ◣ Marketing
Magazine	Latest news and feature stories published in online business magazine	◣ 300 articles devoted to business development ◣ 55,000 viewings
Club	Search for reliable partners among Sberbank clients	◣ All registered users become club members
Trading platform	Online trade with Business Environment participants, etc.	◣ Web-based auction and electronic document circulation ◣ B2B & B2C formats

For information purposes: Business Environment performance in 2012:

- 65,000 registered users;
- 50,000 registered businesses;
- 1,700 products and services sold;
- 24 training courses at the Business School;
- 20 SaaS-applications in the Shop.

New quality in working with small businesses

We have identified several lines of raising the quality of small business services:

- Creating Business Development Centres (BDC) that will offer not only financial products and services but also comprehensive advice on a wide range of issues connected with business organization and development;
- Developing and improving the quality of remote services.

Our goal is to ensure that every small business client is offered an effective and comfortable cooperation through any of the service channels available. At the same time, in 2012 the bank paid special attention to improving operation of customer service outlets since over 70% of small business clients visit the bank's offices two or more times a month.

In 2012 we launched a comprehensive system of evaluating the quality of interaction with corporate clients through all key channels of cooperation at every stage of service that will allow to timely identify problematic issues and respond with corrective measures.

We have also adopted the Uniform Small Business Service Standards, included the service quality evaluation in the employee motivation system, launched a training programme for all employees and office managers.

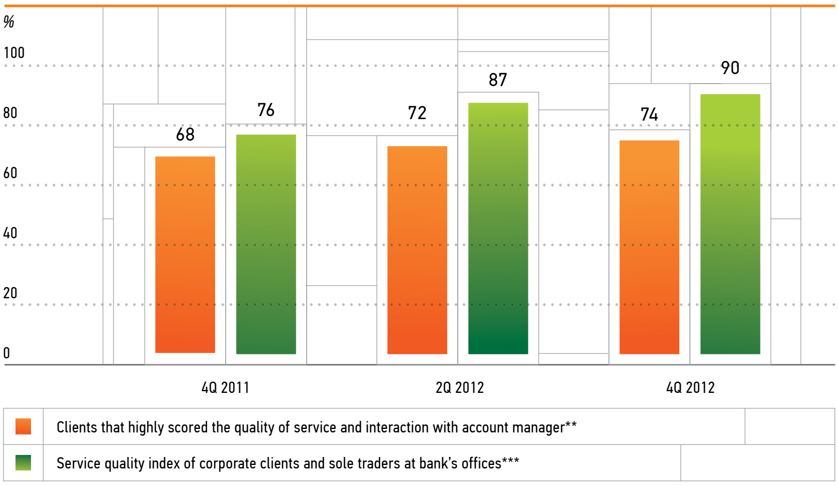
Key achievements in 2012:

- a dedicated support line for Sberbank Business OnLine users created,
- complaint handling period shortened more than 4 times — from 17 to 4 business days,
- average waiting time at the bank's call centre reduced from 2 minutes to 15 seconds.

While the quality of service at the bank's offices improved considerably in 2012, our regular research Client Voice shows that there is still a good potential for raising the quality of small business services:*

- share of clients satisfied with the work of account managers rose to 74%;
- service Quality Index of corporate customers and sole traders at the bank 's offices increased 14 ppt reaching 90%.

SMALL AND MICRO BUSINESS SEVICE QUALITY PERFORMANCE AT BANK'S OFFICES



In addition to measuring service quality, we pay special attention to studying real-life problems that prevent the development of small businesses. We are committed to developing our own business based on our understanding of those problems and possible solutions (see Table below). Of course, the bank is not in a position to solve all those problems but understanding the needs of our clients enables us to focus on their requirements.

* Sberbank-sponsored survey Evaluation of Corporate Client Satisfaction and Loyalty of OJSC Sberbank of Russia. Micro and small businesses, 2012
** Service Quality Index is a composite indicator oj compliance with the bank's corporate service standards
*** Ranked 9 and 10 ooints on 10–00int scale based on teleohone 0011 of MMB and KSB clients

Critical problems in developing small and medium-sized businesses*	Solutions offered by Sberbank
Lack of business knowledge, low accessibility to qualified personnel	◣ The Business School project as part of the programme Business Environment: testing, training in business skills ◣ Distant learning offered by Business Development Centres
High taxes	◣ Tax advice and explanation of tax authorities approach, including by FTS officials (at Business Development Centres) ◣ Optimizing the costs of tax administration with the help of special software offered at the Shop of the Business Environment programme
Low accessibility to finance	◣ A wide range of customized banking products for successful start-up and development of a business (unsecured no-purpose lending, innovative start-up financing, investment loans, short-term loans to finance working assets, etc.)
Low demand	◣ The Trading Platform project as part of the Business Environment programme ◣ Electronic auctions on Sberbank's platform ◣ Developing the Government Order loan product
Underdeveloped infrastructure	◣ Financing industrial park development ◣ A nation-wide network of Business Development Centres ◣ Cooperation with the guarantee fund system to provide warranties for small business loans

* Principal source: Survey by the All-Russia Public Organization of Small and Medium-sized Businesses OPORA Russia: Business Climate in Russia — Index OPORA-2012.

ENSURING AVAILABILITY OF FINANCIAL SERVICES

The bank's branch network is the largest and the most far-reaching among Russian banks. As of 31 December 2012, Sberbank's CSOs reached the total of 18,377 which includes supplementary and operational offices, cash desks outside cash office, and mobile cash offices throughout the entire country.

A wide CSO network is among major assets of the bank that provides for accessibility and competitive advantage of the bank's services. In the area of network development in 2012, we considered the following objectives:

- implementing a new paradigm for developing the bank's physical network (including self-service machines) with a view to provide comfortable and accessible service at client clusters achieving complete satisfaction of client needs (geomarketing);
- developing remote channels of banking service;
- creating special formats for the bank's sales network customized to various client segments.

New model of network management

In 2012 the bank continued implementing the new model of regional network management designed to reduce the number of management lines and optimize network management costs.

In 2010–2012 the bank reorganized 410 divisions responsible for management functions. In late 2012 eleven regional banks completed the creation of the management model that corresponds to the target level. The other six regional banks will implement it in 2013.

In 2012 Sberbank started implementing new techniques of network geomarketing based on advanced geoinformational technologies. This project allowed to (i) estimate the target number of employee workplaces and self-service machines required to achieve business targets, (ii) create a model of optimal CSO location on local markets, and (iii) identify CSO formats that would ensure effective service of various client segments.

BRANCH NETWORK STRUCTURE PERFORMANCE

Units	01.01.2011	01.01.2012	01.01.2013
Bank's divisions in the Russian Federation, including	19,420	19,249	18,588
Regional banks	17	17	17
Branches	521	505	194
Customer Service Outlets, including	18,882	18,727	18,377
◣ Supplementary offices (total), including	10,069	10,494	11,210
– special retail offices	7,429	7,997	8,626
– multipurpose offices	2,515	2,373	2,424
– special corporate offices	125	124	160
◣ Operational offices	236	588	672
◣ Cash desks outside cash office	8,492	7,547	6,381
◣ Mobile cash offices	85	98	114

In 2012 the bank used the geomarketing technology to manage customer service outlets in 50 largest Russian cities. A target CSO model was designed and approved for every city. In 2013 the bank will continue this effort in all Russian cities with the population above 50,000 people which will bring a target network model for more than 300 Russian cities.

Ensuring smooth operation in the state of emergency in the Krasnodar Territory (flood in Krymsk, Gelendzhik, Novorossiish)

In 2012 a number of Yugo-Zapadny bank's offices operated in the state of emergency when flood hit the Krasnodar Territory. At this difficult time, Yugo-Zapadny bank used its best effort to maintain availability of banking services for residents of emergency-hit regions. For these purposes, the bank set up

- *A hot line to handle requests from local residents*
- *Additional workplaces at all points of sale to provide services to households*
- *A special service to handle lists of emergency victims eligible for government aid and open accounts for beneficiaries*

Various regional banks (Srednerussky, Severo-Kavakzsky, Severny, Povolzhsky, Tsentralno-Chernozyomny, Uralsky) sent their employees to the Krymsk branch to assist in handling the emergency. The bank performed well in this force majeure situation: over 30,000 requests were processed to locate client accounts or open new ones for government aid to emergency victims.

In 2012 we closed 921 CSOs and opened 571 CSOs at new locations selected on the basis of geomarketing principles. In total, the bank's CSOs closed in 2012 make up around 5% of total CSOs which includes 353 CSOs closed in cities and 568 in rural areas.

The customer service outlets that were closed in urban areas in 2012 did not comply with the approved geomarketing criteria in terms of location (local region, local place) or did not meet the standards of premises condition required by the Branch Network Reformatting programme.

RESULTS OF THE BRANCH NETWORK REFORMATTING PROGRAMME

Indicator	2010	2011	2012
Reformatted customer service outlets	22	872	1,941
Including those located in small communities (cities with population below 100,000 people, townships, villages)	0	203	549

Developing the branch network is based on the bank's understanding of its social responsibility for ensuring accessibility of banking services in underdeveloped and low populated areas. Our social mission defines branch locations: Today, nearly 53.2% of the bank's branches operate in rural areas and in urban-type communities where the resource base and the demand for banking services is lower than in large cities.

ACCESSIBILITY OF THE BANK'S SERVICES IN UNDER DEVELOPED AND LOW POPULATED AREAS

	Supply of bank's services (thousand residents per CSO)			Share of banking CSOs in total CSO in the area, %			Supply of self-service machines (thousand residents per SSM)		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Country average	7.6	7.7	7.8	49	46	43	3.2	2.5	1.9
Underdeveloped areas	6.9	7.0	7.2	56	53	49	3.3	2.6	2.2
Low populated areas	7.8	8.0	8.2	49	45	41	2.8	2.2	1.6

In rural areas the customer service outlets were closed mainly due to lack of physical conditions to operate, namely:

- critical/unsatisfactory condition of premises/buildings, termination of lease initiated by the lessor (a majority of closed CSOs);
- continuous unprofitable operation, lack of development prospects: The majority of rural CSOs closed in 2012 had one workplace and operated 1–2 days a week, 3–4 hours a day.

We realize that CSO shutdown may affect interests of local residents that got used to this format of banking service. Therefore, maintaining availability of banking services continues to be among most important factors of corporate social responsibility. We seek to find mutually acceptable solutions in consultation with local households:

- In remote areas with underdeveloped transport infrastructure we set up mobile offices, if a bank branch is closed;
- If technically feasible, instead of the closed CSOs we install self-service machines (ATMs, information & payment terminals) that allow to perform a wide range of banking operations.

Countryside Bus

In the Komi Republic, the Republic of Tatarstan, the Tomsk Region, the Urals Region, and other Russian territories Sberbank has introduced mobile customer service outlets to provide services to rural population.

Mobile Offices allow rural households to use the entire range of banking products and services that are available at traditional customer service outlets.

For example, Zapadno-Sibirsky bank has launched a pilot project Countryside Bus. The idea is simple: Instead of a few remote little CSOs the bank sets up one large customer service outlet and makes arrangements to bring people from remote communities, mainly pensioners, by comfortable buses.

Two times a week a specially rented bus goes around eight villages. Especially satisfied with this novelty are our clients from the villages that never had bank's offices.

Development of remote channels

In 2012 remote service channels were developed in line with the bank's development strategy reflecting the market trend of replacing traditional banking operations with self-service and online transactions. An insignificant reduction in the bank's customer service outlets was largely compensated by the growing number of self-service machines that allow to perform a wide range of transactions — from withdrawing or depositing cash to electronic payments for utilities, mobile telephony, transfers to a third party banking card, loan repayments, and other banking operations.

DEVELOPING REMOTE SERVICE CHANNELS

	01.01.2010	01.01.2011	01.01.2012	01.01.2013	Growth in 2012	Growth in 2010–2012
ATMs *(thousand machines)*	22.9	27.8	34.5	44.6	29%	95%
Payment terminals *(thousand machines)*	10.6	16.3	21.6	29.4	36%	177%
Mobile bank *(thousand active users)*	437	1,389	5,300	10,060	83%	23x growth
Sberbank OnLine *(thousand active users)*	300	719	2,433	5,831	140%	19x growth

In 2012 the bank's fleet of self-service machines rose by nearly one third and demonstrated similar growth rate not only across Russia but also in the underdeveloped and low populated areas.

The Mobile Bank, Sberbank OnLine, and Autopayment projects have opened brand-new opportunities in the area of banking service availability. Developing these products makes banking services accessible not only for the residents of low populated or underdeveloped areas where traditional customer service outlets are unprofitable but also for the disabled people allowing to integrate their routine transactions with banking operations and expand their opportunities in cash management.

Specialized formats

In line with the bank's development strategy, we are in the process of reorganizing the branch network and creating a number of standard formats for customer service outlets.

RESULTS OF NETWORK REORGANIZATION AND CREATING A NUMBER OF STANDARD BRANCH FORMATS

	Total	By formats*							
		B	E	F	MLC	VIP	BDC	SSO	MO
2012	1,941	744	628	11	7	35	91	375	50
2011	872	527	256	9	1	7	10	62	0

**B – basic, E – expanded, F – flagship, MLC – Mortgage Lending Centre, BDC – Business Development Centre, SSO – Self-service Office, MO – Mini Office, VIP – VIP client services*

In 2012 the bank also made progress in organizing the provision of banking services to the disabled people:

- another 547 customer service outlets were equipped with the devices that ease access of the disabled people; the total customer service outlets equipped with such devices now reached 3,000 or 16.4% of all CSOs;
- volgo-Vyatsky bank launched a pilot branch specially designed to provide services to the disabled clients. The results of this project will be used to further develop the bank's Network Development Programme;
- a pilot project was launched designed to provide services to visually impaired clients with the use of facsimile signature.

Indicator	01.01.2010	01.01.2011	01.01.2012	01.01.2013
CSOs equipped with devices that ease access of the disabled	1,821	2,112	2,461	3,008
Share of CSOs specially equipped for access of the disabled in total CSOs	9.5%	11.2%	13.1%	16.4%

Pilot Project for the Disabled in Kazan

The novelties designed to serve the disabled clients were tested on the basis of the Volgo-Vyatsky bank's division in Kazan.

The new branch introduced the so-called "no-barrier environment" that ensures access to banking service for low-mobility clients. State-of-the-art banking equipment, comfortable spacious rooms are designed to ensure maximum comfort and convenience for all client categories.

Entrance is equipped with an access ramp for wheelchairs and a special button to call a receptionist. Self-service machine is adapted for the disabled, terminals are equipped with loudspeakers for clients with hearing disorders and Braille keyboard for visually impaired people. Floors have special flags, walls bear tactile symbols, pointers are installed on the premises to delineate the disabled movement zone. WC facilities and common areas are equipped for people with disabilities. The branch hired sign language interpreters.

OTHER INITIATIVES

In 2012 the bank focused on investing in infrastructure development required to ensure dynamic and sustainable social development in Russia.

In this area we see the following important lines of activity:
- developing electronic auction infrastructure;
- herforming the functions of a carbon unit operator.

Developing electronic auction infrastructure

In 2012 the bank continued successful implementation of the nation-wide project designed to create and maintain Sberbank's electronic trading platform CJSC Sberbank-AST for organizing electronic auctions for federal, regional and municipal government customers with a view to raise competition, procurement transparency, and fight corruption.

Indicators	2010	2011	2012
Number of announced tenders	78,053	523,211	586,929
Total value of announced tenders (mln RUB)	410,434	2,068,004	1,977,371
Suppliers accredited to obtain access to electronic tenders	34,378	93,224	65,990
ZAO Sberbank-AST's share in total government procurement through electronic tenders (%)	56	61.4	55.8

Principal results of the project in 2012:
- a new uniform electronic trading platform launched in the business trading segment including the tenders held in accordance with applicable laws. Convenient user interface and flexible accounting system developed based on a universal trading platform;
- nhe company's leadership position maintained among the five electronic platform operators selected by the Russian government for placing federal and municipal orders: over 58% in terms of announced tenders, and more than 50% in terms of value of orders placed by federal and municipal agencies of the Russian Federation.

Ministry of Economic Development of the Russian Federation and CJSC Sberbank-AST signed a contract to provide services in supporting and maintaining the official web-site of the Russian Federation in part related to organization of government procurement orders. CJSC Sberbank-AST is the leader among electronic trading platforms accredited by the Ministry. Last year, government tenders held on CJSC Sberbank-AST's platform demonstrated a 1.5x growth.

Performing the functions of a carbon unit operator

Pursuant to Resolution of the Government of the Russian Federation No 780 of 15 September 2011, Sberbank performed the functions of a carbon unit operator including expert evaluation of Russian investors' requests to assign their projects the status of a project implemented in accordance with Article 6 of the Kyoto Protocol to the United Nations Framework Convention on Climate Change ("joint implementation project").

In 2012 the bank evaluated 97 projects in the field of plant and equipment upgrade in the energy sector, oil & gas, metallurgy, construction materials, chemical industries. Total volume of expected carbon emissions reaches 234 mln units.

In 2012 Russian investors initiated trading in 187.8 mln carbon units. The bank has concluded and performed carbon unit trading agreements under joint implementation projects of 44 Russian investors.

	2011	2012
Number of joint implementation projects accepted for valuation	20	97
Total emission reduction of the projects accepted for valuation (tonnes of CO^2 equivalent)	56 mln	234 mln
Number of Emission Reduction Units traded	20 mln	188 mln

CONTRIBUTING TO CREATING LEGAL ENVIRONMENT

In 2012 Sberbank actively participated in creating legal and regulatory environment. The bank's position on the suggested regulatory approach is based on the assessment of regulatory risks that arise from the proposed adoption or rejection of a respective law or regulation. In evaluating the proposed changes and preparing its own proposals for discussion with legislators the bank relied on the need to achieve a balance of public and private interests.

PRINCIPAL CHANGES IN REGULATORY ENVIRONMENT DISCUSSED BY THE BANK IN 2012

Legal areas	Bank's position and action
Introducing amendments to Russian Civil Code	◣ Over 40 proposals to the draft law prepared ◣ Participation in public discussions
Drafting the law Concerning Consumer Lending	◣ Cooperation with the task team of the Russian government ◣ The bank's proposals are aimed at achieving an optimal balance between rights and obligations of participants of corresponding legal relations
Amending legislation on counteracting illegal financial transactions	◣ The bank's proposals are designed to reduce the risk of unjustified impairment of rights of the bank and its clients ◣ Part of the bank's proposals was included in the draft law
Changes in tax laws	◣ The bank disagreed with the proposed changes in taxation of securities transactions ◣ The bank's proposals were included in the draft law

Social Dimension of Our Business

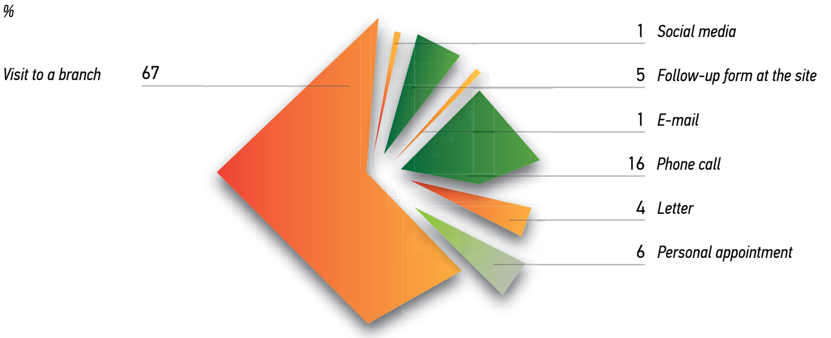
IMPROVING QUALITY AND REDUCING QUEUES

Improving the quality of client service is among the bank's top priorities in the business development strategy.

In raising the quality of retail service we seek to achieve the following objectives:
- developing and improving complaint management;
- reducing queues;
- implementing the new model of CSO development.

COMMUNICATION CHANNEL

%



In 2012 we also continued developing the system of evaluating the service quality at all stages of client relationships as well as client satisfaction with the bank's products and services.

Complaint Management

The key line of raising the quality of service in 2012 was a thorough study of the client feedback obtained through various channels of communication, and improving the bank's processes to meet client expectations.

The bank has introduced the Uniform Complaint Management System. The system's technological process involves a review of client complaints by corresponding experts. Complaint reasons and the channels of their communication are thoroughly analyzed. The results are regularly reported to the bank's management, technological processes are regularly upgraded.

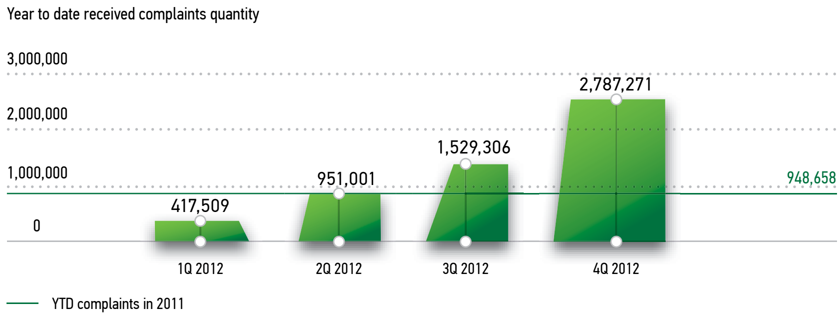
Establishing the Customer Care Service became an important part of organizing the complaint management system. Its tasks include locating client complaints on the web, interacting with clients, and analyzing the issues that gave rise to complaints. Based on analytical data, Customer Care Service will identify faults in the bank's business processes and prepare proposals to correct them which will result in higher quality of client service.

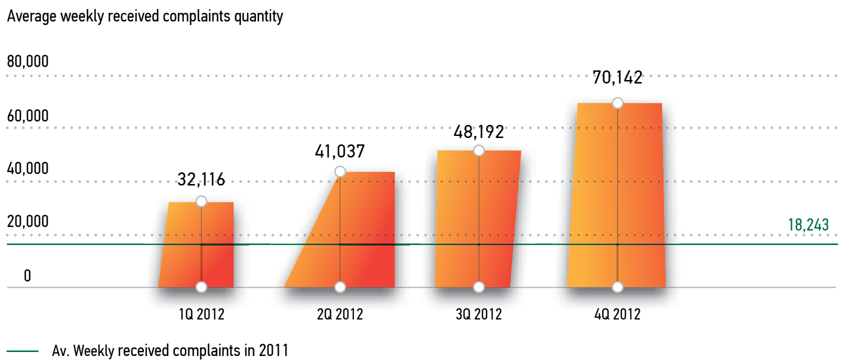
For example, last year the Service's effort resulted in:

- cancelling a commission fee for cash withdrawals in Moscow and the Moscow Region;
- adding an option to select the English language to ATM functions;
- adding an option of unrestricted early repayment of loans.

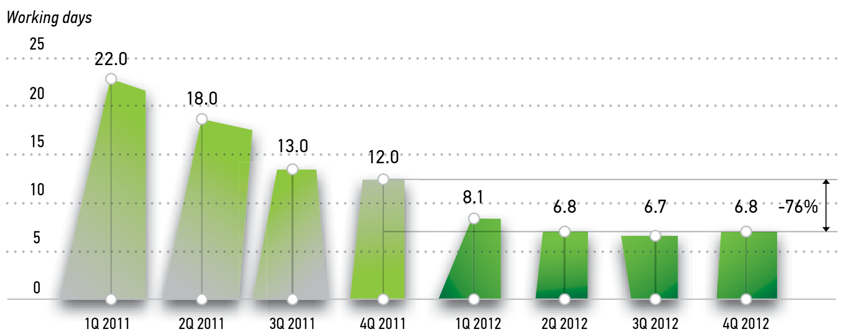
Client complaints in 2012
Performance and review periods

RECEIVED COMPLAINTS DYNAMICS*



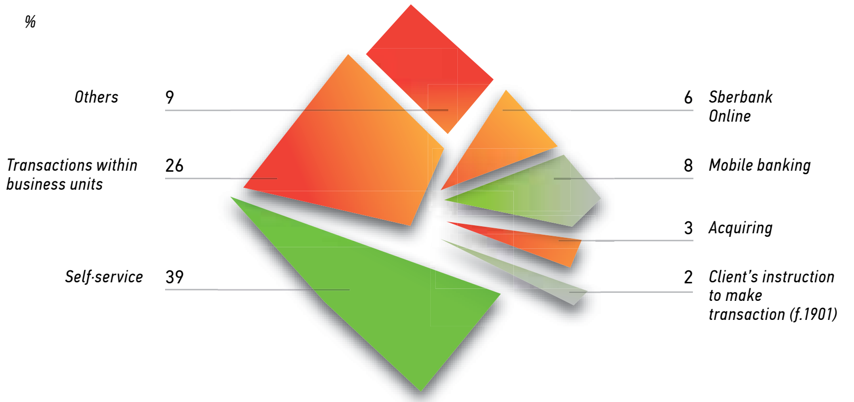


AVERAGE DURATION OF COMPLAINT REVIEW**

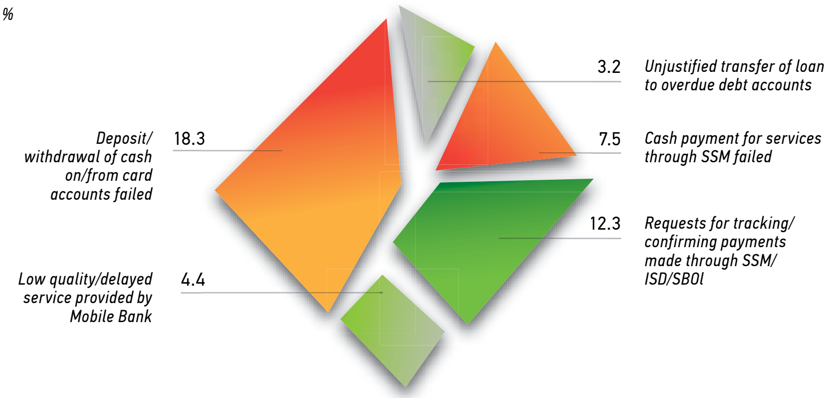


* Including requests jar trocking/confirming payments
** Excluding complaints reviewed in accordance with IPS rules

WHERE ISSUES STEM FROM



TOP 5 PROBLEMS



No.Queues!

Reducing queues at customer service outlets was among our greatest priorities. In 2012 we set an ambitious target: 90% of clients must wait in queues less than 10 minutes at 90% of customer service outlets. We achieved this target in December 2012: 92% of clients wait in queues less than 10 minutes at 92% of the customer service outlets equipped with the Queue Management System (QMS).

This important achievement became possible due to implementing the No.Queues! programme. The programme success largely relies on implementing the crowdsourcing project No.Queues! on Sberbank's platform at http://sberbank21.ru.

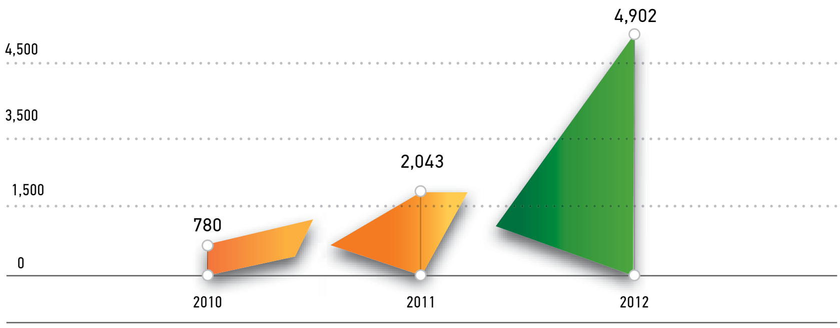
2012 achievements of the No.Queues! programme:

- by the end of the year, QMS-equipped customer service outlets nearly doubled reaching 4,902 points;
- over 85% of Queue Management Systems are connected to the QMS Monitoring System which allows to obtain real-time data of queues for Sberbank as a whole and by its customer service outlets;
- over 50% of pensioners serviced by the bank use social bank cards to receive pension payments which enables them to reduce the time they have to wait in queues.

Generally, the level we achieved allows to mitigate the queue problem. Nevertheless, we intend to continue our effort to provide fast and quality banking service to our clients.

The next stage in the process of raising the service quality involve optimization of internal processes at the customer service outlets, improving employee skills and system of motivation. For these purposes, in 2012 the bank launched a new project to implement a new operations model that covered 3,801 customer service outlets (69% of all CSOs with the staff above 6 employees). In 2013 the new model will be introduced at all large customer service outlets.

POINTS OF SERVICE EQUIPPED WITH QUEUE MANAGEMENT SYSTEM



The crowdsourcing project No.Queues!

The project was launched in August 2012.
Objective: find new solutions designed to remove/prevent causes of queues at the bank that will allow for fast reduction in queue time to 10 minutes and less without considerable financial investment.
5,947 participants participated in the project; 1,137 ideas proposed; 7 ideas recognized winners.
Key queue factors analyzed and main causes identified. Solutions how to fight queues proposed.
The best ideas selected:

- *jump over the queue: a green corridor for Sberbank clients;*
- *sberbank. Flow-monitoring through web-site;*
- *real-time map on Sberbank's web-site and on the screen at every customer service outlet;*
- *placing bar-code on savings book;*
- *mobile bank for deposits with corresponding information packages;*
- *an option to make payments through self-service machines in one installment;*
- *developing test programmes to train transaction officers.*

Client satisfaction research

In 2012 we continued our effort to develop the system of evaluating client satisfaction with our services rendered through various channels (Unified Distributed Contact Centre, customer service outlets, partners, agents, etc.)

Along with quarterly checks of service quality at mass segment, in 2012 we launched service quality monitoring at the mass high-income client segment, completed the audit of external and internal condition of customer service outlets and self-service, and made basic measurements of client satisfaction with agent and partner sales channels.

In 2012, for the first time our clients participated in studying convenience and accessibility of the information system of the Unified Distributed Contact Centre (UDCC) and helped introduce first quality changes. We have launched the Mystery Calling project to evaluate the performance quality of the UDCC employees. It helped us identify and correct problems in operators' performance, especially in tangled/non-standard situations.

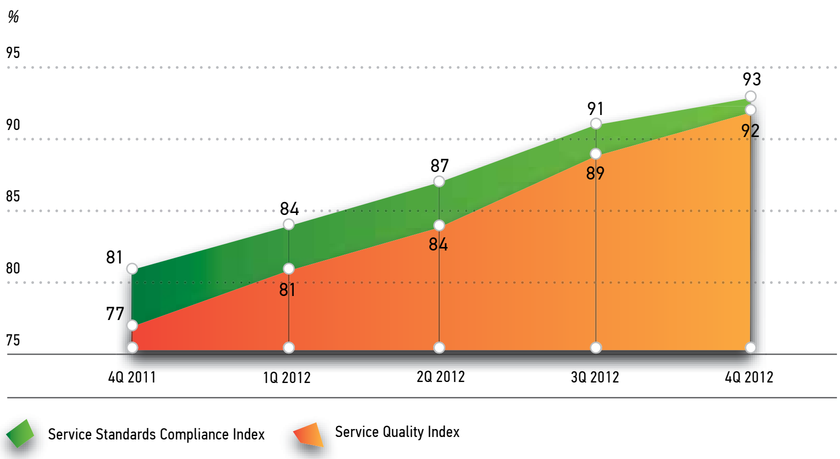
To detect and remove system-level problems in existing products and services, the bank established the Retail Service Quality Commission which identified problems in the quality of services provided through remote channels. The entire effort resulted in the first step on the way to creating a round-the-clock support service for remote channel clients: we have completed a pilot project that was used to develop a plan and determine resources for its further development in 2013.

Quality index performance, service standards compliance index

Our continued effort to improve the quality of retail services brought the following results:

- quality index at customer service outlets reached 92% though the evaluation criteria were tougher than in 2011, demonstrating a 15% growth vs. 2011 (similar evaluation criteria);
- by the end of 2012, the share of the customer service outlets that received excellent rating reached 73% demonstrating annual growth of 17%.

QUALITY INDEX PERFORMANCE, SERVICE STANDARDS COMPLIANCE INDEX



Service Quality Index includes employee performance criteria: customer care, attention to client needs, skills and knowledge.

Service Standards Compliance Index is used to evaluate performance of the bank's service standards.

FINANCIAL LITERACY

Raising financial literacy is just another area where the bank and the society have common interests. We place high emphasis on ensuring availability of financial services and expanding opportunities to use advanced banking products. In 2012 the bank implemented a wide range of initiatives aimed at raising public financial literacy. The projects focused on promoting knowledge of benefits and opportunities offered by banking products, ways how to use them, and supporting households in mastering new banking technologies.

The bank implemented the following projects:

1) Awareness campaigns at mass media

The bank used federal periodicals, radio shows, popular Internet resources, and social networks bringing information to the widest possible audience.

A total of 25 awareness campaigns were held that covered nearly 78 million people.

2) Special long-term web-based projects designed to raise financialy literacy:

- personal Finance — RBC portal;
- confidence Circle — Mail.ru portal;
- sberbank Our Home — the bank's YouTube channel;
- financial Navigator — VKontakte network;

Their total coverage exceeded 8 million users.

3) Game and training applications in social media

The bank launched 18 game and training applications that attracted over 20 million users.

Online applications not only helped users understand banking products but trained them in using banking services.

4) Financialy literacy classes for school and university students

Classes were held in a game-like live format.

Students learned about the opportunities offered by banking products including the benefits of bank cards, special Sberbank products and services designed for young people.

Classes were held in 16 largest Russian cities covering 20,000 senior school pupils and 1–2-year university students.

Russia-wide event Financial Literacy Day at Educational Institutions held as part of the official professional public holiday Financier Day 2012

On 7–8 September 2012 Tsentralno-Chernozyomny bank participated in the Russia-wide event Financial Literacy Day at Educational Institutions that was held as part of the official professional public holiday Financier Day 2012. The bank employees gave lectures at 73 educational institutions including 27 universities, 22 colleges, and 24 schools.

Lecturers used multimedia devices and discussed principal retail products offered by Sberbank. All participants in the Financial Literacy Day at Educational Institutions received promotional materials about the bank's products and services. Special focus was made on remote channels of service.

The Financier Day was marked with events held at major educational institutions of the region: Voronezh State University of Engineering Technologies, Voronezh State Technical University, Belgorod National Research University, Voronezh State University of Architecture and Civil Engineering, and others. The events involving 35 experts and lecturers from the bank covered over 2,000 students from 27 cities of the Tsentralno-Chernozyomny Region.

5) Children's training literature

The bank has prepared and issued a unique training book for children above 6 years of age When I Grow Up I'll Become a Sberbanker. In an entretaining format, through the story about two schoolboys who decided to learn more about banks, money and banking products, the book describes financial fundamentals for pre-schoolers and school children.

6) Raising financial literacy among pensioners

A special focus was made on financial literacy programmes for pensioners (see the Socially Oriented Products section).

Raising financial literacy of Russian households will remain a Sberbank's priority in 2013. This programme will include awareness campaigns in federal mass media and Internet, and other special events designed for various age groups. Special focus will be made on youth and pensioners.

SOCIALLY ORIENTED PRODUCTS

Service of pensioners

Today, over 30 million pensioners receive pension payments and other social benefits through Sberbank and hold deposits at Sberbank. Their number grows from year to year.

In recent years, in line with its development strategy the bank has introduced advanced technological products and service formats. They are not so easy to master, especially for elderly people. At the same time, we feel high responsibility for the confidence pensioners place on Sberbank. Therefore, we are particularly focused on raising financial literacy among this client category. New knowledge will make available to pensioners such banking products as a bank card, Sberbank OnLine, Mobile Bank, Autopayment, self-service machines.

Today, nearly 50% of our pensioner clients prefer convenient payments to Sberbank-Maestro Social card which provides freedom of choice of where and when to receive their pension. Free issue and service of this card enable pensioners to receive their pension round the clock at any Sberbank's ATM across the entire country without any commission. When Sberbank-Maestro Social card is used to pay for purchases, pensioners are offered discounts by more than 11,000 partner shops and obtain Thank You from Sberbank bonuses.

In 2012 the bank concluded cooperation agreements with regional divisions of the Russian Union of Pensioners and Council of Veterans nearly in all constituents of the Russian Federation. These agreements provide for:

- raising banking product awareness among pensioners;
- changing perception of banks and banking products by elderly people;
- obtaining skills in making informed financial decisions, involving pensioners in using financial products;
- raising financial security when using new banking technologies by preventing financial fraud and immunization referring to illegal methods and forms of raising such funds.

Programmes aimed to improve the financial literacy the bank implements in various forms. Seminars are the most popular form whereon pensioners get additional knowledge about financial products, tools to manage personal savings using modern electronic technologies. The best banking experts conduct classes for pensioners in the bank's servicing points using theoretical training and practice.

Especially for the seniors on the bank's website designed the section Service retirees (http://sberbank.ru/moscow/ru/person/pensioner/) that reflects all banking products offered to the elderly, and posted a video about benefits to get pensions via Sberbank Maestro card Social (http://sberbank.ru/moscow/ru/person/pensioner/)

In 2012, in all constituent territories of the Russian Federation were held federal actions Victory Day, Heartwarming Get-Together, Bring your friend aimed to improve the financial literacy of seniors as well as actions of regional significance including those related to conducting seminars on computer literacy for senior citizens. Besides, persons of retirement age are actively involved as the bank's consultants as pensioners trust them more and come into contacts easier. Seniors willingly address for consultations and highly appreciate their practical relevance.

Opening of The School of Modern Pensioner

All regional banks of Sberbank developed and implemented special training courses aimed to improve the financial literacy of seniors and disabled people.
For instance, since March 2012, subdivisions of Dalnevostochnyy bank held events with frequency not less than twice a month within the framework of the opened by the Bank School of Modern Pensioner. At School the bank's staff carried out mass training of seniors and disabled people in computer literacy and practical application skills in Sberbank Online@, Mobile bank self-services. Pensioners trained to use the bank services as well as computer and internet. School attendants were supplied with instruction booklets of the novice PC and Internet user, bank products' leaflets.
The training was organized at the bank sites, in Veterans' care facilities, Pensioners' Unions, Associations of elderly people, as well as at schools in the period of school vacation. Staff of the bank, upperclassmen of comprehensive schools and volunteers acted as tutors.
More than 39 thousand clients of retirement age were involved in this programme. School activities were held in Khabarovsk and Primorye territories, Amur and Sakhalin Regions and the Jewish Autonomous Region. The initiative was extensively covered by regional mass media and got positive response of elderly people.

Qualitative change in the level of financial literacy allows customers of retirement age actively use modern banking products. As a result of these activities in 2012, more than 3 million pensioners opened bank accounts in Sberbank for pensions.

In 2013, the implementation of programmes to improve the financial and computer literacy for senior citizens will be continued, including the participation of veterans' organizations under cooperation agreements.

Mortgage Lending

Housing improvement issue is more or less over most Russian households. Value of this area is extremely important both for national economy, and for the social sphere. For the retail business of the bank it is also one of the key directions. At the end of 2012 the share of mortgage loans in the total retail loan portfolio of the bank amounted to about 40%, and the balance for the first time exceeded 1 trln RUB, 20% of which are loans to young families (see the table). Thanks to Sberbank's loans nearly 360 thousand Russian households could improve their housing conditions in 2012.

Practically double increase of the outstanding debt in mortgage lending for the past three years became possible due to the application of the new technology for application approvals — The Credit Factory. In 2012, this technology gained the distribution in all regional subdivisions of the bank. As a result, in December 2012, already 82,1% of all residential loans were granted on this technology.

As of December 2012, the number of sale points of mortgage loans amounted to 3 479. Since the beginning of 2012 are gradually emerging centres specialized mortgage lending in the network of customer service points of the new format.

DYNAMICS OF LOAN GRANTING AND CHANGES IN HOUSING LOANS' BALANCE IN 2009–2012

Residential Loans	**2009**	**2010**	**2011**	**2012**
Granted, *mln RUB*	107,359	220,706	345,722	455,522
Closing balance, *mln RUB*	514,148	599,960	762,161	1,000,186
including The Young Family programme				
Granted, *mln RUB*	32,554	61,657	66,958	95,908
Closing balance, *mln RUB*	96,465	128,127	157,221	206,447
Granted *(loans)*	128,365	240,905	320,529	357,737
Closing balance *(loans)*	838,426	962,559	1,121,797	1,286,736
including The Young Family programme				
Granted *(loans)*	42,334	72,047	61,863	77,018
Closing balance *(loans)*	163,783	209,573	234,897	274,082

However, to date, the majority of Russian households do not have, unfortunately, the opportunity to acquire housing or to take a mortgage loan on standard conditions. High real estate value and low income are the main constraining reasons. In order to increase the availability of housing loans the bank for several years implementing a number of products with additional preferential terms for certain social groups.

MAIN SOCIALLY ORIENTED PRODUCTS IN THE MORTGAGE LENDING SEGMENT AND THE 2012 RESULTS

Product/programme	Preferential Terms	Results
Young Family	◣ Reduced amount of the first payment (from 10%) for a young family with a child/children ◣ Deferral of the principal debt repayment ◣ Revenue recognition of up to six co-borrowers simultaneously (spouses and their parents)	77,000 loans were granted to the amount of 96 billion roubles
Military Mortgage	◣ Fixed preferential rate ◣ The first payment amount is 10% of the value of immovable property item	674 loans were granted to the amount of 1,2 billion roubles
Mortgage + Maternity capital	◣ Possibility to use the maternity capital as the first payment or to repay part of the debt ◣ The loan amount can reach 100% of the immovable property value	2,797 loans were granted to the amount of 2,69 billion roubles 100,581 loans were repaid by maternity capital to the amount of 35,2 billion roubles
Regional pro-grammes	◣ Preferential interest rates ◣ Accounting housing and other certificates confirming the possibility of getting by the citizens of monetary funds for the improvement of housing conditions ◣ Funding from regional and local budgets	14,013 loans were granted to the amount of 23,3 billion roubles
Mortgage with State support (in partnership with Vnesheconombank)	◣ Reduced interest rate ◣ Compliance with the standards of mortgage securities' issuing	29,316 loans were granted to the amount of 43,9 billion roubles
Building-and-Loan Associations (pilot)	◣ Depending on the saving term the loan rate is from 6 to 8% ◣ Regional budget funds up to 30% of the participants' savings	As of 01.01.2013, 3,997 accumulation deposits were opened to the amount of 61mln roubles. The first loan was granted in January 2013
Mortgage for young teachers	◣ Reduced interest rate ◣ Funding from regional and local budgets	Applicable only in specific regions 154 loans were granted to the total amount of 166 mln roubles

SAFETY OF BANKING PRODUCTS AND TRANSACTIONS

Safety of bank transactions and products serves the basis for the customer confidence. We carry out goal-oriented and systematic work on customer advocacy and prevention of misappropriation of the customers' monetary funds. Unfortunately, as technologies are developed, methods of fraudulent transactions also become more and more sophisticated. Nevertheless, the bank manages to cope with this situation. We seek to maintain safety of our products and transactions at the level pertinent to modern challenges.

Principal results in 2012:

- 494 attempted thefts of corporate customers' funds and more than 5,500 attempted thefts of private customers' funds were stopped; the damage was prevented to the amount of 1,4 bln RUB;
- In cooperation with law-enforcement authorities there were arrested:
  - members of two criminal groups who carried out an unauthorized removal of monetary funds by infecting corporate customers' computers by malware;
  - members of 15 criminal groups who installed skimming equipment in Moscow and Moscow Region, Irkutsk, Barnaul, Kazan, Yaroslavl and other cities.
- the amount of the prevented damage for frauds with securities and pieces of money exceeds 290 mln RUB, with counterfeited warrants of execution and court orders — more than 3,5 mln RUB, with the use of stolen/lost saving books and documents — more than 8,1 mln RUB;
- it was revealed 170 loan applications submitted with use of counterfeit passports. As a result, the amount of the prevented damage exceeded 145 mln RUB;
- there were documented 1,850 cases of installing on the bank's ATM machines of non-standard equipment for fraudulent transactions with bank cards. 21 criminal cases were initiated over the installment of non-standard equipment/software for the purposes of discrediting these magnetic stripes and PIN-codes of cards.

Basic response measures:

- formation of internal normative and regulatory base and the bank employees' training. In particular, in 2012, recommendations were drafted for teller-officers on identification of tokens of document falsifications and a special training programme was prepared on customer identification;
- an information exchange system on identification of ID document falsifications, as well as documents confirming borrowers' employment and earnings implemented among security subdivisions of major Russian banks;
- the bank took the decision that by mid-2013 the card issuance without a chip will be completely stopped;
- in the Sberbank Online@ system is implemented a procedure of customers' SIM-card verification;
- in the Sberbank Business Online@ system are realized comprehensive mechanisms of information safety risk minimization;
- the Imperva SecureSphere system providing audit both of active and passive user transactions, that allowed to reveal a number of facts of employees' illegal access to customer accounts, to solve and suppress a number of crimes, is introduced in commercial operation;
- by results of the annual audit was achieved the Certificate of Compliance of the international payment system MasterCard which certifies compliance of the bank's card emission process with the MasterCard Physical Security Standards for Plastic Card Vendors and Logical Security Requirements for Card Personalization.

SPONSORSHIP AND CHARITY

Sberbank has always been and remains one of the largest benefactors and sponsors in Russia. In 2012, the bank concentrated on implementation of charitable and sponsor projects supporting:

- families and child care institutions;
- culture and arts;
- healthy lifestyle;
- XXII Winter Olympic games 2014 in Sochi;
- education and educational establishments.

Support of child care institutions

In 2012, the bank provided charity assistance to children from low-income and vulnerable families, orphanages and boarding schools by allocating monetary funds for orphanages' repairs and improving their infrastructure. In 2012, the bank rendered assistance to 229 orphanages. In 2012, the bank's top management and employees regularly visited children and organized concerts.

In 2012, the bank acted as the general partner of the jubilee tour of Moscow State Puppet Theatre named after Sergey Obraztsov during which actors of the famous theatre visited children from orphanages in various Russian cities. During the nine-month tour the theatre puppeteers visited and gave performances and master-classes in 23 orphanages.

The bank continued its cooperation with the Podari Zhizn' (Gift of Life) Charitable Foundation for childhood cancer support. In 2012, the bank transferred to the Foundation accounts more than 25 mln RUB, collected within realization of the joint co-branded international Visa card of Sberbank of Russia.

From May 31 to June 2, 2012 Sberbank supported organized by the Charity Podari Zhizn' the world children games The Winners' games — the largest competitions for children who suffered from oncology. More than 350 children from 12 countries participated in the games.

Sberbank Volunteers' Forum

In May 2012 the second forum of Sberbank volunteers movement took place. The association representatives from various parts of the country participated in it. In total 120 people took part in the forum. As the organizer acted Severo-Zapadny bank of Sberbank.

The main forum objective was the unification of Sberbank volunteers, volunteer movement development, exchange of experience, training, support and encouragement of volunteer initiatives.

In the course of the forum held the presentation of best practices of activities in various regional banks: original ideas, creative approach to standard events.

Within the forum there was held a seminar together with the representatives of foundations and volunteer organizations such as the charity organization St.-Petersburg Parents, regional social movement Neva Angel, autonomous non-commercial organization for social-cultural services Upsala-Circus, Suvorov Military School.

The volunteers participated in the Day of Charitable Acts in Volosovsky district orphanage. They were able to communicate with children putting into practice the received knowledge. Together with children the movement participants planted trees, flowers and hang up birdhouses on the orphanage territory. After the completion of works a basket lunch was laid up for all the event participants. Writing of letters by children and volunteers addressed to themselves which they will read in 10 years became a high point of the meeting. The party ended up with the ballooning of flying lanterns and ceremonial opening of a modern sports-gymnastics centre.

Culture and Arts Support

In 2012 Sberbank conducted significant charitable campaigns in support of Russian culture and arts. The funds were allocated for the rehearsal and staging of new performances, the production of TV films and documentaries, holding musical festivals and concerts both in Russia and abroad.

Since 2002 the bank is the General Partner of the National Theatre Festival and the eponymous award Zolotaya Maska (Golden Mask), supports the International Film Festival Zerkalo (Mirror) named after Andrey Tarkovskiy and traditionally supports leading Russian theatres.

Support of Healthy Lifestyle

Healthy lifestyle is one of Sberbank values, and sport is an integral part of its corporate culture. And it is not by chance that the motto of the several thousand strong team of the bank employees is Movement towards Achievements.

In order to support mass sports development in the country, to promote Olympic values and healthy lifestyle, on May 19, 2012 in 42 Russian cities Sberbank organized a unique sport event — the Green Marathon. On that day about 30,000 Russian citizens participated in the race at the symbolic distance of 4,2 km, and after its end they contributed to the greening of their cities, having planted Sberbank Parkways.

Sberbank initiative was highly praised by international organizations. The Green Marathon project is included into the Billion Trees campaign implemented worldwide by UNEP (United Nations Environment Programme) since 2007.

Support of XXII Winter Olympic games 2014 in Sochi

Since 2009 Sberbank is the General Partner of XXII Winter Olympic games 2014 in Sochi. In 2012, the bank implemented various projects within the limits of Olympic sponsorship.

The Olympic Games are not just sports competitions. This is a wonderful tradition thanks to which a country, hosting the Olympics, can familiarize the whole world with its rich history and cultural variety.

This is precisely why the bank is actively supporting the Cultural Olympic games Sochi 2014 — a project destined to preserve and multiply the unique cultural riches of

Russia — and is the General Partner of the Red Rocks musical movement. In 2012, at Krasnaya Polyana a regular musical festival took place which was continued by the tour across 20 Russian cities with the participation of the best country's musicians. During the project the main musical composition of Olympic Games in Sochi — the Anthem of fans will be created.

In 2012, Sberbank continued development of special products with the Olympic symbols. As such, several new Sberbank Visa cards with the Olympic design were simultaneously issued. The customer may choose a card with the individual design for making every day purchases or even a virtual card — for safe purchases in the Internet. Sberbank gift Visa card depicting Sochi-2014 talismans became an attractive offer for the customers.

In anticipation of the Olympic games in Sochi, Sberbank offered to those who are attracted to sports the Na vysote (Up to the Mark) deposit. The bank also continued its participation in the implementation of the Sochi-2014 monetary programme (the bank is the owner of an exclusive right on realization of commemorative and investment coins from precious metals stricken by the Bank of Russia under this programme on the Russian Federation territory). In total more than 250,000 Olympic coins from precious metals were sold last year. Besides, at the bank customer service points one can buy state lottery tickets in support of the Sochi Olympic Games.

As of December 2012, in Sochi are functioning 34 Sberbank customer service points, 22 of which are customer service points of the new format with clear zoning, user-friendly navigation and the access for visits by the disabled people . In 2012, a customer service point of a new format opened specializing in foreign customers' servicing. There the bank employees can offer consultations in seven foreign languages.

Prominent results are achieved in the bank transfer sphere: more than 200 ATMs are installed in the city and at important facilities, as well as more than 1000 payment terminals at the city sales and service network.

The Sochi staff of the bank is also getting ready for Olympic Games: the employees study English, peculiarities of the Olympic hospitality and support the volunteer movement.

Support of Education and Educational Establishments

As in previous years the bank allocated considerable funds to support scientific and educational establishments, international educational projects, students' scholarships.

Within the framework of the youth potential development in order to prepare new professional personnel, Sberbank traditionally supports youth and educational events. In the autumn of 2012 together with the Academy of National Economy under the Government of the Russian Federation (ANE) Sberbank started to implement another, already traditional international student competition on bank management — Banks Battle. In September 2012 took place elimination rounds of the tournament participants. The semi-final and the final competition will take place in April, 2013. The winners will participate in corporate programmes on the bank personnel selection and development. Since 2010 the bank supports carrying out the All-Russian competition in financial market for upperclassmen.

Every year the bank assists programme implementation in the sphere of education, supporting educational institutions of all levels and continues implementation of the Virtual School project which is successfully introduced in 16 schools in Russia and abroad. The Virtual School project is a global educational project aimed at the creation of mobile computer classes at vocational education institutions. In 2012, for the first time the bank started implementation of this project for the distance-learning of disabled children tutored at home.

Opening Virtual School in Voronezh

In September 2012 in Voronezh the first Virtual School in the city was opened which was established with Sberbank support on a local school basis. At the school opening attended the Governor of Voronezh Region Alexey Gordeev, Sberbank Deputy CEO Andrey Donskikh and Chairman of Tsentralno-Chernozemnyy bank of Sberbank Aleksander Solovyev.

Within the framework of the project a multi-service infomedia was introduced: a powerful server was installed to control the local school network, as well as special software; interactive classrooms were equipped with full-size electronic whiteboards, a multimedia projector and a control computer with a set of digital instruments and resources to conduct lessons in various subjects.

The Virtual School is an example of a successful social partnership between business and state for the system-level improvement of quality in school education. The project is realized within the limits of one of the priority directions of Sberbank social activities — support and development of the young generation's intellectual potential. Opening of the Virtual School is the bank tangible input into the quality improvement in education of 909 school pupils and in working conditions of its 80 employees. In 2009–2011 similar projects were implemented by the bank in Tula, Barnaul, Astrakhan, Zheleznovodsk, Volgograd, Irkutsk, Izhevsk and other cities.

As in previous years the charity was rendered to various organizations and institutions to support the disabled and elderly, to implement social rehabilitation and adaptation programmes. To the 70th anniversary of the Victory in Stalingrad battle the Aleksander Shilov's exhibition They Fought for the Country was organized in Volgograd.

To develop spiritual life of Russia and preserve the historical legacy the bank allocated target contributions for the restoration and repair of churches and temples.

OWN ENVIRONMENTAL IMPACT

The bank possesses modern infrastructure on which correct operation depends not only availability and quality of all complex of the bank services, quality of personnel training and development, health and safety of our employees and customers, but also an environmental state.

For this reason, in our own environmental impact we set ourselves in 2012 the following main tasks:
- managing our environmental impact;
- improving energy efficiency;
- implementation of the electronic document management system.

Managing our Environmental Impact

As all large organizations in the course of its business the bank forms litter. Regardless of the fact that the own adverse environmental impact of the bank is low as compared, for example, to industrial companies, we devote much attention to this issue.

DATA ON LITTER PRODUCTION IN THE BANK

in tons	2012
Luminescent lamps	26.1
Energy storage devices	12.3
Spent oils	55.7
Waste tires	35.9
Litter from amenity and office space	74,454.4
Paper and cardboard waste	4,392.9
Waste office equipment	75.43
Other	10,721.1
TOTAL	**89,773.8**

Control over the environmental impact was carried out in 2012 by the bank subdivisions under the Industrial Environmental Monitoring Regulations; plans for organizational-technical measures on environment protection and rational use of natural resources were implemented. In 2012, was continued the automated data base development allowing to collect and consolidate the indicators of the bank environmental impact.

Ecological promotional event Yenisei River Day

At the end of September 2012 more than 800 volunteers-employees of the Vostochno-Sibirskiy bank went to Yenisei banks to participate in their cleaning from accumulated garbage within the environmental action Yenisei River Day.

On an equal basis with their concerned parents the employees' children also participated in the wide-scale voluntary Saturday work. There were some interesting findings too: from clothes and footwear to rusty flasks, and even to ... banknotes that judging by their appearance waited its new owner not one day.

This event one can call a festivity, only without gala dinner and toasts. By their participation the employees of the Vostochno-Sibirskiy bank sought to attract public attention to the importance of preserving the Yenisei River for descendants. Yenisei is one of the largest rivers in the world, heading the list of the most full-flowing rivers in Russia, has the deepest firth and feeds Sayano-Shusenskaya HPP — the largest one in Russia. Yenisei River is almost 3,500 kilometers long and crosses practically all Siberian climatic zones. The river flows across Krasnoyarsk Territory, Tuva, Khakassia and is crucial for life of the whole region.

The event scope was also impressive: from the southernmost point — Kyzyl, where, in fact, originated Yenisei to Turukhansk, as well as on the banks of small rivers that flow into the Yenisei. For example, the staff of Emelyanovskoye branch went around the Kacha, Buzima and Podkamennaya Tunguska banks; Kansk branch employees cleaned the Kan bank, their colleagues from Lesosibirsk tidied up the Angara embankment. In Khakassia the bank employees walked several hundreds meters along the bank of the Abakan river in the area of the Severnaya (Northern) Dam.

According to the Head of the Vostochno-Sibirskiy bank Alexey Loginov participating in the action, this event — is not just environmental, but also a deep-moral action. Sberbank participation in such events does not require specific explanation. It's in tune with our corporate mission, values. He emphasized: Cleaning Yenisei from litter we also help ourselves to clean our souls.

Improving Energy Efficiency

Improving Energy Efficiency is an important direction of the bank environmental impact reduction activities. The bank uses the Corporate Energy Saving methodology based on green technologies, estimating facilities' energy and water efficiency, quality of the internal environment, the used materials, the adjacent territory. At the same time the peculiarities of facilities' location are taken into account.

ENERGY CONSUMPTION BY THE BANK

	2010	2011	2012
Electric power, *kWh*	720,678,945	829,754,538	936,235,476
Thermal power, *Gcal*	886,406	1,191,541	996,446
Diesel fuel oil, *l*	7,236,423	9,833,126	11,248,716
Petrol, *l*	23,376,530	34,375,819	26,631,829
Gas, *cub.m*	17,367,878	18,619,647	19,420,180
Coal, *t*	1,238	1,161	1,990
Firewood, *cub.m*	700	1,082	1,260

Implementation of the electronic document management system

In 2012, the bank completed the implementation of the Electronic Document Circulation System (EDCS). In 2012, another 11 banks joined 6 regional banks where the system was implemented as commercial operation in 2011. As a result the paper work of the Central administrative office and administrative offices of 17 regional banks was transferred to a single electronic document management system with total number of users exceeded 65,000 people.

In 2012, under the project the bank management and the majority of managers of stand-alone structural subdivisions were provided with the remote access to EDCS via use of specialized automated work stations. Currently we are working on the increase of the number of the system mobile users.

In 2012, official correspondence between Sberbank top management and their regional banks was transferred to EDCS on the basis of the inter-branch exchange sub-system, which resulted in taking the mobility and efficiency of managerial decisions to a new qualitative level. Thanks to the resolution (instruction) replication function the document processing became completely transparent for the sender.

In 2012, the majority of internal bank documents (office memos, regulatory and administrative and internal documents) were transferred into electronic format. The paperwork transfer into electronic format resulted in significant cutting of paper consumption, the raw material for which is timber, a very precious resource for maintaining natural environment.

The benefits from the electronic document management system implementation in the Central administrative office in relation to paper save, noted in the 2011 report, in 2013 will grow in proportion to the number of regional banks' offices connected to EDCS. Taking into account the fact that only the Central administrative office annually saves 10 tons of paper with the exclusion of physical document flow between distant customer service outlets, the EDCS project on the reduction of raw-material and transport load on environment has the direct positive ecological impact.

Besides, the bank implements the project Expansion of electronic document flow with government bodies for submitting information about clients and accounts. Following this direction in 2012 the cooperation with the Federal Notary Chamber, Federal Tax Service in relation to a number of transactions was transferred to electronic document flow, and the document flow transfer was initiated for the Federal Bailiff Service. In 2013, the bank plans to expand the electronic cooperation with government bodies.

Investing in Human Capital

PERSONNEL TRAINING

The bank was and remains one of the largest employers of Russia: as of 31 December 2012 the actual number of Sberbank staff exceeded 245,000 employees.

Employees are one of the capital assets securing the bank's high efficiency and competitive ability. In 2012, we set ourselves the objective to switch over the system of personnel training and development to industrial path, to make this process continuous and efficient. Among the main objectives in this area in 2012 we considered the following:

- completion of the performance appraisal system implementation;
- supporting the system of continuous training of each bank employee;
- creation of training and development infrastructure for the bank's top-management and specialists.

Following the results of 2012 the bank achieved the following objectives:

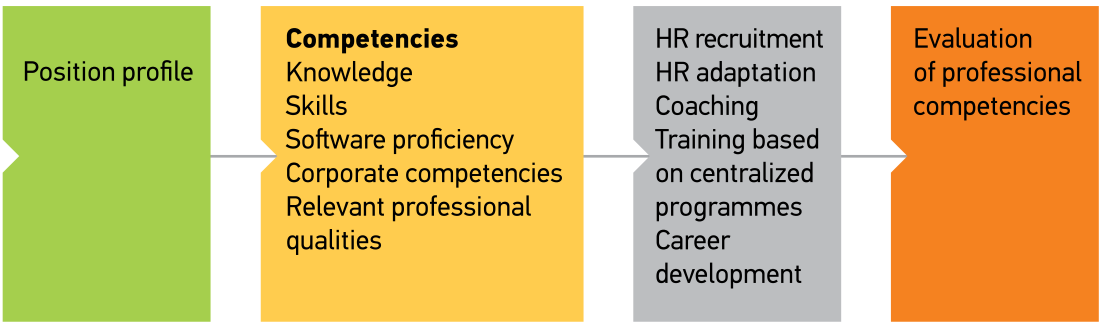
Mass training

In 2012, the bank established and running at full capacity the Training Centre of the Personnel Policy Department for common service staff. The Centre was created in accordance with the Mass Training Concept approved by Sberbank Board in 2011. It includes 17 training centres located in all regional banks, in which almost 400 people are involved. Each Regional Bank Training Centre undergoes the assessment procedure based on the system of key performance indicators. All training managers also regularly undergo the qualification assessment.

Today about 62%, or more than 152,000 of the bank staff are common service staff (CSS), linear management and specialists involved in customer interaction. For each group of specialists their competence profile is defined and the training matrix is formed, on this basis are developed the plan and contents of training programmes.

Along with specialized skills and competences in the training process the bank' staff get knowledge in the sphere of general skills and competences which they can use in any occupation, including outside bank. For example, the courses Business Correspondence, Telephone Negotiating Skills, Efficient Presentation, Conflict Management and others form part of the training of common service staff.

Training on Competences (general scheme)



In 2012, thanks to this approach the bank managed to regulate and make transparent the processes of assessment, planning and organization of training process for common service staff. Created in the bank the training system for CSS allowed to resolve one of the main 2012 objectives: to start implementation of the monitoring system of training programmes quality.

Considering scale of the objective, in 2012 the bank paid special attention to training of specialists involved in servicing of retail customers, small and micro business as well as in work with problem assets.

To organize trainings for EPG in 2012 the bank used such delivery modes as training, E-learning, skill development on-the-job, supervision, as well as post-training support on-the-job. Training plans are placed on the internal information resource — corporate Intranet-portal, accessible to the majority of Sberbank employees and available upon request.

Head cashier of the Transaction department Naumov Vitaly Alekseevich:

– I joined the bank in October 2012. After resolving all formal issues and document processing for employment as head cashier I was immediately sent to the two-week adaptation programme for newcomers — the Basic Course. The study time was paid as working time, and indeed it was strenuous work since during these two weeks I had to complete many courses required for the successful individual start with the bank.

[Our] Training took place in Sberbank Training centre at Perovo Pole. Within the framework of the Comprehensive training programme we studied the basics of banking business, cash-desk work, teller rules, we were told about how the bank is organized, how to behave with colleagues and customers, how to identify them, we were informed about financial responsibility as well as we were familiarized with other topics relevant during independent work. I really liked the two-day training on sales. I consider that this subject should deserve more attention since it was the most useful for my job profile.

After successful completion of the Comprehensive training programme I was sent to the Transaction department for the head cashier position. However, I started independent work not at once: I was assigned to skilled instructors and worked side by side at the teller window under experienced employee nearly a month. I observed their work and asked questions, making relevant notes for myself. Besides, all this time I studied instructions and practical techniques of carrying out specific banking transactions until I felt that I was ready for independent work with customers.

Currently, having access to the Corporate portal, I know what opportunities I have for further training and career development. It became interesting to work with customers and in the near future it would be desirable to apply the received skills not only in communication with mass-market customers, but also in contacts with high-yield segment representatives as well as with VIP-customers.

I do like my job. Now I am a fourth year student of the Institute of communicative technologies in Entreprise Management and upon graduation I plan to commit myself to work with Sberbank.

In 2012, the bank developed 177 centralized training programmes, 110 of which were implemented remotely. Due to that the share of distance learning in the total scope of training for EPG amounted to 62%, while 38% continue full-time training. In 2013, we intend to develop further systems of distance learning through LMS (Learning Management System) development and plan to transfer another 8% of full time training to a remote format. It allows to increase training accessibility and to reduce costs on course preparation.

GROWTH OF AWARENESS ON TRAINING PROGRAMMES (RESULTS OF THE INTERNAL EMPLOYEES' POLL)

In % from the total number of poll participants	For the last year I participated in trainings, seminars, training conferences more than once			I regularly undergo distant-learning courses in Sberbank Automated System of Personnel Training (ASPT)			I have got an access to the Sberbank Automated System of Personnel Training (ASPT)		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Senior Manager	59.9	71.5	81.4	75.1	79.9	80.8	45.3	52.5	56.8
Mid-level Manager	46.3	54.9	72.2	78.3	82.6	87.2	46.9	48.7	58.0
Junior Manager	54.6	60.6	71.4	76.3	81.7	87.3	58.5	61.6	68.1
Specialist	26.6	33.2	50.7	49.0	54.3	69.5	32.6	36.6	51.4
Common service staff	55.7	59.3	60.0	45.8	53.3	65.7	47.7	50.7	60.1

Corporate University

In the past year was established Sberbank Corporate University. Its main objective is to provide the bank's subdivision managers and key specialists with the most up-to-date business education. The bank created a corporate model of managers' competence evaluation and the their qualification level used as a basis for training planning, business-skills and professional knowledge development. In 2012, managers and key specialists in subdivisions of corporate, retail and transaction blocks both in the Central administrative office and in regions were assessed in this way. We plan to continue this effort in 2013.

In 2012, we continued implementation of long-term programmes with leading business-schools on personnel training and development. The main emphasis in programmes was made on involvement of regional banks' managers which account for over 90% of the audience.

In 2012, training was completed by:

- 427 participants of the joint educational programme with INSEAD-NES business schools the Sberbank 500 — Programme for Leaders;
- 50 participants of the LBS-Sberbank Programme in Management and Finance for Bankers prepared jointly with London Business School (LBS).

In July 2012 as part of the new course of the Sberbank 500 — Programme for Leaders programme 496 people started their training.

The second course (56 people) started training on a joint educational programme with London Business School, which peculiarity is conducting four modules in London at LBS site.

Programmes of development for the bank's Board members and Heads of the bank's regional subdivisions are developed and realized.

So far, it's relatively small scale taking into account that in Sberbank there are some 20,000 top managers. The bank has plans for development of such programmes and extension of the list of partners competent in teaching of informational technologies and risk management.

In 2012, the following meetings and programmes were organized and conducted for the bank specialists:

- a meeting with Henry Kissinger on the topic Modern world politics — 25 participants;
- a lecture by Paul Krugman on the topic Russia in the context of global changes in the world economy — 550 participants;
- a lecture by Satyajit Das on the topic Secret tricks of the hedge*:* economists know nothing about them*,* they are not described in textbooks — 150 participants;
- a lecture by Tony Blair on the topic Modern political world view*.* New Challenges *(*China*,* America*,* Central Asia*)* — 550 participants;
- a lecture and business workshop by Janelle Barlow Brand-Oriented Service — 14,160 participants;
- beth Noveck, Andrey Shleifer, Tim Kelsy: Breaking the management deadlock*:* wisdom of crowd or authoritarian genius — 40 participants;
- michael McGannon's programme Business-Leader Health — 99 people;
- erik Weihenmayer: Success Philosophy*:* Overcoming Impossible — 14,250 participants;
- master-class with participation of Manfred Kets de Vries Leadership challenge: Emotional Potential Development — 18 people.

At the end of 2012 the Virtual School project had a successful start under which the registered employees were provided with the opportunity to read electronic books from Sberbank Library series.

Within the framework of the Virtual School distant learning portal development, in the Internet an application for iPad was developed to download and read books, and also electronic and audio books were loaded. By the end of 2012 on the Virtual School portal 24 electronic books were loaded. The Virtual School project is implemented stage by stage, gradually increasing the number of employees for whom this resource is available. By the end of 2013 we plan that about 20,000 employees will be able to use this resource.

MOTIVATION AND COMPENSATION OF EMPLOYEES

In 2012, we set ourselves the objective of further development of the financial and non-financial motivation system which should support the implementation of the large-scale transformation programme in Sberbank. Further improvement of the performance management system (PMS) and increase of the employees' engagement and satisfaction were also among our main 2012 objectives.

Performance Management System

In 2012, Sberbank continued the performance management system (PMS) development which embraces all bank employees. Approaches to goal setting and goal fulfillment assessment differ depending on the category of staff. For top management objectives are set on the basis of the bank business-plan. Under PMS are assessed both the performance of formalized objectives and level of proficiency in professional and personal competences, which are the priority for this or that personnel category. For that the 5+ system operates which is comprehensive for all bank employees.

In 2012, a project was launched on automation of PMS for top managers on the basis of SAP HR Performance Management module. Today in SAP HR objectives' planning and the assessment of their fulfillment is carried out for more than 400 senior and mid-level managers at the bank subdivisions. The data on the goal fulfillment assessment automatically goes to the remuneration management module for bonus calculation. At the same time the performance management module is integrated with the business planning system.

Personnel satisfaction in 2012

In 2012, was conducted the third annual survey of Sberbank employees' engagement and satisfaction. About 116,000 employees participated in it.

For the second consecutive year Sberbank employees' engagement and general satisfaction indicator grows testifying that changes that the bank undergoes are positively perceived by the employees. Satisfaction with the bank top management, organization of the workflow, harmonization of personal and corporate objectives and the motivation and remuneration system still remain the most important factors that influence the employees' engagement.

The majority of these factors showed positive dynamics. For example, the Motivation and remuneration system factor displayed better understanding of interrelation between the remuneration amount and the job performance, the transparence of the assessment system and bonus awards, competitiveness of Sberbank salaries at the external labor market. Considerable progress is noted in satisfaction with the career development, self-training opportunities, in confidence of one's value for the company (harmony of personal and corporate objectives).

Following the survey results for all top managers of the bank for 2013 were set objectives to increase employees engagement and were developed special improvement programmes, in particular on the processes causing the greatest complaints of employees.

THE BANK EMPLOYEES' ENGAGEMENT INDICATOR

	max 100%		
	2010	2011	2012
Senior Manager	78.2	76.8	77.6
Mid-level Manager	72.1	71.4	72.5
Junior Manager	64.5	64.2	64.3
Specialist	58.8	59.3	59.3
Common service staff	58.5	58.5	59.0

GENERAL JOB SATISFACTION IN THE BANK

	max 100%		
	2010	2011	2012
Senior Manager	73.9	71.8	74.9
Mid-level Manager	70.8	70.6	72.5
Junior Manager	65.1	65.3	66.0
Specialist	60.7	62.0	62.2
Common service staff	60.1	61.2	62.1

CORPORATE BENEFITS

The bank implements a whole range of initiatives which form part of the corporate benefit package for personnel.

Voluntary Medical Insurance

In 2012, in accordance with the new (improved) programmes there continued implementation of the projects on the employees' health and life insurance coverage. For this purpose in 2011 the second round of opened tenders for the selection of insurance companies for VMI (voluntary medical insurance) and AI (accident insurance) contracts for 2012–2013 was conducted. At the preparation stage the polls on the employees' satisfaction over the quality of rendered services were carried out.

In the new insurance period improvements were undertaken in accordance with the employees' wishes: a list of clinics was extended, medical and preventive treatment institutions that provide higher quality services were selected. Information sharing about the insurance terms is carried out through the complete openness and availability of the materials about programmes for all employees (at the portal and other sources), as well as by rendering consultative support for employees. The service of claim submission to the e-mail address medstrahovka@sberbank.ru is launched. The number of employees insured under VMI contracts reached 69,000 people.

Accident and serious illness insurance

Under the new AI contract, the cases of insurance reimbursement were expanded (reimbursement because of death by illness; and disability by any reason was included), terms and conditions were specified, controversial interpretations of clauses on serious illness (oncology) were eliminated that led to the increase of the paid reimbursements and decrease in employees complaints for rejection. The contract envisages the activity of the Commission on controversial cases; a number of new services were offered, for example, transmittance of documents on the insured event in an electronic format through the insurance company portal which reduces the period of their review. The number of insured people under the accident and serious illness insurance contract for 2012 amounted to 238,000 people.

Comprehensive Medical check-ups

After 2012 mid-year the implementation of the improved programme on comprehensive medical check-ups (CMC) began. For this purpose a single standard and protocols were drafted. Following the check-up results, each employee is given a Health certificate with the evaluation of the illness risk and recommendations on healthy lifestyle. In 2012, the number of the employees who underwent CMC exceeded 108,000 people.

The Company Doctor and Health programmes implementation in 2012

In 2012, there was an increase in the number of the bank customer service points covered by the Company Doctor programme, and in doctors' work the emphasis was made on disease prevention. The standard on equipping medical stations with facilities and first aid pharmaceutical products was developed. All company doctors were additionally trained in the basics of main chronic non-contagious disease prevention among the bank employees.

The company doctors actively participate in the implementation of the Health programme under which disease prevention and promotion of a healthy lifestyle among the bank employees became their main functions.

The section Health was set up at Sberbank internal site as the main programme informational resource. In the subsections On Health Programme, Health is in Your Hands, Assess Your Risks, Movement is Life, Overcoming are posted articles about healthy lifestyle, on-line scales, photo reports about held events, image galleries of fitness trainings and other information. Within the framework of the reality-show on weight loss I will be the first to do it! in the Health section the project participants' monthly reports are posted.

In support of cultivation of non-acceptance of smoking a campaign on smoking cessation Let's Give Up Smoking Together! was conducted in 17 Russian cities. More than 500 bank employees participated in the campaign. Under this campaign a special seminar was also conducted involving specialists from Allen Carr Centre, a corporate video clip on smoking hazards was created with the participation of bank employees, motivational posters on giving up smoking were developed and distributed among the bank subdivisions.

Information about the Health programme is integrated into the course for new employees Welcome to Sberbank and into Sberbank virtual school.

Corporate Pension Plan

In 2012, the bank continued to implement its Corporate Pension Plan (CPP), attended by more than 175,000 employees. Sberbank CPP determines principles, common for all employees, on accumulation of pension assets and conditions for granting of an occupational pension.

In 2012, the CPP participants received pension contributions to their individual retirement accounts (IRA) in Sberbank Pension Savings Fund (PSF) which contributed to establishing long-term labor relations with employees and granting to them in future of additional retirement benefits. After retirement the programme participants will be granted an occupational pension, which will be paid from the funds accumulated in their individual retirement accounts in Sberbank PSF. In order to check the amount of funds accumulated in the opened IRA, a special resource (a personal account) was set up at the Sberbank PSF site, where each CPP participant can get information about his/her retirement savings

WORK PLACES FOR THE DISABLED PEOPLE

Due to the specific nature of its activities (work with customers, their monetary funds and material valuables) the bank has certain restrictions in recruiting the disabled people (DP). Nevertheless lately we started to pay more attention to enabling this social category with the opportunity to realize of their labor potential. In particular, in 2012 the bank continued implementation of the DP recruitment programme in subdivisions of its Unified Distributed Contact Centre (see the case). This experiment was declared successful and the bank plans to continue the practice of hiring the disabled people.

Recruitment of The Disabled People to Sberbank

In 2011, at the bank Unified Distributed Contact Centre (UDCC) a programme Equal Opportunities was launched. The objective of this programme is to organize work places for the disabled people in order to exercise their right to decent employment and self-fulfillment.

In 2011, departments of the regional contact centre (DRCC) in Voronezh (Tsentralno-Chernozemny bank), Volgograd (Povolzhsky bank) and Yekaterinburg (Uralsky bank) were involved into the programme implementation, and in March 2012 they were joined by Omsk (Zapadno-Sibirsky bank) DRCC.

The programme is implemented in close cooperation with All-Russian, regional and municipal societies of the disabled, Social Protection Administrations, employment bureaus, technical schools-asylums, non-governmental organizations of young disabled people and centres for the rehabilitation of disabled persons.

At the end of 2012 34 employees with various disability statuses and 15 mothers of disabled children worked at UDCC.

All potential employees from among HP had a standard interview for job applicants on a non-preferential basis. Prior to the interview the disabled people participated in the excursion to the contact centre and observed the operators' work, assessing their abilities and possibilities for successful work at this position.

The DRCC provided these specialists with decent work conditions. New contact centres in Omsk and Volgograd are equipped with 30 purpose-designed work stations for wheelchair users, specially adjusted amenity rooms (toilets, lifts, passages, car parking etc).

Median age of the HP employees is currently about 26,5 years (the specialists' age ranges from 19 to 43 years).

The programme presented itself very well. Employees are extremely motivated on achievement of success, well adapt for working conditions. Well-knit staff plays a significant part as it enables the disabled employees to fully join the bank team ranks.

How We Manage Business

SHAREHOLDER AND INVESTOR COOPERATION

Quality improvement of corporate management and activity transparence is a prerequisite for enhancing the bank investment attractiveness and the guarantee of respecting the minority interest. We assume it is very important to implement the best international practice into corporate management, but the rate of change depends largely on the conditions of the regulatory environment and good business practices formed in target markets.

Corporate management development in the bank takes place in five key directions: information disclosure, audit and risk management, Supervisory board, shareholder rights and remuneration. Below find presented the main results on these directions in 2012.

MAIN RESULTS IN CORPORATE MANAGEMENT IMPROVEMENT IN 2012

Information disclosure	◣ Regular meetings with investors in Moscow, participation in financial conferences, holding various presentations and meetings (road show) ◣ Conference-calls on financial statements disclosure and other important events for the bank activities with participation of the bank top management. ◣ Holding of Investor Day and Analyst Day ◣ Synchronization and back-to-back information disclosure in the English and Russian versions of the site in accordance with the disclosure requirements of international stock markets ◣ Annual General shareholder meeting (AGSM) online translation in English and Russian languages Live webcast of the annual General meeting of shareholders (AGMS) in the English and Russian languages. ◣ Sberbank is one of the few companies with the proven and well-defined system of monthly financial statements' disclosure in accordance with RAS (Russian accounting standards). ◣ Disclosure of the agenda and decisions of the Supervisory board in the form of a corporate action notice at the bank site. ◣ More than 260 meetings were held with the participation of more than 1000 investment funds' representatives, including about 200 conference-calls with investors and analysts
Audit and Risk Management	◣ Creation of the Group Risk Committee ◣ The decision is taken on going of the subdivision manager responsible for risk management into the bank Board ◣ Creation of the Policy on group risk management and the legal framework for various risk types (For detailed information on approaches to risk management see Management Report)
Supervisory Board	◣ Increase of the number of independent directors from six to nine ◣ In 2012, the decision was taken on public disclosure of the information on attendance by directors of Supervisory Board meetings ◣ In 2012, the decision was taken to assess the Supervisory Board activity by an independent consultant. Sberbank is the first company with public ownership to carry out such assessment ◣ Participation of independent members in the Committee meetings on cooperation with minority shareholders

Shareholders' Rights	◣ The Committee on cooperation with minority shareholders continues its energetic activities (see below) ◣ The Call centre for Sberbank shareholders continues its work: in 2012 it received about 1800 calls. ◣ The annual perception study was undertaken by Sberbank (see the results in separate insertion) ◣ As a result of selling new Sberbank shares the CB share in the bank authorized capital was reduced to 50% plus one voting share; the free-float share fraction increased to 50% minus one voting share. ◣ Corporate secretary service is established
Remuneration	◣ Regular information disclosure on remuneration of the bank key-managers, including members of the Board, in the quarterly report in accordance with the regulators' requirements ◣ The decision was taken to level remuneration of all Supervisory board members and pay extra for the membership and chairmanship in committees. In 2013, the Regulation on SB members' remuneration will be submitted for approval by the shareholder meeting

RESULTS OF INSTITUTIONAL INVESTORS' SURVEY CONDUCTED IN 2012

List of key topics of investors' concern	Key results of the perception study
◣ Basic financial indicators: return on equity and on assets, net profit, net interest margin, overdue payments and reserve funds, the loan portfolio size and growth, capital adequacy, performance indicators, the bank elements of expense (in particular, control and regulation of operating costs' increase) ◣ Forecast for 2013, principles of achieving the declared financial indicators ◣ Sberbank international strategy, plans for subsidiary banks' integration, efficiency of these acquisitions and possible synergy ◣ Developing investment business ◣ Sberbank's SPO ◣ Dividend policy (the amount and possible further increase of dividend payouts) ◣ New development strategy ◣ CSO-lending development, Cetelem purchase ◣ Macroeconomic Indicators ◣ Funding Plans ◣ Business Risk Management	◣ Level of the bank financial communications is assessed as Upper intermediate and The best in the sector (in the context of emerging markets) ◣ Sberbank carries out qualitative financial information disclosure, provides access of analytical society to top management. ◣ Both management team and mid-level management participating in meetings with investors and analysts possess high competence level. ◣ Sberbank equity story is considered to be one of the most attractive stories in the world: undervalued shares, high profit, high growth potential in the Russian retail market and successful transformations inside the bank ◣ Sberbank flagship role in the development of the bank retails market in Russia is noted as the bank key strategic objective. ◣ Transparency growth in corporate management: dividend policy, availability of top-management and financial information disclosure

In 2012, the Committee on cooperation with minority shareholders continued its work The Committee held five offsite meetings: in Volgo-Vyatsky bank (Nizhny Novgorod), Baykalsky bank (Irkutsk), Severo-Zapadny bank (St.-Petersburg) and in Sibirsky bank (Novosibirsk).

At the organization of meetings in regions was used the video conferencing that allowed to provide participation of more than 550 minority shareholders and provided them with the possibility of direct communication with the bank top-management representatives. Besides, Internet translation of the committee meetings on web pages of regional banks was provided in real time for shareholders who couldn't attend the meeting personally.

FREQUENTLY ASKED QUESTIONS OF SHAREHOLDERS IN REGIONS

Questions	Comments
Dividend Policy	The bank seeks to remain in the gradual uptrend in relation to dividend payouts.
Credit/deposit rates	Interest-rate policy is determined by he current market environment. At the same time the bank seeks to reinforce its market positions while preserving the interest margin
Expansion of the Internet-services list, broker services, tariffs, investment funds	The bank consistently broadens offered services. Integration with Troika Dialog should reach synergies for the development in this direction.
Stock Options Plan	The issue is under discussion with the regulator and the primary shareholder
Depository receipts, sales of 7,58% of shares	Sale is recognized to be successful
Conversion of preferred shares into ordinary	Alterations in the bank capital stock are not currently discussed.
Sberbank international expansion, purchase of Troika Dialog	It was necessary for the diversification of business and establishing the bank as a global player
Sberbank New Development Strategy	Development is in process, it will be adopted in 2013

In 2012, in Moscow were held six in-person committee meetings with participation of the bank top managers on which the following issues were discussed:

- IT-block results;
- Sberbank of Russia international expansion;
- Visit to the Corporate university, 2011 CSR report presentation;
- CSO-lending, purchase of Cetelem;
- using the crowdsourcing technology in Sberbank, the first results of crowdsourcing platform functioning;
- 2012 results, discussion of 2013 plans.

INTERVIEW

In 2012, the Committee on cooperation with Sberbank of Russia minority shareholders conducted the survey of the Supervisory Board independent members on a number of criteria characterizing the quality of their own activity and the Supervisory Board activity in general. The results were presented to shareholders at the Annual meeting. Further the committee hopes that the obtained results will be taken as a basis for carrying out an assessment of the Supervisory board with involvement of the independent consultant. Perhaps, it is the most important task resolved by the committee in 2012.

A.V. Danilov-Danilian,
Chairman of the Committee on cooperation with the bank minority shareholders

As a whole it would be desirable to state the developed good level of the relations of committee with representatives of management and Supervisory board members, efficiency of receiving from them of answers to inquiries, openness of the dialogue, adequate level of self-criticism and readiness to bring improvements in the work.

Among the committee short-term plans is the consideration of issues that are most important for Sberbank shareholders. Let's mention the core ones: about the activities of the bank retail, corporate and investment blocks, about the Credit Factory performance results, about new strategy of development, about the issues of the bank business-model sustainability under the conditions of persisting uncertainty at the world financial markets and weakness of the non-oil-and-gas sector of the Russian economy.

COMPLIANCE

Compliance understood as conformity of the bank activities with the legislation, standards of self-regulatory organizations and ethical business practices is currently an important factor of confidence building towards financial institutions and the indicator of their legal maturity. Sberbank builds the compliance-risk management system in such directions, as:

- prevention of mismanagement and corruptive delinquencies;
- prevention and resolution of conflicts of interest, arising in the process of the bank activities;
- combating money laundering and terrorist financing;
- observance of license and other regulatory requirements in the sphere of financial markets;
- ensuring market behavior and the fair competition at commission of transactions in financial markets, prevention of abusive practices in financial markets (use of insider information, a manipulation the prices and others);
- observance of economic sanctions and restrictions imposed by the Russian Federation, as well as international organizations and the certain states;
- assurance of customer rights, including investment activities.

The bank seeks to develop compliance-culture as part of the corporate culture and sets itself the objective to achieve observance of compliance requirements by all employees.

Sberbank actively applies the best practices on prevention of the insider information use and market manipulation, among others the bank approved and posted to its web-site the list of the insider information, imposes restrictions on securities transactions by the bank and its subsidiaries and associated companies. The bank created the relevant legal framework for managing conflicts of interest issues, including at transactions with interest; regulated mechanisms of decision-making and behavior standards of the bank's employees.

Unfortunately, in 2012 we faced again the corruption facts among the staff of the bank — 4 people were arrested on commercial bribery charge. It is collaboration of law-enforcement authorities and the bank security service. Further we plan to toughen the measures aimed at counteracting corruption. In 2013, we plan to develop and adopt the bank internal policy in the sphere of counteracting corruption.

The bank also pays special attention to counteracting the legitimization of the proceeds of crime (money laundering) and the financing of terrorism (AML/FT).

The measures taken in 2012 and allowing to make this work more effective, included:

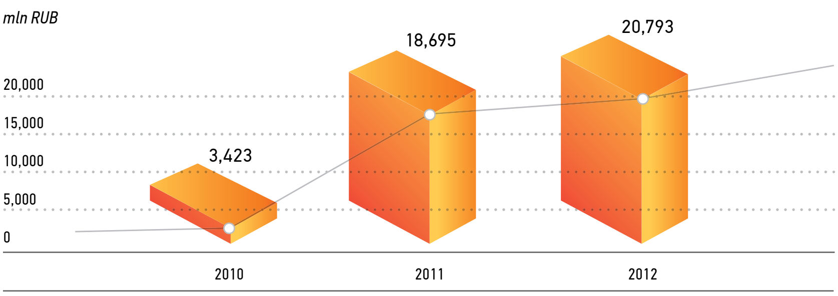
- special training seminar with participation of representatives of profile federal departments and the Bank of Russia which was attended by about 300 managers and employees of financial monitoring subdivisions;
- development of a specialized multimedia training course on CML/FT to enable distant learning of the bank staff;
- automation of a number of core processes allowing to fulfill requirements of the federal legislation effectively;
- updating of internal methodological recommendations for all subdivisions of the bank submitted on identification of transactions which are subject to mandatory monitoring, and transactions concerning which there are suspicions that they are carried out for legalization (laundering) of income gained by a criminal way, or terrorism financing.

DEVELOPMENT OF PROCUREMENT SYSTEM

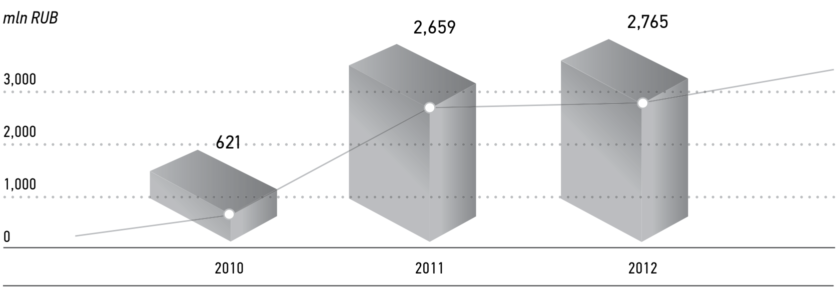
We consider the organization of the own procurement system not only from the point of view of enhancement of operational activities' efficiency, but also as an important factor of counteraction of corruption activity by means of ensuring transparency and regulation of the whole process.

INDICATORS OF E-AUCTIONS USING BY SBERBANK FOR ACQUISITION OF GOODS AND SERVICES IN 2010-2012

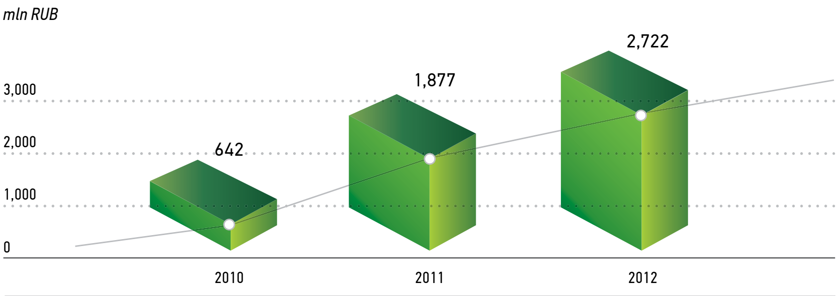
SALES THROUGH E-AUCTIONS



SAVINGS THROUGH E-AUCTIONS



NO. OF E-AUCTIONS



Since 2012 the bank procurement activity is carried out on the basis of OJSC Sberbank of Russia Provisions on procurement, developed in accordance with the Federal Law №223-FZ dated 18.07.2011 On Procurement of goods, works and services by certain types of legal entities. In order to ensure procurement transparency the bank established a special information portal to collect information about purchases of the bank subdivisions. For the bank subsidiaries was developed and approved the Standard Provision on procurement, it will be applied to subsidiaries with the bank's share over 50% since 01.01.2013.

Since 2012 in the bank function unified Bidding Commissions, and standard pro-forma documents (tender and auction documentation, contracts) are actively used in procurement activities.

The bank also actively uses in its procurement activity the opportunities provided by the electronic platform Sberbank-AST. In 2012, 2,722 electronic auctions were carried out to the amount of 20,8 billion roubles. Electronic procurement in the bank objectives resulted in creation of a real competitive environment and saving of 2,8 billion roubles on price reduction.

In 2013, the bank plans to create the Service Support Centre for the purpose of procurement central planning and service quality improvement of purchasing subdivisions of the bank (in relation to reduction of time limits for contract approvals, cost reduction etc).

About the Report

CONTENTS OF THE REPORT

OJSC Sberbank of Russia report on corporate social responsibility for 2012 (hereinafter — the Report) forms part of the bank Annual report which also includes the Management Report and Financial statements. The previous report on corporate social responsibility as part of the bank Annual report for 2011 was disclosed at the Annual general meeting of the bank shareholders on June 1, 2012.

The Report discloses the bank performance results following the priority growth areas, determined by its Policy in the sphere of corporate social responsibility, including:
- contribution to economic growth and business development: small business support, ensuring availability of financial services, participation in creation of the legal environment;
- social aspect of business: customer service quality improvement, enhancement of the population financial literacy, ensuring availability of financial services, offering socially responsible products and services, safety of banking products and transactions;
- local communities' support, charity and sponsorship;
- responsible corporate behavior;
- own environmental impact, minimization of negative environmental impact
- investing in human capital: personnel training, development of motivation systems and personnel remuneration, corporate benefits, employment for persons with disabilities.

Special attention in the report is paid to the issues of stakeholders' engagement.

For definition of the Report contents were carried out the following procedures:
- interviewing of the bank managers;
- analysis of the sectoral nonfinancial reporting contents;
- analysis of the Russian business press;
- the results of the employees and customers' surveys;
- the results of institutional investors' survey;
- the results of the public discussion of the previous Report with the use of the crowdsourcing platform.

The Report takes into account essential subjects that are of interest for the bank key stakeholders, including:
- corporate and retail customers;
- employees;
- society and local communities;
- majority and minority shareholders, investors;
- the state represented by federal, regional and municipal government authorities.

The list of main stakeholders was developed in the course of preparation of the Bank Corporate Social Responsibility Policy (available at: (http://www.sbrf.ru/common/img/uploaded/files/pdf/POLICY_for_Corporate_Social_Responsibility.pdf).

REPORT BOUNDARY

Information and indicators contained in the Report, including those about the personnel structure and number relate to the bank activity on the territory of the Russian Federation. The data on subsidiaries and associated companies are outside the Report boundary.

The Report discloses information for 2012, as of 31.12.2012. Nevertheless in order to depict the dynamics of certain key processes, in a number of sections data for previous periods is provided. Information and expert opinions set forth in the Report, are relevant solely on the Report submission date and may change without prior notice.

The Management Report contains consolidated financial results for the Sberbank Group, prepared in accordance with the International Financial Reporting Standards. Charity expenses are disclosed in the RAS Profit and Loss Statement 2012.

For calculation of direct and indirect emissions of greenhouse gases from the consumption of heat and electricity as well as greenhouse gas emissions from using fuel when transporting, were used IPCC Guidelines for National Greenhouse Gas Inventories and the RF National Report on cadastre of man-made emission from sources and absorption by greenhouse gas sinks outside the scope of Montreal Protocol for 1990–2010.

Neither the Report nor any part therein contains and should not be interpreted as an offer or incentive to make a purchase or issuance or as an attempt to make a bid, a tender, underwriting or other acquisition, or as a recommendation to such acquisition of any shares or equity securities issued by the bank or any bank subdivision; also neither the Report nor any part therein, as well as the fact of its submission or distribution should be interpreted as the basis, direct or indirect, for concluding any contractual relations, undertaking any obligations or taking investment decisions.

The Information from the Report may contain forward-looking statements. Forward-looking statements include all statements that are not historic facts, statements concerning bank intentions, opinions or current expectation relating among other things to the bank operational indicators, its financial status, liquidity, perspectives, growth, strategies and the sphere of the bank functioning. By their nature, forward-looking statements involve risk and uncertainty as treat events which may not take place in the future and depend on circumstances that may not occur in the future.

Hereby the bank warns that forward-looking statements are not the guarantees of achievement of the specified indicators in the future; the actual operational indicators, indicators of the financial status, liquidity and development of the sector where the bank operates may vary considerably from those specified and offered in forward-looking statements contained in the Report. Besides, even if the bank operational indicators, its financial status, liquidity position and development indicators for the sector where the bank operates do correspond to the forward-looking statements contained either in this presentation or in oral statements, such indicators may not serve as a guideline for indicators or events of future periods.

Information and expert opinions set forth in the Report, are relevant solely on the Report submission date and may change without prior notice.

INTERNATIONAL STANDARDS' APPLICATION

The Report is prepared in accordance with the Global Reporting Initiative Sustainability Reporting Guidelines (hereinafter — GRI Sustainability Reporting Guidelines) and sectoral supplement for financial service sector. The Report corresponds to the application level B of GRI Sustainability Reporting Guidelines (see GRI Content Index at pp. 81–91). Besides, at the Report preparation the approaches were used determined by ISO 26000 and AA 1000 standards.

CONTACT DETAILS

Information on the issues of Sberbank corporate social responsibility as well as comments and suggestions about the Report structure and contents can be sent to the Strategy and Development Department at the address: 19 Vavilova Street, Moscow, Russia, 117997 or by e-mail: csr@sberbank.ru

Supplements

ACTUAL HEADCOUNT OF THE BANK

Regional bank	**31.12.2010**	**31.12.2011**	**31.12.2012**
Baikalsky bank	6,616	6,569	7,028
Volgo-Vyatsky bank	22,912	22,586	22,682
Vostochno-Sibirsky bank	6,014	5,849	6,178
Dalnevostochny bank	8,089	7,877	8,211
Zapadno-Sibirsky bank	8,385	8,633	10,487
Zapadno-Uralsky bank	10,302	10,327	11,064
Moscow bank	17,655	17,307	16,183
Povolzhsky bank	24,905	24,658	23,919
Severny bank	8,859	8 836	9,103
Severo-Vostochny bank	3,558	3,567	3,461
Severo-Zapadny bank	19,122	19,338	18,724
Severo-Kavkazsky bank	8,162	8,290	8,647
Sibirsky bank	15,154	15,140	15,529
Srednerussky bank	20,209	20,057	21,228
Uralsky bank	21,701	21,689	21,166
Tsentralno-Chernozemny bank	16,055	16,077	16,555
Yugo-Zapadny bank	14,516	14,616	15,106
Central Head Office	9,113	9,621	10,045
TOTAL	**241,327**	**241,037**	**245,316**

BANK STAFF BY GENDER

Regional bank	31.12.2010		31.12.2011		31.12.2012	
	Females	Males	Females	Males	Females	Males
Baikalsky bank	5,250	1,366	5,212	1,357	5,478	1,550
Volgo-Vyatsky bank	18,330	4,582	17,813	4,773	17,575	5,107
Vostochno-Sibirsky bank	4,713	1,301	4,533	1,316	4,726	1,452
Dalnevostochny bank	6,519	1,570	6,201	1,676	6,604	1,607
Zapadno-Sibirsky bank	6,348	2,037	6,265	2,368	6,782	3,705
Zapadno-Uralsky bank	7,638	2,664	7,705	2,622	8,275	2,789
Moscow bank	14,697	2,958	14,095	3,212	12,492	3,691
Povolzhsky bank	19,573	5,332	19,311	5,347	17,878	6,041
Severny bank	6,996	1,863	6,898	1,938	6,974	2,129
Severo-Vostochny bank	2,876	682	2,870	697	2,744	717
Severo-Zapadny bank	14,973	4,149	15,020	4,318	14,118	4,606
Severo-Kavkazsky bank	5,640	2,522	5,664	2,626	5,664	3,001
Sibirsky bank	11,952	3,202	11,929	3,211	11,968	3,561
Srednerussky bank	15,891	4,318	15,548	4,509	15,971	5,257
Uralsky bank	16,892	4,809	16,765	4,924	15,839	5,327
Tsentralno-Chernozemny bank	12,022	4,033	11,925	4,152	12,061	4,494
Yugo-Zapadny bank	10,939	3,577	10,943	3,673	11,155	3 951
Central Head Office	4,905	4,208	5,154	4,467	4,991	5,054
TOTAL	**186,154**	**55,173**	**183,851**	**57,186**	**181,277**	**64,039**

BANK STAFF BY AGE

Regional bank	31.12.2010			31.12.2011			31.12.2012		
	Under 30	30–50 years	Over 50	Under 30	30–50 years	Over 50	Under 30	30–50 years	Over 50
Baikalsky bank	2,384	3,604	628	2,230	3,723	616	3,082	3,323	623
Volgo-Vyatsky bank	6,702	13,728	2,482	7,383	12,844	2,359	8,421	12,135	2,126
Vostochno-Sibirsky bank	2,053	3,356	605	2,158	3,200	491	2,408	3,277	493
Dalnevostochny bank	2,775	4,412	902	2,594	4,338	945	2,909	4,793	509
Zapadno-Sibirsky bank	3,090	4,634	661	3,547	4,472	614	4,378	5,470	639
Zapadno-Uralsky bank	2,796	6,297	1,209	3,001	6,187	1,139	3,911	6,097	1,056
Moscow bank	7,081	7,794	2,780	7,476	7,397	2,434	7,477	6,451	2,255
Povolzhsky bank	7,705	14,267	2,933	8,364	13,578	2,716	9,412	12,059	2,448
Severny bank	2,191	5,680	988	2,336	5,546	954	2,945	5,176	982
Severo-Vostochny bank	1,095	1,988	475	1,161	1,978	428	1,244	1,859	358
Severo-Zapadny bank	5,355	10,738	3,029	6,093	10,414	2,831	5,447	10,033	3,244
Severo-Kavkazsky bank	2,499	4,693	970	2,742	4,584	964	3,347	4,271	1,029
Sibirsky bank	4,044	9,344	1,766	4,308	9,186	1,646	5,673	8,289	1,567
Srednerussky bank	5,819	11,600	2,790	6,208	11,218	2,631	7,697	10,840	2,691
Uralsky bank	6,951	12,298	2,452	7,553	11,748	2,388	8,029	10,824	2,313
Tsentralno-Chernozemny bank	5,378	8,482	2,195	5,611	8,304	2,162	6,563	7,836	2,156
Yugo-Zapadny bank	4,406	8,300	1,810	5,190	7,783	1,643	6,067	7,439	1,600
Central Head Office	2,545	4,948	1,620	3,136	4,855	1,630	5,866	2,418	1,761
TOTAL	**74,869**	**136,163**	**30,295**	**81,091**	**131,355**	**28,591**	**94,876**	**122,590**	**27,850**

BANK STAFF BY EDUCATION

Regional bank	31.12.2010		31.12.2011		31.12.2012	
	Higher education	Secondary vocational education	Higher education	Secondary vocational education	Higher education	Secondary vocational education
Baikalsky bank	4,693	1,260	4,830	1,170	5,850	936
Volgo-Vyatsky bank	16,763	3,973	17,138	3,511	17,517	3,265
Vostochno-Sibirsky bank	4,260	1,296	4,239	1,268	4,558	1,221
Dalnevostochny bank	5,570	1,796	5,843	1,563	6,305	1,484
Zapadno-Sibirsky bank	6,425	1,421	6,804	1,140	7,631	1,552
Zapadno-Uralsky bank	7,257	1,942	7,493	1,967	7,890	2,186
Moscow bank	10,625	4,409	10,878	3,901	9,827	3,523
Povolzhsky bank	18,834	4,605	19,441	4,019	17,780	3,652
Severny bank	6,060	1,834	6,268	1,741	6,696	1,680
Severo-Vostochny bank	2,254	694	2,327	647	2,237	511
Severo-Zapadny bank	13,251	4,032	13,473	4,934	12,980	4,285
Severo-Kavkazsky bank	6,958	762	7,122	745	7,109	812
Sibirsky bank	11,693	2,609	12,221	2,282	12,598	2,147
Srednerussky bank	14,122	4,218	14,781	3,515	15,448	3,631
Uralsky bank	15,422	4,120	15,543	3,885	15,044	3,797
Tsentralno-Chernozemny bank	11,685	3,072	12,042	2,830	12,320	2,849
Yugo-Zapadny bank	10,331	3,079	10,406	2,656	11,062	2,522
Central Head Office	6,912	881	7,701	822	8,254	752
TOTAL	**173,115**	**46,003**	**178,550**	**42,596**	**181,106**	**40,805**

BANK STAFF BY TYPE OF EMPLOYMENT

Regional bank	31.12.2010		31.12.2011		31.12.2012	
	Common service staff	Other employee categories	Common service staff	Other employee categories	Common service staff	Other employee categories
Baikalsky bank	3,436	3,180	4,629	1,940	4,148	2,880
Volgo-Vyatsky bank	10,584	12,328	12,319	10,267	12,110	10,572
Vostochno-Sibirsky bank	3,042	2,972	3,956	1,893	3,131	3,047
Dalnevostochny bank	4,496	3,593	5,766	2,111	4,931	3,280
Zapadno-Sibirsky bank	3,938	4,447	4,497	4,136	6,492	3,995
Zapadno-Uralsky bank	5,344	4,958	5,599	4,728	6,263	4,801
Moscow bank	11,417	6,238	11,553	5,754	10,795	5,388
Povolzhsky bank	11,552	13,353	11,529	13,129	14,570	9,349
Severny bank	4,612	4,247	4,551	4,285	4,547	4,556
Severo-Vostochny bank	1,356	2,202	1,322	2,245	1,218	2,243
Severo-Zapadny bank	9,225	9,897	11,013	8,325	10,830	7,894
Severo-Kavkazsky bank	3,587	4,575	3,855	4,435	4,689	3,958
Sibirsky bank	7,029	8,125	7,722	7,418	9,723	5,806
Srednerussky bank	9,586	10,623	9,671	10,386	11,498	9,730
Uralsky bank	10,896	10,805	11,082	10,607	12,032	9,134
Tsentralno-Chernozemny bank	7,105	8,950	7,790	8,287	9,695	6,860
Yugo-Zapadny bank	7,288	7,228	7,622	6,994	8,473	6,633
Central Head Office	3,424	5,689	4,360	5,261	2,947	7,098
TOTAL	**117,917**	**123,410**	**128,836**	**112,201**	**138,092**	**107,224**

AVERAGE STAFFING NUMBER

Regional bank	2010	2011	2012
OJSC Sberbank of Russia	237,253	231,304	233,396
including:			
Head Office	8,341	9,378	9,706
Regional banks, including	228,912	221,926	223,690
Baikalsky bank	6,882	6,718	6,638
Volgo-Vyatsky bank	22,749	21,595	21,526
Vostochno-Sibirsky bank	6,068	5,769	5,746
Dalnevostochny bank	8,232	8.040	7 815
Zapadno-Sibirsky bank	8 465	7,933	8,991
Zapadno-Uralsky bank	10,297	9,921	10,068
Moscow bank	17,283	16,710	16,263
Povolzhsky bank	24,771	23,441	23,895
Severny bank	8,911	8,680	8,732
Severo-Vostochny bank	3,714	3,594	3,618
Severo-Zapadny bank	18,808	18,247	18,534
Severo-Kavkazsky bank	7,932	7,835	7,828
Sibirsky bank	14,981	14,460	14,541
Srednerussky bank	20,290	19,733	19,854
Uralsky bank	19,822	19,966	20,070
Tsentralno-Chernozemny bank	15,246	15,397	15,484
Yugo-Zapadny bank	14,461	13 887	14,087

GOVERNING BODIES

Regional bank	Head count											
	Total		By age						By gender			
			Under 30		30–50 years		Over 50		Females		Males	
	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012
Supervisory Board OJSC Sberbank of Russia	17	17	0	0	6	4	11	13	3	2	14	15
Management Board of OJSC Sberbank of Russia	13	14	0	0	12	11	1	3	2	2	11	12
Baikalsky bank	10	11	0	0	7	8	3	3	3	3	7	8
Volgo-Vyatsky bank	11	13	0	0	9	12	2	1	2	2	9	11
Vostochno-Sibirsky bank	11	10	0	0	9	6	2	4	4	4	7	6
Dalnevostochny bank	12	7	0	0	6	4	6	3	5	3	7	4
Zapadno-Sibirsky bank	12	11	0	0	11	10	1	1	3	3	9	8
Zapadno-Uralsky bank	9	10	0	0	8	9	1	1	2	2	7	8
Moscow bank	7	7	0	0	6	6	1	1	0	0	7	7
Povolzhsky bank	9	10	0	0	7	8	2	2	0	0	9	10
Severny bank	11	14	0	0	7	10	4	4	4	5	7	9
Severo-Vostochny bank	8	12	0	0	5	11	3	1	5	7	3	5
Severo-Zapadny bank	12	9	0	0	8	4	4	5	2	2	10	7
Severo-Kavkazsky bank	12	14	0	0	11	12	1	2	1	3	11	11
Sibirsky bank	13	12	0	0	11	10	2	2	6	5	7	7
Srednerussky bank	10	11	0	0	6	7	4	4	1	1	9	10
Uralsky bank	13	13	0	0	7	7	6	6	5	5	8	8
Tsentralno-Chernozemny bank	16	15	0	0	10	7	6	8	8	7	8	8
Yugo-Zapadny bank	10	11	0	0	8	9	2	2	5	5	5	6

INJURY RATE

Regional bank	Total injuries in 2012	Fatal injuries	Total injuries in 2011 (for information purposes)
Baikalsky bank	7	0	13
Volgo-Vyatsky bank	9	0	19
Vostochno-Sibirsky bank	3	0	2
Dalnevostochny bank	11	1	14
Zapadno-Sibirsky bank	6	0	7
Zapadno-Uralsky bank	11	0	9
Moscow bank	19	0	12
Povolzhsky bank	23	0	28
Severny bank	12	1	10
Severo-Vostochny bank	2	0	3
Severo-Zapadny bank	27	0	24
Severo-Kavkazsky bank	7	0	4
Sibirsky bank	12	0	16
Srednerussky bank	34	0	10
Uralsky bank	22	1	23
Tsentralno-Chernozemny bank	19	0	21
Yugo-Zapadny bank	13	1	16
Head Office	3	0	7
TOTAL	**240**	**4**	**238**

EMPLOYEE TURNOVER

%	2010		2011		2012	
Regional bank	Retirement	Turnover	Retirement	Turnover	Retirement	Turnover
Baikalsky bank	16.7	7.4	15.4	8.6	20.2	16.1
Volgo-Vyatsky bank	14.2	7.3	17.2	13.3	24.0	16.9
Vostochno-Sibirsky bank	17.2	12.9	21.3	15.7	16.7	15.3
Dalnevostochny bank	14.8	8.8	18.4	13.9	23.2	12.7
Zapadno-Sibirsky bank	12.9	6.5	18.6	17.0	17.6	14.8
Zapadno-Uralsky bank	12.0	6.1	14.0	11.0	21.0	18.2
Moscow bank	20.5	11.1	22.8	21.2	30.0	27.9
Povolzhsky bank	14.1	6.3	19.2	15.0	29.7	22.5
Severny bank	13.2	5.6	12.1	9.4	18.5	15.9
Severo-Vostochny bank	16.9	9.1	16.2	13.5	26.9	22.4
Severo-Zapadny bank	11.9	6.0	17.3	13.7	21.6	18.3
Severo-Kavkazsky bank	16.7	7.1	12.1	8.4	23.0	14.5
Sibirsky bank	12.8	6.2	13.0	10.6	22.1	15.9
Srednerussky bank	16.4	9.7	20.6	17.6	22.5	21.5
Uralsky bank	14.1	6.7	16.6	11.6	24.6	20.4
Tsentralno-Chernozemny bank	13.6	5.4	16.6	14.5	22.0	18.7
Yugo-Zapadny bank	17.2	9.4	22.0	18.0	23.0	19.8
Head Office	8.7	6.3	15.5	15.1	14.8	14.4
TOTAL	**14.7**	**7.5**	**17.6**	**14.2**	**23.2**	**18.9**

GRI Content Index

GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
1.1. Statement from the most senior decision-maker of the reporting organization about the relevance of sustainability to the organization and its strategy	Opening Statement by Herman Gref, Sberbank CEO & Chairman of Management Board
1.2. Description of key impacts, risks, and opportunities	Opening Statement by Herman Gref, Sberbank CEO & Chairman of Management Board Interview with Denis Bugrov, Sberbank Senior Vice President, Board member About the Report Management Report* Financial Statements** See also Sberbank's Corporate Social Responsibility Policy http://www.sbrf.ru/common/img/uploaded/files/pdf/POLICY_for_Corporate_Social_Responsibility.pdf See also The Development Strategy of Sberbank of Russia up to 2014 http://www.sbrf.ru/moscow/ru/about/today/strategy/
2.1. Name of the organization	About the Report
2.2. Primary brands, products, and/or services	Small Business Support Development of remote channels Service of pensioners Housing loans Management Report Financial Statements Insertion p. 103
2.3. Operational structure of the organization, including main divisions, operational companies, subsidiaries and joint ventures	Management Report
2.4. Location of organization's headquarters	Management Report
2.5. Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	About the Report Financial Statements
2.6. Nature of ownership and legal form	Management Report
2.7. Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Small Business Support Ensuring availability of financial services Housing loans Service of pensioners Financial Statements
2.8. Scale of the reporting organization	The bank's Mission and CSR How does the bank address stakeholder interests? Ensuring availability of financial services Investing in Human Capital Management Report

* Included in the bank's Annual Report (see section About the Report, sub-section Report Content)
** Included in the bank's Annual Report (see section About the Report, sub-section Report Content)

GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
2.9. Significant changes during the reporting period regarding size, structure, or ownership	New model of network management Shareholder and investor relations Management Report Financial Statements
2.10. Awards received in the reporting period	Bank Awards
3.1. Reporting period (e.g., fiscal/calendar year) for information provided	About the Report
3.2. Date of most recent previous report (if any)	About the Report
3.3. Reporting cycle	About the Report
3.4. Contact point for questions regarding the report or its contents	About the Report
3.5. Process for defining report content	About the Report
3.6. Boundary of the report	About the Report
3.7. Limitations on the scope or boundary of the report	About the Report
3.8. Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	About the Report
3.9. Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	About the Report
3.10. Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	About the Report No re-statements
3.11. Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	About the Report No significant changes from previous reporting periods
3.12. Table identifying the location of the Standard Disclosures in the report	pp. 81–91
3.13. Policy and current practice with regard to seeking external assurance for the report	General Information about the Report The Report corresponds to GRI Application Level B and was not subjected to external assurance procedures. However, nearly 2,500 people participated in the web-based public discussion of the Report. See section How does the bank address stakeholder interests?
4.1 Governance structure of the organization	Management Report
4.2 Indication of whether the Chair of the highest governance body is also an executive officer	Management Report Distinction of functions of the Head of the Supervisory Board and the Chairman of Management Board is established by the bank's Charter.
4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Shareholder and investor relations Management Report

GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	How does the bank address stakeholder interests? Shareholder and investor relations
4.5. Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Sberbank Supervisory Board established the limits for fixed official salaries of Board members and imposed restrictions on bonus payments during the year depending on the bank's net profits, implementation of projects and achievement of key performance indicators. Some KPIs reflect, among other things, various social and environmental aspects of the bank's activities. See also sections The main issues discussed in 2012 *(based on the analysis of media coverage),* Motivation and Compensation of Employees, and Remuneration of Board members in the Management Report
4.6. Processes in place for the highest governance body to ensure conflicts of interest are avoided	Provisions of the bank's Charter Compliance
4.7. Process for determining qualifications and expertise of members of the highest governance body for developing the organization's economic, environmental, and social strategies	The highest competence and qualifications of Board members, including economic, environmental and social issues, are confirmed by academic degrees and relevant professional experience.
4.8. Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	The bank's Mission and CSR
4.9. Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance.	Shareholder and investor relations The main issues discussed in 2012 (based on the analysis of media coverage) Management Report
4.10. Processes for evaluating the highest governance body's own performance	Management Report Shareholder and investor relations
4.11. Explanation of whether and how the precautionary approach or principle is addressed by the organization	The bank does not directly use the precautionary principle in relation to its activities
4.12. Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	
4.13. Memberships in associations and/or national/international advocacy organizations	
4.14. List of stakeholder groups engaged by the organization	How does the bank address stakeholder interests? About the Report See also Sberbank's Corporate Social Responsibility Policy http://www.sbrf.ru/common/img/uploaded/files/pdf/POLICY_for_Corporate_Social_Responsibility.pdf
4.15. Basis for identification and selection of stakeholders with whom to engage	See also Sberbank's Corporate Social Responsibility Policy http://www.sbrf.ru/common/img/uploaded/files/pdf/POLICY_for_Corporate_Social_Responsibility.pdf

	GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
	4.16. Approaches to stakeholder engagement	How does the bank address stakeholder interests? Improving quality and reducing queues Employee satisfaction in 2012 Shareholder and investor relations
	4.17. Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	How does the bank address stakeholder interests? Improving quality and reducing queues Employee satisfaction in 2012 Shareholder and investor relations
	Economic Performance Indicators	
	Management approach	Management Report
1.	EC1 (core) Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Financial Statements, Sberbank Group's 5-Year Key Performance Indicators over in Accordance with IFRS (partially) Management Report
2.	EC2 Financial implications and other risks and opportunities for the organization’s activities due to climate change	Performing the functions of a carbon unit operator regarding expert evaluation of projects applied for approval under Article 6 of the Kyoto Protocol
3.	EC3 (core) Coverage of the organization’s defined benefit plan obligations	Corporate pension program Financial Statements The Group applies IAS 19 Employee Benefits for pension liabilities accounting. The corporate pension plan is implemented in cooperation with Sberbank Non-state Pension Fund. Actuarial Report 2011: http://old.npfsberbanka.ru/netcat_files/File/actuarial2011.pdf)
4.	EC4 Significant financial assistance received from government	Financial Statements
	EC5 (add) Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	
5.	EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	To reduce corruption risks and increase transparency, the bank is committed to organize a centralized electronic procurement system. Since main business is geographically distributed, decentralized procurement (other things being equal) is made from local suppliers. See also Development of Procurement System
6.	EC7 *(core)* Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Business of the company is geographically distributed, therefore common service staff is normally employed from local communities. This principle does not always apply to senior management due to the bank’s system of creating succession pool and continuous management rotation.
7.	EC8 *(core)* Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Sponsorship and Charity Charity expenses are disclosed in the RAS Profit and Loss Statement available on the bank’s web-site at http://www.sberbank.ru/moscow/ru/investor_relations/accountability/fin_rep_ras/form_102/

	GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
8.	EC9 *(add)* Understanding and describing significant indirect economic impacts, including the extent of impacts	Opening Statement by Herman Gref, Sberbank President and Chairman of Management Board Interview with Denis Bugrov, Sberbank Senior Vice President, Board member Small Business Support Financial literacy Mortgage lending Developing electronic auction infrastructure
	Environmental Performance Indicators	
9.	Management approach	Managing Environmental Impact
	EN1 Materials used by weight or volume	
	EN2 Percentage of materials used that are recycled input materials	
10.	EN3 Direct energy consumption by primary energy source	Improving Energy Efficiency
11.	EN4 Indirect energy consumption by primary source	Improving Energy Efficiency
	EN5 Energy saved due to conservation and efficiency improvements	
	EN6 Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	
12.	EN7 (add) Initiatives to reduce indirect energy consumption and reductions achieved	Improving Energy Efficiency Electronic document circulation system introduction (in part)
13.	EN8 (core) Total water withdrawal by source	Water is withdrawn exclusively from municipal water supply systems. In 2012 total drinking water consumed reached 5,039,236.46 m^3
14.	EN9 Water sources significantly affected by withdrawal of water	Water withdrawal does not have any significant impact on water sources since water use is not included in production cycle.
15.	EN10 Percentage and total volume of water recycled and reused	Since water is consumed for household needs only, no recycling technologies are used.
16.	EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A
17.	EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N/A
	EN13 Habitats protected or restored	
	EN14 Strategies, current actions, and future plans for managing impacts on biodiversity	
	EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	

	GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
18.	EN16 Total direct and indirect greenhouse gas emissions by weight	Managing Environmental Impact Direct greenhouse gas emissions reached 46,354.7 tonnes of CO_2-equivalent. Indirect greenhouse gas emissions from electric energy consumption reached 628,214.0 tonnes of CO_2-equivalent, heat energy consumption brought 249,111.5 tonnes of CO_2-equivalent.
19.	EN17 Other relevant indirect greenhouse gas emissions by weight	Other greenhouse gas emissions are negligible.
	EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	
	EN19 Emissions of ozone-depleting substances by weight	
	EN20 (core) NOx, SOx, and other significant air emissions by type and weight	
20.	EN21 Total water discharge by quality and destination	Water use is not a part of the production cycle, water discharge is equal to consumption
21.	EN22 (core) Total weight of waste by type and disposal method	Managing Environmental Impact
22.	EN23 Total number and volume of significant spills	N/A
23.	EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and percentage of transported waste shipped internationally	N/A
24.	EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	N/A
25.	EN26 (core) Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Managing Environmental Impact Used paper is collected for further recycling
26.	EN27 Percentage of products sold and their packaging materials that are reclaimed by category	N/A
	EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	
27.	EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Managing Environmental Impact Greenhouse gas emissions from transport fuel in 2011 reached 91,805.7 tonnes of CO_2-equivalent.
	EN30 (add) Total environmental protection expenditures and investments by type	

	GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
	Human Rights Performance Indicators	
	Management approach	Investing in Human Capital
	HR1 Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	
	HR2 Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken	
	HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	
28.	HR4 Total number of incidents of discrimination and corrective actions taken	No incidents of discrimination registered in 2012
29.	HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	The bank provides every opportunity to exercise freedom of association, signs collective bargaining agreement, and cooperates with the trade union. The bank is not involved in any business that may require any restriction of the freedom of association or collective bargaining.
30.	HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	The bank is not involved in any operations that may have significant risk of child labor.
31.	HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	The bank is not involved in any operations that may have significant risk of forced or compulsory labor. Exercising employee labor rights is controlled by the trade union.
	HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	
32.	HR9 Total number of incidents of violations involving rights of indigenous people and actions taken	No incidents of violations involving rights of indigenous people detected in 2012.
	Labor Practices & Decent Work Performance Indicators	
	Management approach	Investing in Human Capital
33.	LA1 (core) Total workforce by employment type, employment contract, and region	Personnel Training Supplements: Actual bank staffing number Average staffing number Bank staff by type of employment
34.	LA2 (core) Total number of employees and employee turnover by age group, gender, and region	Supplements: Actual bank staffing number Average staffing number Employee turnover
35.	LA3 Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation	Corporate benefits All bank employees are staff members.

	GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
36.	LA4 (core) Percentage of employees covered by collective bargaining agreements	Collective bargaining agreements cover all employees of the bank.
37.	LA5 (core) Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Current collective bargaining agreement does not provide for any notice to employees of significant operational changes. Employees are notified of significant changes in bank's operations in accordance with the Russian Labor Code.
38.	LA6 (add) Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Current collective bargaining agreement provides for employer's obligation to control occupational health and safety in close cooperation with the trade union. The bank and its branches have established joint health safety commissions from employer and trade union representatives which operate on a parity basis.
39.	LA7 (core) Rates of injury	Supplements. Injury rate
40.	LA8 (core) Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Available on Sberbank's intranet portal
41.	LA9 (core) Health and safety topics covered in formal agreements with trade unions	The collective bargaining agreement effective in 2010–2013 includes the section Occupational Health and Safety
	LA10 (core) Average hours of training per employee	
42.	LA11 (add) Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Mass Teaching Corporate University
43.	LA 12 Percentage of employees receiving regular performance and career development reviews	Performance Management System The bank operates the 5+system that covers all employee categories.
44.	LA13 Composition of governance bodies and breakdown of employees according to gender, age group, minority group membership, and other indicators of diversity	Supplements. Governing bodies
45.	LA14 Ratio of basic salary and remuneration of women to men by employee category	The bank does not keep records of remuneration by gender.
	Product Responsibility Performance Indicators	
46.	Management approach	Improving quality and reducing queues
	PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	
47.	PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes	No incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services registered in 2012.

	GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
	PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	
	PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	
48.	PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Small Business Support Improving quality and reducing queues
49.	PR6 Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Improving quality and reducing queues
	PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	
50.	PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Safety of banking products and transactions To provide for customer privacy, OJSC Sberbank of Russia has adopted the Personal Data Processing and Protection Policy available at http://www.sbrf.ru/moscow/ru/about/today/data/
	PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	
	Society Performance Indicators	
	Management approach	Improving quality and reducing queues How we engage stakeholders Sponsorship and Charity See also Sberbank's Corporate Social Responsibility Policy http://www.sbrf.ru/common/img/uploaded/files/pdf/POLICY_for_Corporate_Social_Responsibility.pdf
51.	SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	New model of network management
	SO2 Percentage and total number of business units analyzed for risks related to corruption	Development of procurement system
52.	SO3 Percentage of employees trained in organization's anti-corruption policies and procedures	Compliance
53.	SO4 Actions taken in response to incidents of corruption	Compliance
54.	SO5 (core) Public policy positions and participation in public policy development and lobbying	Contributing to creating legal environment
55.	SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	The bank doesn't support any political parties

	GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
	SO7 (add) Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	
	SO7 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	
	Financial Services Sector Supplement to GRI Sustainability Reporting Guidelines	
	Management approach	Management Report
	FS1 Policies with specific environmental and social components applied to business lines	
	FS2 Procedures for assessing and screening environmental and social risks in business lines	
	FS3 Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	
	FS4 Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	
56.	FS5 Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	How does the bank address stakeholder interests?
57.	FS6 Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sectors	Financial Statements
58.	FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Developing Product Range Main socially oriented products in housing financing and 2012 results
	FS8 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	
	FS9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	
	FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	
	FS11 Percentage of assets subject to positive and negative environmental or social screening	
	FS12 Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	
59.	FS13 Access points in low-populated or economically disadvantaged areas by type	New model of network management

	GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
60.	FS14 Initiatives to improve access to financial services for disadvantaged people	Development of remote channels Specialized Formats
	FS15 Policies for the fair design and sale of financial products and services	
61.	FS16 Initiatives to enhance financial literacy by type of beneficiary	Developing Product Range Financial literacy Service of pensioners Support of education and educational establishments

Acronyms and Abbreviations

AI Accident Insurance
B2B Business to Business
B2C Business to Customers
BDC Business Development Centre
CEO Chief Executive Officer
CIO Chief Information Officer
CIS Commonwealth of Independent States
CSR Corporate Social Responsibility
CSO Customer Service Outlet
DP The Disabled People
DRCC Department of the Regional Contact Centre
EDCS Electronic Document Circulation System
EMEA Europe, Middle East and Africa
FT Financial Times
FTS Federal Tax Service
GRI Global Reporting Initiative
HR Human Resources
IR Investor Relationship
IT Information Technologies
LBS London Business School
LMS Learning Management System
OJSC Open Joint-Stock Company
PMS Performance Management System
PR Public Relations
PwC PricewaterhouseCoopers
QMS Queue Management System
RAS Russian Accounting Standards
SaaS Software as a Service
SLA Service Level Agreement
SPO Secondary Public Offering
UDCC Unified Distributed Contact Centre
UCMS Uniform Complaint Management System
UNEP United National Environment Programme
VIP Very Important Person
VMI Voluntary Medical Insurance
ZAO Closed Joint-Stock Company

Glossary

BANK'S OWN IMPACT — positive or negative social, economic or environmental changes that result, in full or in part, from the bank's operations.

BRIEFING — a brief meeting of top managers with mass media to describe the bank's position on a certain issue.

CARBON UNIT — a measure of greenhouse gas emissions, emission reductions, and emission absorption established by the Kyoto Protocol to the UN Framework Convention on Climate Change and other international requirements.

CLIENT VOICE — a marketing research system that allows to identify client attitude to the quality of the bank's service and determine client satisfaction.

CO-BRANDED CARD (Programme) — a bank card issued in cooperation with one or more partner companies (airlines, mobile operators, trade networks, etc) that provides for discounts or bonuses on the goods or services offered by partner companies or target allocations to finance social or charitable programmes.

COMMON SERVICE STAFF (CSS) — front-line employees involved in servicing retail clients, small and micro businesses, UDCC employees, employees of client transaction support centres, collection officers, cash office employees, NPL handling officers, underwriting specialists, etc.

CONTACT CENTRE — a specialized internal operation unit (UDCC) that supports interaction with clients through communication channels (telephone, Internet) on various service-related issues.

CORPORATE SOCIAL RESPONSIBILITY (CSR) — a set of principles and obligations that the bank follows in the fields of

- stakeholder relationship management
- assessment and management of own economic, social, and environmental impact

CREDIT FACTORY — a loan process for retail clients and small businesses based on centralized and auto-mated processing of loan applications followed by loan approval or disapproval.

CROWDSOURCING — finding critical solutions involving intellectual resources of unlimited number of volunteers, normally through IT channels.

CUSTOMER SERVICE OUTLETS — supplementary and operational offices, cash desks outside cash office, and mobile cash offices.

ELECTRONIC PROCUREMENT (AUCTION/REQUEST FOR PROPOSALS) — a competitive procedure for procuring goods, works, services with potential suppliers (participants) making bids on an electronic trading platform. The participant that offered the lowest bid wins the auction.

ENVIRONMENT — a natural environment in which organization operates including air, water, land, natural resources, flora, fauna, humans, outer space, and their interrelation.

GEOMARKETING — marketing survey technology that relies on geographic analysis of various geographically distributed items and events used to identify target audience in the relevant regional unit, determine the best location for a new unit, develop a concept for existing or proposed unit, etc.

INTERNAL CLIENT — a formalized internal structural unit of the bank that consumes services of other internal units.

INTERNAL CLIENT VOICE — a regular employee poll designed to identify satisfaction with internal services.

MINORITY SHAREHOLDER — a holder of shares that has no right to block critical resolutions of a meeting of shareholders.

MISSION — a socially oriented objective of the organization that reflects the sense of its existence, and generally recognized purpose.

OPORA RUSSIA — All-Russia Public Organization of Small and Medium-sized Businesses OPORA RUSSIA.

PHISHING — embezzlement of personal data (credit card numbers, PIN codes, account details, etc.) via Internet through the use of electronic mail and/or fraudulent web-sites with criminal intent against human personality or client assets.

REGIONAL PROGRAMMES — loan programmes stipulated by relevant agreements between OJSC Sberbank of Russia and Russian constituents that provide for loan benefits to improve housing conditions of local community members.

REMOTE SERVICE CHANNELS — ATMs, payment terminals, Mobile Bank, Sberbank OnLine

SCORING MODEL — a quantitative assessment of the probability of default, debt repayment or other target event that may be obtained based on statistical methods or from experts.

SKIMMING — card fraud that involves fraudulent scanning devices (skimmers) used to read card data, for example magnetic strip or PIN code.

STAKEHOLDER — physical persons or business entities, or groups thereof, that affect or are affected by the bank’s operations (clients, employees, shareholders, government authorities, public organizations, etc.)

STOCK OPTIONS PLAN — a formal fixed-term obligation of the company included in employment contracts with top managers to sell a fixed number of shares in a fixed period of time at a fixed price or to pay a pos-itive difference between current value of a fixed number of shares and their future value.

STRATEGY — a formal document approved by the bank's Supervisory Board that identifies the bank's mission and describes its purposes and objectives, and principal ways to achieve them for a certain period of time.

SUSTAINABILITY — the development that meets current needs without threatening the ability of future generations to satisfy their needs.

TRANSPARENCY — openness in decisions and operations that may have social, economic, or environmental impact, and preparedness to exchange relevant information in a clear, exact, timely, fair, and complete manner.

TOP MANAGERS — President, Chairman of Management Board, Vice Chairpersons of Management Board, Senior Vice Presidents, Vice Presidents, Heads of Department.

UNDERWRITING — assessment of credit risk (including integrity check) of a participant in a transac-tion/counterparty/real estate facility performed by an authorized officer of the bank.

Bank Awards in 2012

ACHIEVEMENTS: MONTH UPON MONTH

Date	Award/Prize/Rating	Awarding organization	Country	Achievements (Comments)
February	Brand Finance Banking 500	Brand Finance	The United Kingdom	Sberbank won the 17th place in the rating of the world most valuable brands and the 1st place in Russia. Sberbank's brand value is estimated at USD 10.8 billion. U.S.
February	2nd place in the Decade Rating among the companies whose stock yielded the highest returns	The Economist	U.S.	According to the magazine, $100 invested in Sberbank shares 10 years ago today would yield $3,722. Only Apple has a higher yield ($3,919).
March	Award for Excellence 2011 in Recognition for Outstanding STP Rate	The Bank of New York Mellon	U.S.	The Award recognizes Sberbank's excellent quality of formatting payments routed via its Nostro correspondent account in USD with The Bank of New York Mellon in 2011.
March	Sberbank (Kazakhstan) named the best transnational employer in Kazakhstan at the Cenim 2011 competition.	Cenim 2011 is organized by the Kazakhstan Association of HR Managers. The competition is supported by the Ministry of Labor and Social Protection of the Republic of Kazakhstan and the Kazakhstan National Economic Chamber Atameken Union	Kazakhstan	Companies were rated on the basis of three components: employee involvement index (50%), independent expert evaluation (40%), and social surveys that covered over 3,000 Kazakh residents (10%).
March	Moscow Bank of Sberbank of Russia in the Discovery of the Year category	Banki.ru portal	Russia	For fast changes in appearance, customer care, and business attitude.
March	Breakthrough of the Year	Banki.ru portal	Russia	For Customer Care Service representation in social networks.
April	Sberbank OnLine is named the best Internet bank in Russia	Markswebb Rank & Report	Russia	Sberbank OnLine was the sole Internet banking system that was ranked A which means that the system is a complete replacement of a traditional bank: it provides the options that normally require a visit to the bank (payments, transfers, loan repayments, opening deposits, loan applications, card blocking, etc.)

Date	Award/Prize/Rating	Awarding organization	Country	Achievements (Comments)
April	Sberbank's web-site named the most effective among Russian corporate sites	Bowen Craggs & Co	The United Kingdom	Sberbank came first of all Russian companies in the FT Bowen Craggs Index of Corporate Website Effectiveness with the 37th place, ahead of the two Russian corporations included in the Index Gazprom (46) and Rosneft (70). Sberbank has considerably improved its web-site since 2009 when it was ranked 60th by the Index.
May	Sberbank's Mega Data Center came 2nd in the category Implementing Innovative Energy Saving Technologies in Corporate Infrastructure of the Green Enterprise IT Awards 2012 (GEIT).	Uptime Institute	U.S.	GEIT is the recognition of implementing energy saving technologies in corporate IT infrastructure.
May	Sberbank named the most valuable Russian brand.	Millward Brown Optimor (MBO)	U.S.	According to MBO, Sberbank's brand is estimated at $10.65 billion which makes it the most valuable Russian brand with annual growth rate of 25%. 74th place in the world brand rating.
June	Cash liquidity management system installed on Sberbank's ATMs is recognized by the Innovation in Banking Technology Awards 2012 in the category Innovation in Cash & Treasury Technology.	The Banker	The United Kingdom	For introducing the system that allows to collect and process information about cash available in ATMs and branches to produce daily projections of cash availability in branches and ATMs that allow to optimize collection schedule.
June	Award For Contribution to Developing Commemorative Coin Market in Russia	6th International Contest of Commemorative Coins The Coin Constellation	Russia	Sberbank is the leader in sales of commemorative and investment coins in Russia. As a General Partner of the 22nd Olympic and 11th Paralympic Winter Games Sochi 2014 Sberbank enjoys an exclusive right of sale of precious metal coins devoted to 2014 Games on the Russian territory.
June	Winner in the category The Company of the Year	National Association of Securities Market Participants	Russia	
June	Winner in the category Service Company for Retail Investors	National Association of Securities Market Participants	Russia	
June	Winner in the category Company of the Bond Market	National Association of Securities Market Participants	Russia	

Date	Award/Prize/Rating	Awarding organization	Country	Achievements (Comments)
July	Winner of public vote Consumer Choice in the nomination Retail Service of the Banks category	Consumer Rights Award	Russia	For upgrading the product line, improving service quality and comfort
July	Award For Best Achievements in the category The Best Russian Bank	Euromoney	The United Kingdom	Consolidated evaluation based on multiple criteria: market position, market share, new products, management system, employee skills, performance indicators, shareholders equity, innovative operations, etc.
July	1st place in terms of ROE at The Banker's Top 1000 World Banks 2011	The Banker	The United Kingdom	The Banker's Top 1000 World Banks 2011 is based on Basel international payments technology. The main criteria is the first tier capital (authorized capital plus retained earnings).
July	1st place in terms of ROA at The Banker's Top 1000 World Banks 2011	The Banker	The United Kingdom	
July	1st place in terms of loan-to-asset ratio at The Banker's Top 1000 World Banks 2011	The Banker	The United Kingdom	
August	Quality Recognition Award	JPMorgan	U.S.	For excellent quality of formatting USD payments routed via Nostro correspondent account in USD with JPMorgan.
August	Sberbank's Data Center Yuzhny Port awarded Tier III Certificate from Uptime Institute	Uptime Institute Professional Services	U.S.	Sberbank's Data Centre solutions are based on the best high-performance energy saving technologies that comply with the world best practices. Yuzhny Port Data Centre allows to standardize the support of nearly all banking process which facilitates the introduction of new banking products.
Septem-ber	Herman Gref joined Russian business leaders named by the TOP 1000 Russian Manager rating	Association of Russian Managers	Russia	Rating offers an objective evaluation of professional reputation of Russian top managers based on annual performance, and identifies most professional Russian managers by industries and lines of business.
Septem-ber	Commerzbank AG International Award	Commerzbank AG	Germany	STP Award 2011 for high quality of payments routed via Sberbank's correspondent account in Euro opened with Commerzbank AG in 2011

Date	Award/Prize/Rating	Awarding organization	Country	Achievements (Comments)
October	The Mortgage Lending Leader Award	Expert-RA	Russia	For 9 months 2012, Sberbank granted 252,000 housing loans worth RUB 319.1 billion, a 37% growth y-o-y
October	Sberbank's SPO named The Deal of the Year	Expert-RA	Russia	Sberbank's SPO proved to be the largest privatization deal in Russia, the largest secondary offering on EMEA markets in 2011–2012, and one of the largest public offerings in the world in 2012.
October	Winner of the corporate web-site and online annual report competition in the following categories: ◣ The Best Corporate Web-site 2012 ◣ The Best IR Section of Corporate Web-site 2012 ◣ The Best PR Section of Corporate Web-site 2012 ◣ The Best Online Annual Report 2012	6th St. Petersburg Competition of Corporate Web-sites and Online Annual Reports (Artzenturios intellectual company and St. Petersburg Chamber of Commerce and Industry)	Russia	
October	Sberbank Senior Vice President Victor Orlovsky named the CIO of the Year	Oracle Awards 2012	U.S.	For excellence and innovations in the CIO function
October	Winner of Enterprise Architecture Awards 2012	Forrester Research and InfoWorld	U.S.	For achievements in corporate IT architecture
October	Sberbank's Vice Chairwoman of Management Board, Chairwoman of Supervisory Board of the National Settlement Depository Bella Zlatkis joined the TOP 25 Chairpersons of Boards of Directors ranked by the National Award CEO 2012	Association of Independent Directors and Russian Union of Industrialists and Entrepreneurs (supported by PwC)	Russia	For personal contribution to developing corporate governance, introducing and distributing high standards and best practices of corporate governance and board of directors operation in Russia
October	Deutsche Bank International Award	Deutsche Bank	Germany	For high quality formatting of payments in USD and Euro
October	1st place in the ranking of listed Russian companies of the banking sector in terms of investor relations	Thomson Reuters Extel and IR Magazine Russia & CIS	U.S.	For high quality of investor relations

Date	Award/Prize/Rating	Awarding organization	Country	Achievements (Comments)
October	Sberbank's project The Basic Product won the international project management competition IPMA Project Excellence Awards			
Novem-ber	Winner of East Capital Awards 2012 for the best securities offering	East Capital	Sweden	Sberbank's SPO held in September 2012 proved to be the largest privatization deal in Russia, the largest secondary offering on EMEA markets in 2012–2012, and one of the largest public offerings in the world in 2011.
Novem-ber	Winner of The Big Money award in the category The Deal of the Year	Itogi	Russia	For successful SPO
Novem-ber	Best Annual Report	The Securities Market magazine and Investor.ru portal (supported by FSFM)	Russia	
Novem-ber	Best Annual Report	Expert-RA	Russia	
Novem-ber	A winner of the Ideal Russian Employer ranking	Universum	Sweden	Sberbank was among winners of the Unversum TOP 100 Ideal Employers based on survey of over 8,000 students of leading universities
Novem-ber	Sberbank's Annual Report named the best in the financial sector at the annual competition of annual reports	Moscow Exchange	Russia	
Novem-ber	Sberbank's project Start Your Own Business named a special project by the A Year with Kommersant award	Kommersant Publishing House	Russia	Business Start — Sberbank's programme to finance first-time entrepreneurs. Along with finance, the client obtains a ready-made business scheme: standard business plan prepared by the bank, or a business model offered by franchisor
Novem-ber	Sberbank won the national business award The Company of the Year in the category The Bank of the Year	RBC	Russia	Sberbank was named The Bank of the Year due to the important role it plays in Russian economy and financial system, and due to achieving strategic international objectives and maintaining relative stability in generally unstable global environment

Date	Award/Prize/Rating	Awarding organization	Country	Achievements (Comments)
Novem-ber	Sberbank won The Banker's award in the category The Bank of the Year	The Banker	The United Kingdom	This award recognizes the bank's achievements in the current year. Among the greatest efforts are the SPO which raised $5.2 bln and successful international expansion to Eastern Europe and Turkey.
Decem-ber	1st place in terms of active users in the Moscow Exchange's rating in the Primary Market sector	Moscow Exchange	Russia	
Decem-ber	Sberbank won the award of the Global Trade Review	Global Trade Review	The United Kingdom	Awarded for 2012 results in the category The best bank in trade finance in Russia & CIS based on the survey of more than 6,000 professional market participants in the fields of foreign trade operations and trade finance. Sberbank is the sole Russian bank that won this prestigious award, along with HSBC, Citibank, Deutsche Bank, ING, Standard Chartered Bank, and others.
Decem-ber	1st place in the Rus-sian banks popularity ranking	The Birzhevoy Leader magazine	Russia	"Sberbank has remained an undisputed leader in popularity for quite a long time," the publication notes.
Decem-ber	Sberbank won international award The Best Innovator 2012/2013 in the category Organizational Model and Corporate Culture	A.T. Kearney	Germany	Winners are the companies that proved their ability to ensure effective innovation management and achieve sustainable effect from their implementation.
Decem-ber	Sberbank's project of implementing cash liquidity management system based on OptiCash/OptiNet software reached the final round of the Financial World Innovation Awards 2012	Financial World Innovation Awards	The United Kingdom	
Decem-ber	Sberbank won the PROBA – IPRA Golden World Awards 2012 award in the category PR Project of the Year	PROBA – IPRA Golden World Awards	Russia	Creating the new Sberbank image of the most open and transparent Russian company was named PR Project 2012

Date	Award/Prize/Rating	Awarding organization	Country	Achievements (Comments)
Decem-ber	Sberbank's Mega Data Center won The Datacenter Dynamics Awards in the category Innovation in The Mega Data Center	The Datacenter Dy-namics Awards	The United Kingdom	Sberbank's Data Centre advanced solutions are based on the best high-performance energy saving technologies that comply with the world best practices. The innovation level and energy efficiency of the Mega Data Centre received high scores from the Data Centre Dynamics experts.
Decem-ber	First place in customer service rating 202 among retail banks	Retail Finance	Russia	
Decem-ber	The bonus program Thank You from Sberbank won the category The Best Retail Financial Product	Retail Finance	Russia	
Decem-ber	Sberbank named the best retail Russian bank in 2012	Global Banking & Finance	The United Kingdom	
Decem-ber	Sberbank won the National Banking Award in the category For Marketing Creativity	National Banking Award (founders: Association of Russian Banks, National Banking Magazine)	Russia	
Decem-ber	Sberbank named the most effective and safe bank 2011 by the international payment system Visa	Visa	U.S.	Sberbank recognized a leader in three criteria: the lowest fraud incidence rate in the acquiring network (awarded for the third year running); the most effective handling of disputed transactions; high approval rate of international transactions through debit Visa cards
Decem-ber	Sberbank won the award The Best Private Investor 2012 in the category The Best Broker 2012	Moscow Exchange	Russia	The bank won The Best Broker 2012 award as the bank's managers attracted the highest number of active partici-pants (1,453 users)

The bank's Primary Brands

JSC "SBERBANK LEASING" (SBERBANK LEASING)

Joint-Stock Company Sberbank Leasing has operated on the leasing market since 1993 and has become one of the leaders of the Russian leasing market. The company is included in TOP 20 Leasing Companies by the European Federation of National Associations of Leasing Companies, and in TOP 3 by Expert-RA. The company's business reputation is supported by the international rating agency Fitch Ratings: BBB rating, stable outlook, and national rating AAA. The company has won twice the leading national financial award Financial Elite of Russia and in 2011 was named The Leasing Company of the Year.

The company's mission is to facilitate industrial growth and modernization in all Russian industries and regions. The company ensures that the bank has an effective access to prospective market segments.

Raising availability of leasing services, creating optimal retail solutions for small businesses and industry-wide solutions of large and medium-sized businesses are among Sberbank Leasing's priorities. Since 2012 the Company is focused on developing risk management and retaining product leadership in transport vehicle sector.

The company's regional network includes 64 branches in Russia and subsidiary companies in Belarus, Ukraine, Ireland, and Cyprus.

OJSC Sberbank of Russia is the sole shareholder in the company.

NON-STATE PENSION FUND OF SBERBANK (NPF OF SBERBANK)

NPF of Sberbank is a non-profit organization established on 17 March 1995 in accordance with the Russian President's Decree No 1077 of 16 September 1992 Concerning Non-state Pension Fund of Sberbank. The Fund operates in the fields of mandatory social insurance and non-government retirement benefits, and is licensed for this type of operations (an unlimited License No 41/2).

NPF of Sberbank is an open-end pension fund which concludes retirement agreements with any physical persons or business entities. In 2012 the Fund's client portfolio reached 950,000 customers, a 1.5x growth yoy. For 9 months 2012, the Fund was the third on the Russian market in terms of pension savings. The number of the points of sale within Sberbank's network where Russian residents can conclude a mandatory social insurance agreement rose from 4,300 in 2011 to 7,300 in 2012.

The Fund is the bank's partner in implementing corporate pension programme.

NPF of Sberbank is a member of the National Association of Non-government Pension Funds. On 22 August 2012 NPF of Sberbank was attributed the AAA rating (highest reliability) by the national rating agency. On 4 October 2012, Expert-RA confirmed the Fund's rating at A++ (exclusively high (the highest of the highest) reliability).

SBERBANK CAPITAL LLC (SBERBANK CAPITAL LLC)

Sberbank Capital LLC was established on 17 July 2008. The company is a 100% subsidiary of OJSC Sberbank of Russia structured in the form of a sub-holding that includes 15 branches and 71 subsidiaries.

The main activity of the company is managing non-performing assets of the bank. The company participates in NPL restructuring which involves participation in the borrower's capital or acceptance of non-core assets. The company also develops the investment business (investing in projects that provide synergy effect for existing programmes, or in industries where the company has relevant competencies and experience, or in the projects supported by the government and sponsored by federal agencies or state-owned companies).

Sberbank Capital's team has a highly diversified skills and experience including such sectors as development, housing and commercial real estate management, fuel and energy, transport vehicles, which allows the company to be an efficient partner for the bank in restructuring major non-performing assets.

JSC "SBERBANK — AUTOMATED SYSTEM FOR TRADING" (COMPANY "SBERBANK-AST")

Company "Sberbank-AST" is the largest in Russia operator of electronic trade.

The company's operation is based on advanced technological solutions, highly developed telecommunication infrastructure, and a team of leading professionals in electronic trade. In addition, Sberbank-AST is among the largest operators of e-trade pertaining to bankruptcy proceedings. The company has successfully launched the platform designed specifically for the business entities that are governed by federal law 223-FZ, and is implementing a pilot project of selling assets in the course of privatization.

In 2010 and 2011, Sberbank-AST won The Company of the Year awards in the category Information Technologies (Electronic Trade).

OJSC Sberbank of Russia is the sole shareholder in the company.

CJSC "SBERBANK-TECHNOLOGY" (CJSC "SBERTECH")

CJSC "Sberbank-Technology", a 100% subsidiary of Sberbank, was set up in July 2011 to develop banking and financial software for the Sberbank Group. Today, CJSC "Sberbank-Technology" centres operate in Moscow, Minsk, St. Petersburg, Ekaterinburg, Ryazan, and Novosibirsk.

The company's primary objective is to centralize the entire development effort on the basis of the Group's single IT platform, uniform service quality and risk control standards by creating the best IT competence in Russian and European financial industries, and ensure subsequent leadership in the industry creating the environment for quality growth and distribution of best practices.

CENTRE OF LOYALTY PROGRAMMES (CENTRE OF LOYALTY PROGRAMMES)

Centre of Loyalty Programmes was established by OJSC Sberbank of Russia in 2011 to launch and support the loyalty programme Thank You from Sberbank for Sberbank card holders. The company's services include developing partnerships with merchants and service businesses under the loyalty programme, promoting the programme among the bank's clients, accounting of transactions, bonus crediting/debiting, supporting payments between the bank and merchant partners under the programme.

OJSC Sberbank of Russia is the sole shareholder in the company.

ANO SBERBANK CORPORATE UNIVERSITY (ANO "SBERBANK UNIVERSITY")

ANO "Sberbank University" was established by OJSC Sberbank of Russia in 2012.

The university is focused on providing additional professional training, promoting skills and knowledge, raising professional competence of OJSC Sberbank of Russia's managers. The bank has outsourced part of its HR functions to the company, and the university is responsible for implementing the bank's corporate programme of career growth and development.

OJSC Sberbank of Russia is the sole founder of ANO "Sberbank University".

CJSC "BUSINESS ENVIRONMENT" (CJSC "BUSINESS ENVIRONMENT")

CJSC "Business Environment", a 100% subsidiary of OJSC Sberbank of Russia, was established in 2012.

The company's primary objective is to create a modern information environment for developing small businesses including the implementation of the SberbankStore project designed to select and sell the most effective business solutions in the fields of business creation, development and support throughout the country. The company's business is oriented at raising client loyalty in the small business segment and developing innovative sale channels for banking products.

OJSC Sberbank of Russia is the sole shareholder in the company.

LLC INSURANCE COMPANY "SBERBANK INSURANCE" ("SBERBANK INSURANCE" LTD)

Insurance Company "Sberbank insurance" Ltd merged with the OJSC Sberbank of Russia group of companies in 2012.

The company's services include life insurance including investment protection. In 2012 the company launched successful sales through the bank's network in all 18 Regional Banks and joined the TOP 10 in the industry. The company's affiliation with the Sberbank Group enables it to develop and offer complex innovative products in a fast and timely manner, and provide comprehensive services to various client segments.

OJSC Sberbank of Russia is the sole member in the company.

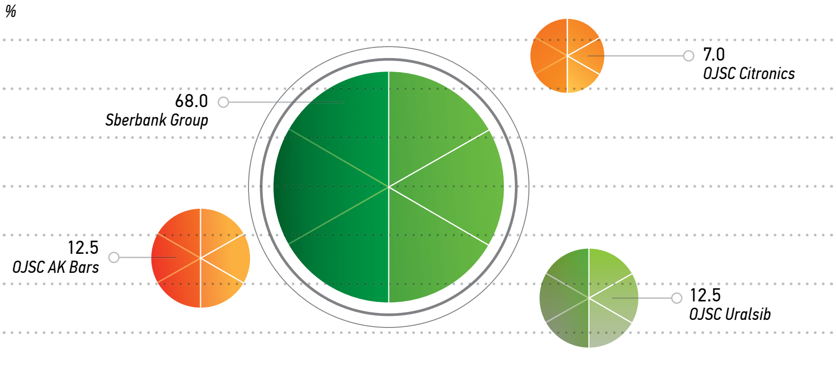
JSC UNIVERSAL ELECTRONIC CARD (JSC UEC)

JSC UEC was established in 2010, and by Resolution of the Government of the Russian Federation No. 1344/p of 12.08.2010 was awarded the status of an authorized federal organization to implement Federal Law No 210-FZ Concerning the Organization of the Provision of State and Municipal Services.

The company's primary line of business is to ensure the issue of UEC cards in all Russian regions through creating a Uniform Payment Service System and ensuring informational and technological interaction among its participants.

JSC UNIVERSAL ELECTRONIC CARD CAPITAL STRUCTURE

%



Operation of the Uniform Payment Service System is intended to ensure the provision of a wide range of federal, municipal and commercial services to the nation.

"SBERBANK FUND ADMINISTRATION" LLC (SBERBANK F.A.)

"SBERBANK Fund Administration" LLC was established by OJSC Sberbank of Russia in 2010. The main line of business is the provision of specialized depository services for investment funds, mutual funds, and non-government pension funds. The company offers professional services to participants of the mutual investment market on the basis of the relevant license issued by the Russian FSFM.

Sberbank F.A. is now at the start-up stage developing in line with Sberbank's general strategy aimed at achieving leadership in every segment of the financial service market (the company's top management is represented by highly qualified professionals that have wide experience in managing leaders of the industry).

Acquisition of Troika Dialog gave a new impulse to company development which will enable the company to move over to the business growth stage and develop new partnerships with major market players.

OJSC Sberbank of Russia is the sole member in the company.

Implementing the bank's development strategy is facilitated by the bank's participation in the following subsidiaries and affiliated companies:

- "Perspective Investments" LLC (100%)
- "Sberbank Investments" LLC (100%)
- "KORUS Consulting CIS" Limited (90%)
- LLC "Sberbank Financial Company" (100%)
- "AUKCION" LLC (100%)
- OJSC "The Auction house of the Russian Federation" (33%)
- OOO Modern Technologies (100%)
- OOO Grand Baikal (50%)
- OOO Regional Cash Settlement Centre (50%+1)