Management Report

Sberbank's Position in the Financial Market

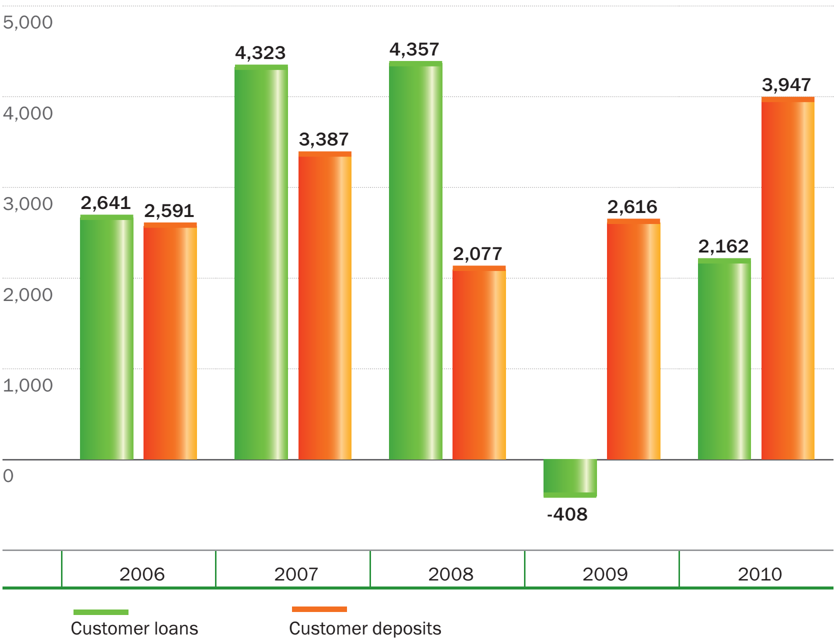
The year 2010 was a period of recovery for Russia after the crisis. GDP growth, as estimated by Rosstat, amounted to 4.0% yet was uneven during the year with the third quarter seeing GDP decline due to extremely hot summer weather conditions. Industrial output gained 8.2% year on year. An accumulation of stock and increased consumption at the beginning of the year, combined with a resurgence of investment activity at the end of the year, were major contributors to industrial output growth.

During 2010 we also saw a turning point in inflation. By mid-summer, Russia's inflation rate had slowed to 5.5% year on year but accelerated in August to close the year at 8.8% year on year with the outlook being for a further increase. Two factors were substantially responsible: rising global commodity prices and the inflationary effect of monetary policy that saw money supply increasing at a year on year rate of 31%.

In 2010, the Russian banking system maintained a strong customer deposit growth rate that substantially outstripped loan growth, as loan demand had just started to pick up. Customer deposits rose 23.4% during the year while customer loans lagged behind at only 13.1% growth for the same period.

GROWHT OF CUSTOMER LOANS AND DEPOSITS IN THE RUSSIAN BANKING SYSTEM

RUB bn



This resulted in a substantial boost to liquidity and lower interest rates on both bank loans and deposits. During the first half of the year, real interest rates were stable; however, in the second half, higher inflation put downward pressure on real interest rates on loans, with interest rates on deposits dipping below inflation. The result was more affordable bank loans which encouraged customer demand and re-invigorated the lending market. Sberbank lent comparatively less than the market and as result the Bank's market share in this segment shrank.

Despite the decrease in rates, lending grew at a slower pace compared to the increase in customer deposits and consequently banks continued building up their securities portfolios. Russian banks as a whole saw investments in securities expand by more than one third over the year, with Sberbank seeing an increase 1.7x which is significantly greater than the market average. This was the main driver behind Sberbank's increased share of banking sector assets.

With sufficient available liquidity, banks repaid funds received during the crisis to the Bank of Russia. In May 2010, Sberbank paid back a RUB 200bn tranche of its subordinated loan from the central bank, with a subsequent reduction of its share of banking sector capital.

At the same time, encouraged by the improved situation on global financial markets, banks resumed international borrowings. Sberbank tapped global capital markets several times during the year to replenish its foreign currency liquidity; funds raised totalled USD 4.75bn and CHF 400m in 2010.

Abundant rouble liquidity supported by a steady inflow of customer deposits allowed Sberbank to lower interest rates on its liabilities and thus cut its interest expenses. This, in turn, decreased the Bank's share of the deposit market.

The stable economic environment was also conducive to better bank loan-portfolio quality. Non-performing loans to legal entities, which increased from 5.9% to 6.3% from January to May, began to decline and ended the year at 5.1%. Non-performing loans to individuals decreased only in the fourth quarter to reach 6.9% by year-end; this is slightly above the 6.8% recorded at the beginning of the year. Non-performing debt increased but at a far slower rate; consequently no additions were made to provisions for loan impairment. Provisions increased by only 4.6% over the year, compared with twofold growth in 2009, and the provisions-to-loans ratio dipped to 8.6% from 9.2%.

At Sberbank, the situation was similar, with the quality of its loan portfolio showing signs of improvement. Provision charges dropped substantially year on year, becoming the Bank's key profit driver and increasing its share of the banking sector's aggregate profit.

Consolidated Statement of Comprehensive Income

INCOME STATEMENT

Sberbank Group earned RUB 181.6bn in net profit under IFRS in 2010, which is more than seven times the net profit earned in 2009 (RUB 24.4bn). Profit before tax was RUB 230.2bn for 2010 and RUB 29.9bn in 2009.

The Group's net interest income totalled RUB 495.8bn in 2010 (RUB 502.7bn in 2009), and net fee and commission income increased by 22.3% to RUB 123.6bn.

The Group's gains from operations with securities recorded through profit or loss amounted to RUB 24.0bn, which is less than the RUB 36.5bn reported in the preceding year.

The Group's net gains from operations with foreign currencies were RUB 14.1bn, or 13% down versus 2009.

As a result, operating income before the provision charge for loan impairment was up 2.9% year on year and amounted to RUB 666.6bn (RUB 648.1bn in 2009).

The Group's net profit increased in 2010 on the back of a reduced provision charge for loan impairment (RUB 153.8bn in 2010 and RUB 388.9bn in 2009).

Operating expenses rose to RUB 282.6bn in 2010 (RUB 229.3bn in 2009).

STATEMENT OF OTHER COMPREHENSIVE INCOME

The Group's comprehensive income reached RUB 206.6bn in 2010, which is five times the previous year's result.

A RUB 31.3bn gain from the revaluation of securities available for sale was credited directly to equity. Thus, total income from securities transactions recorded in the Group's income statement and its statement of other comprehensive income totalled RUB 55.3bn in 2010.

INTEREST INCOME AND EXPENSES

Interest income

The Group's interest income recognised in the consolidated income statement amounted to RUB 795.6bn in 2010, down 2.4% year on year. The decline was the result of a lower return on the Group's major interest-earning assets (the loan portfolio and securities available for sale) with a corresponding increase in the asset value. The table below presents the average annual balances of the Group's assets by asset class, and the related interest income and average annual return.

	2010			2009		
RUB m	Average for the year	Interest income	Average return, %	Average for the year	Interest income	Average return, %
Assets						
Loans and advances to customers	5,622,371	682,010	12.1	5,466,553	752,647	13.8
Debt securities available for sale	1,226,722	83,219	6.8	422,443	40,190	9.5
Due from banks, including correspondent accounts and overnight deposits with banks	336,960	8,073	2.4	370,279	8,141	2.2
Debt investment securities held to maturity	167,404	9,101	5.4	–	–	0.0
Other debt securities designated at fair value through profit or loss	91,692	5,740	6.3	107,631	7,330	6.8
Debt trading securities	87,299	7,503	8.6	83,252	6,654	8.0
Total	**7,532,447**	**795,646**	**10.6**	**6,450,157**	**814,962**	**12.6**
Provision for loan impairment	(666,048)			(390,959)		
Non-interest-earning assets	827,401			685,176		
Total assets	**7,693,800**			**6,744,374**		

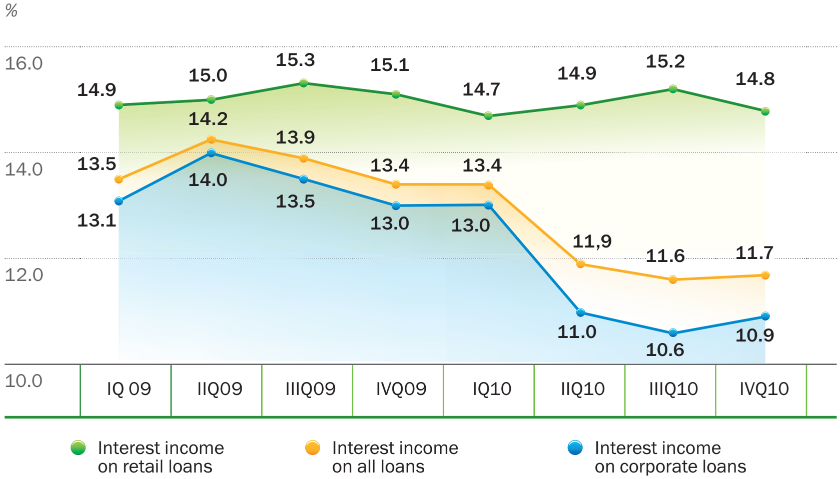
As shown in the table below, interest income received per the statement of cash flows in 2010 was RUB 809.6bn. This is greater than the interest income recognised in the consolidated income statement for the following reason: commissions received on loan products are recorded as interest income in the consolidated income statement using the effective interest method where these commissions are an integral part of the loan product. In the consolidated statement of cash flows, these commissions are recorded in the reporting period in which they are received.

RUB m	2010	2009
Interest income recognised in the income statement	795,646	814,962
Interest income received per the statement of cash flows	809,556	823,100

Interest income on loans to customers amounted to RUB 682bn in 2010. This was RUB 70.6bn lower year on year due to a general decline in corporate-loan interest rates in the Russian financial market in the reporting period. The downward impact of lower interest rates on interest income was not offset by loan book expansion.

INTEREST INCOME ON LOANS TO CUSTOMERS

LOAN PORTFOLIO YIELDS



Interest income on securities increased to RUB 105.6bn in 2010, which is almost twice the amount earned in 2009 (RUB 54.2bn). The increase was primarily due to a substantial expansion of the portfolio of securities available for sale. An analysis of securities portfolio movements is presented in Structure of Assets.

Interest income on amounts due from banks (including interbank loans, nostro accounts and overnight placements) remained largely unchanged at RUB 8.1bn in 2010.

Interest expenses

The Group reduced its interest expenses by RUB 12.4bn to RUB 299.8bn in 2010. The reduction is largely attributable to a decline in the average cost of liabilities from 5.3% to 4.5%. The average annual value of interest-bearing liabilities rose 13.3% due to continued growth in retail deposits. The table below presents the average annual balances of the Group's liabilities by liability class, the related interest expense and average annual cost of funds.

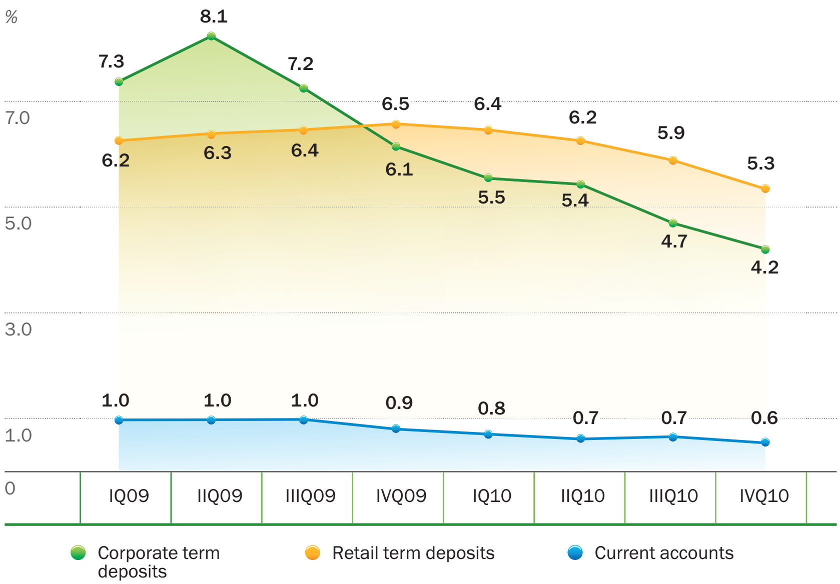
	2010			2009		
RUB m	Average for the year	Interest expense	Average cost, %	Average for the year	Interest expense	Average cost, %
Liabilities						
Due to individuals	4,181,715	216,012	5.2	3,345,167	187,769	5.6
Due to corporate customers	1,710,205	38,836	2.3	1,586,021	57,638	3.6
Subordinated debt	390,753	28,219	7.2	545,307	41,289	7.6
Other borrowed funds	154,273	5,950	3.9	159,284	5,408	3.4
Debt securities in issue	141,507	8,776	6.2	121,815	9,184	7.5
Due to other banks	121,723	2,032	1.7	156,746	10,957	7.0
Total	**6,700,176**	**299,825**	**4.5**	**5,914,340**	**312,245**	**5.3**
Non-interest-bearing liabilities	114,484			73,492		
Total liabilities	**6,814,660**			**5,987,832**		

Interest expenses on amounts due to customers added 3.8% to RUB 254.8bn in 2010. A portion of this increase can be ascribed to the increase in average account balances (up by 19.5% year on year) which more than offset the effect of the reduction in the cost of funds: the average cost of funds decreased by 0.7 p.p. to 4.3% in 2010.

Changes in cost of customer deposits in 2009 and 2010 are presented in the table below:

RUB m	2010 Average liabilities amount	2010 Interest expense	2010 Average cost of funds, %	2009 Average liabilities amount	2009 Interest expense	2009 Average cost of funds, %
Due to corporate customers						
Term deposits	597,700	29,747	5.0	641,722	46,199	7.2
Current accounts	1,112,505	9,089	0.8	944,299	11,439	1.2
Total	**1,710,205**	**38,836**	**2.3**	**1,586,021**	**57,638**	**3.6**
Due to individuals						
Term deposits	3,605,050	213,384	5.9	2,933,685	186,400	6.4
Current accounts	576,665	2,628	0.5	411,482	1,369	0.3
Total	**4,181,715**	**216,012**	**5.2**	**3,345,167**	**187,769**	**5.6**
TOTAL	**5,891,920**	**254,848**	**4.3**	**4,931,188**	**245,407**	**5.0**

COST OF FUNDS



In 2010, the Group saw a reduction in its interest expense on subordinated debt. This was thanks to a decrease in the liability amount and a cut in the interest rate (from 8% to 6.5% in July 2010) on its subordinated loan from the Bank of Russia.

The Interest expense on amounts due to banks decreased by more than five-fold versus 2009, primarily due to a reduction in the cost of borrowing from 7.0% in 2009 to 1.7% in 2010. The decrease came against high interest expense in 2009 because of large borrowings made by Sberbank in Q1 2009 from the interbank market at high interest rates in order to maintain liquidity of the Group.

Net interest income

The Group earned RUB 495.8bn in net interest income in 2010, which is RUB 6.9bn less than in 2009. Return on assets, cost of funds and interest spread and margin for 2009 and 2010 are presented in the table below.

	2010			2009		
RUB m	Average for the year	Interest income/ expense	Average return/ cost, %	Average for the year	Interest income/ expense	Average return/ cost, %
Total interest-earning assets	7,532,447	795,646	10.6	6,450,157	814,962	12.6
Total interest-bearing liabilities	6,700,176	299,825	4.5	5,914,340	312,245	5.3
Net interest income		495,821			502,717	
Interest spread			**6.1**			**7.3**
Net interest margin			**6.6**			**7.8**

Interest spread[1] was 6.1% in 2010, or 1.2 p.p. lower than in 2009; with market interest rates declining, the replacement of interest-earning assets occurred faster than the maturity and replacement of liabilities on which the group paid interest.

[1] Interest spread is the difference between the return on interest-earning assets and the cost of interest-bearing liabilities.

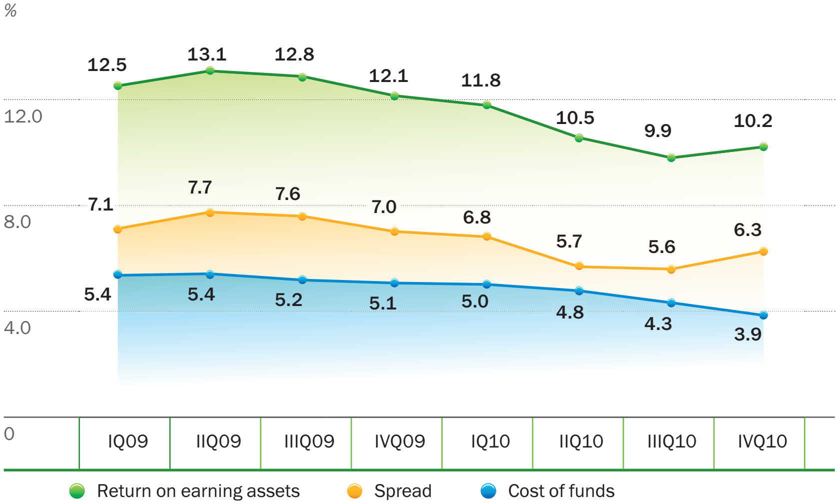
%	2010	2009
Previous year's margin	**7.80**	**7.15**
Return on corporate loans	-1.22	1.30
Return on retail loans	0.00	-0.08
Return on amounts due from banks	0.01	-0.10
Return on securities	-0.45	0.17
Structure of interest-earning assets	-0.42	-0.38
Cost of amounts due to corporate customers	0.33	0.10
Cost of amounts due to individuals	0.26	-0.14
Cost of amounts due to other banks	0.04	0.02
Debt securities in issue and subordinated debt	0.05	-0.10
Structure of interest-paying liabilities	-0.02	-0.06
Earning assets to interest-paying liabilities	**0.21**	**-0.08**
Reporting year margin	**6.58**	**7.80**

The decline in the interest margin from 7.8% in 2009 to 6.6% in 2010 was due to the following:

- Lower returns on corporate loans;
- Lower returns on investments in securities;
- Changes in the structure of interest-earning assets: That is, a reduction in the proportion of higher-yielding loans, and a corresponding increase in the proportion of lower-yielding securities in the asset pool.

The above decrease was not fully offset by the decrease in the cost of funds raised, primarily as a result of the cost of customer deposits.

SPREAD DYNAMICS



The table below presents an analysis of changes in interest income and expenses for 2010 versus 2009 by looking at the following factors:

- Changes in average annual balances of items recorded in the statement of financial position (volume factor).
- Changes in average interest rates.

RUB m	Volume factor	Interest rate factor	Change in interest income/ expense
Assets			
Loans and advances to customers	18,901	(89,538)	(70,637)
Debt securities available for sale	54,561	(11,532)	43,029
Due from banks, including correspondent accounts and overnight deposits with banks	(798)	730	(68)
Debt investment securities held to maturity	9,101	–	9,101
Other debt securities designated at fair value through profit or loss	(998)	(592)	(1,590)
Debt trading securities	348	501	849
Change in interest income	**81,115**	**(100,431)**	**(19,316)**
Liabilities			
Due to individuals	(43,213)	14,970	(28,243)
Due to corporate customers	(2,820)	21,622	18,802
Subordinated debt	11,161	1,909	13,070
Other borrowed funds	193	(735)	(542)
Debt securities in issue	(1,221)	1,629	408
Due to other banks	585	8,340	8,925
Change in interest expense	**(35,315)**	**47,735**	**12,420**
Change in net interest income	**45,800**	**(52,696)**	**(6,896)**

As is evident from the table above, the net interest income dynamics were driven by three major factors:

- Lower returns on corporate loans, which was not offset by higher lending volumes.
- Substantial growth in retail deposits.
- A notable expansion of the securities portfolio resulting from an increase in customer deposits.

NET FEE AND COMMISSION INCOME

RUB m	2010	2009	Change, %
Fee and commission income	**130,949**	**105,723**	**23.9**
Cash and settlement transactions with individuals	41,845	34,416	21.6
Cash and settlement transactions with legal entities	40,623	36,922	10.0
Operations with bank cards	23,639	17,684	33.7
Agent commissions on selling insurance contracts	9,448	–	–
Operations with foreign currency	5,858	7,889	-25.7
Cash collection	4,445	4,145	7.2
Guarantees issued	2,717	1,863	45.8
Securities transactions	1,116	1,403	-20.5
Other	1,258	1,401	-10.2
Fee and commission expense	**(7,375)**	**(4,634)**	**59.1**
Net fee and commission income	**123,574**	**101,089**	**22.2**

The Group's fee and commission income increased to RUB 130.9bn in 2010, 24% up versus 2009, with cash and settlement transactions with legal entities and individuals generating the bulk of this income. Cash services to legal entities and money transfer services to individuals represent the largest items of fee and commission income. The Group is actively looking to increase proceeds from other sources: commissions on agency agreements to sell insurance policies, plastic card operations and operations with foreign currencies and securities, among other things, to diversify the structure of its fee and commission income.

Fee and commission expenses primarily relate to settlement transactions.

FINANCIAL RESULT FROM OPERATIONS WITH SECURITIES

RUB m	2010	2009
Result recorded in the income statement		
Trading securities	4,770	14,078
Other securities designated at fair value through profit or loss	9,642	7,557
Securities available for sale	9,597	17,102
Impairment of securities available for sale	(39)	(2,274)
Total	**23,970**	**36,463**
Result recorded directly in equity		
Securities available for sale	31,265	40,728
TOTAL	**55,235**	**77,191**

Trading income from operations with securities amounted to RUB 55.2bn in 2010 (including an unrealised RUB 31.3bn gain from the revaluation of securities available for sale). The 2009 result was RUB 77.2bn (with a RUB 40.7bn gain from the revaluation of securities available for sale). Securities income declined on the back of moderate growth in the value of securities investments in 2010 versus 2009 when the climbing financial market pushed securities values up at a much faster rate.

GAINS FROM OPERATIONS WITH FOREIGN CURRENCIES

RUB m	2010	2009	Change, %
Net foreign exchange translation gains	15,166	15,305	-0.9
Net losses from operations with foreign currency derivatives	(9,175)	(12,135)	-24.4
Net gains from trading in foreign currencies	8,081	13,058	-38.1
Total	**14,072**	**16,228**	**-13.3**

Total gains from operations with foreign currencies amounted to RUB 14.1bn in 2010 (RUB 16.2bn in 2009). The Bank incurred expenses on foreign currency derivative transactions primarily because it used derivative financial instruments to manage its market risks. These expenses should be analysed together with foreign exchange translation gains, resulting in a net gain of RUB 3.3bn in 2010. The Group also increased the volume of derivative transactions as part of its customer business expansion.

The substantial 2009 gains from foreign-currency trading were earned largely in the first quarter of 2009 as a result of high retail demand for foreign currency during the crisis. In the subsequent period the currency market became more stable, and consequently the demand for foreign currency declined. This has resulted in a dip in gains from trading in foreign currencies in 2010 against 2009.

OPERATING EXPENSES

RUB m	2010	2009	Change, %
Staff costs	161,180	128,624	25.3%
Depreciation of premises and equipment and other costs related to premises and equipment	60,792	52,838	15.1%
Administrative and information services expenses	22,414	17,700	26.6%
State deposit insurance system membership fee	16,718	13,047	28.1%
Taxes other than on income	12,586	10,282	22.4%
Other	8,929	6,786	31.6%
Total operating expenses	**282,619**	**229,277**	**23.3%**
Cost to income ratio, %	**42.4%**	**35.4%**	**7.0 p.p.**

The Group's operating expenses added 23.3% to RUB 282.6bn in 2010. The growth was largely driven by higher staff costs (up 25.3% to RUB 161.2bn). The Bank had planned to raise salaries in 2010 in order to bring them in line with current market levels. Other drivers of operating expense growth were depreciation and maintenance charges on premises and equipment, and telecommunication and current administrative expenses. These expense items increased as the Group resumed investments in infrastructure projects designed to implement its long-term development strategy.

PROVISION FOR LOAN IMPAIRMENT

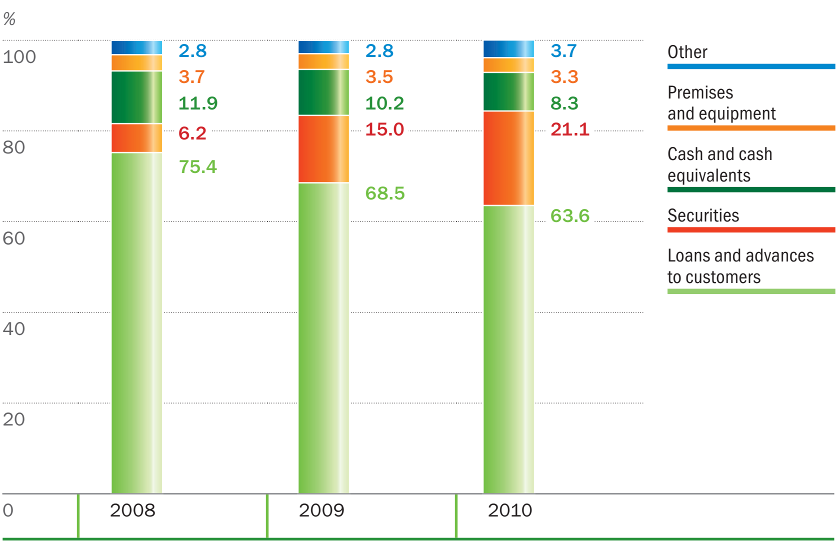
RUB m	2010	2009	Change, %
Provision for loan impairment at 1 January	**579,814**	**202,285**	**186.6**
Charge during the year	153,809	388,932	-60.5
Loans to customers written off during the year as uncollectible	(31,100)	(11,403)	172.7
Provision for loan impairment at 31 December	**702,523**	**579,814**	**21.2**

In 2010, as Russian and other economies in which the Group operates recovered, the quality of the Group's loan portfolio showed signs of improvement. This was the key reason for the Group reducing its provisioning charge for loan impairment to RUB 153.8bn in 2010 versus RUB 388.9bn in 2009.

Structure Assets

RUB m	As of 31 December 2010 Amount	As of 31 December 2010 % of amount	As of 31 December 2009 Amount	As of 31 December 2009 % of amount	Change, %
Loan portfolio	6,191,910		5,443,845		13.7
Provision for loan impairment	(702,523)		(579,814)		21.2
Loan portfolio, net	5,489,387	63.6	4,864,031	68.5	12.9
Securities	1,823,648	21.1	1,064,135	15.0	71.4
Cash and cash equivalents	719,601	8.3	725,521	10.2	-0.8
Premises and equipment	283,756	3.3	249,881	3.5	13.6
Mandatory cash balances with the Bank of Russia	50,532	0.6	40,572	0.6	24.5
Due from other banks	13,035	0.2	10,219	0.1	27.6
Other assets	248,568	2.9	150,707	2.1	64.9
Total assets	**8,628,527**	**100.0**	**7,105,066**	**100.0**	**21.4**

STRUCTURE OF THE GROUP'S ASSETS AT YEAR-END



In 2010 the Group's total assets in accordance with IFRS increased by 21.4% reaching RUB 8,628.5bn at 31 December 2010. The loan portfolio and investments in securities showed the strongest growth in absolute terms.

The key asset component — loans to customers net of provisions for loan impairment — increased by 12.9%. The increase was driven by a pick-up in demand for both commercial and retail loans in the second half of 2010. At the same time the share of loans to customers in the Group's asset structure shrank to 63.6% at the end of 2010 from 68.5% at the end of 2009. The superior growth of the Group's investments in securities was the primary reason for the shrinking share of loans to customers in the Group's total assets.

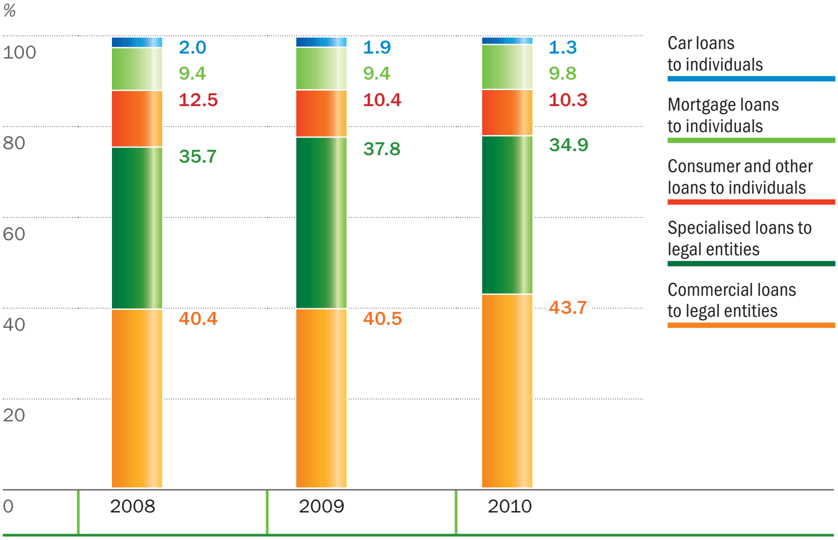
The Group's securities portfolio swelled by 71.4% to RUB 1,823.6bn (including securities pledged under repurchase agreements) and the share of securities in the Group's assets reached 21.1% at the end of 2010.

Other assets increased to RUB 248.6bn in 2010 (64.9% up from 2009). Outstanding settlements on credit cards totalling RUB 91.2bn at 31 December 2010 (RUB 52.3bn at 31 December 2009) were the major item of other assets and represent liquid risk-free assets.

LOANS TO CUSTOMERS

	As of 31 December 2010		As of 31 December 2009		Change, %
RUB m	Amount	% of amount	Amount	% of amount	
Commercial loans to legal entities	2,708,692	43.7	2,206,322	40.5	22.8
Specialised loans to legal entities	2,163,486	34.9	2,059,984	37.8	5.0
Corporate loans	**4,872,181**	**78.6**	**4,266,306**	**78.3**	**14.2**
Consumer and other loans to individuals	635,689	10.3	564,364	10.4	12.6
Mortgage loans to individuals	603,778	9.8	512,787	9.4	17.7
Car loans to individuals	80,265	1.3	100,388	1.9	-20.0
Loans to individuals	**1,319,732**	**21.4**	**1,177,539**	**21.7**	**12.1**
Total loans	**6,191,910**	**100.0**	**5,443,845**	**100.0**	**13.7**

THE GROUP'S LOAN PORTFOLIO STRUCTURE AT YEAR-END



The Group's total loan portfolio increased by 13.7% to RUB 6,191.9bn in 2010.

The corporate loan portfolio was up 14.2% over this period to reach RUB 4,872.2bn, driven primarily by an increase in commercial loans in the Group's portfolio. Most of these loans were extended to Russia's largest companies in machine building, metallurgy, food processing and agriculture.

The retail loan book increased by 12.1% to RUB 1,319.7bn in 2010 on the back of 12.6% and 17.7% growth in demand for consumer and mortgage loans, respectively.

INVESTMENTS IN SECURITIES

Breakdown of investments between equity and debt instruments

The Group's securities portfolio totalled RUB 1,823.6bn at 31 December 2010 (including securities pledged under repurchase agreements), which is RUB 759.5bn up on 2009. As shown in the table below, debt instruments comprised 93.7% of the Group's securities portfolio at 31 December 2010 versus 96.2% in 2009. Investments in equity securities are primarily represented by major Russian companies' shares.

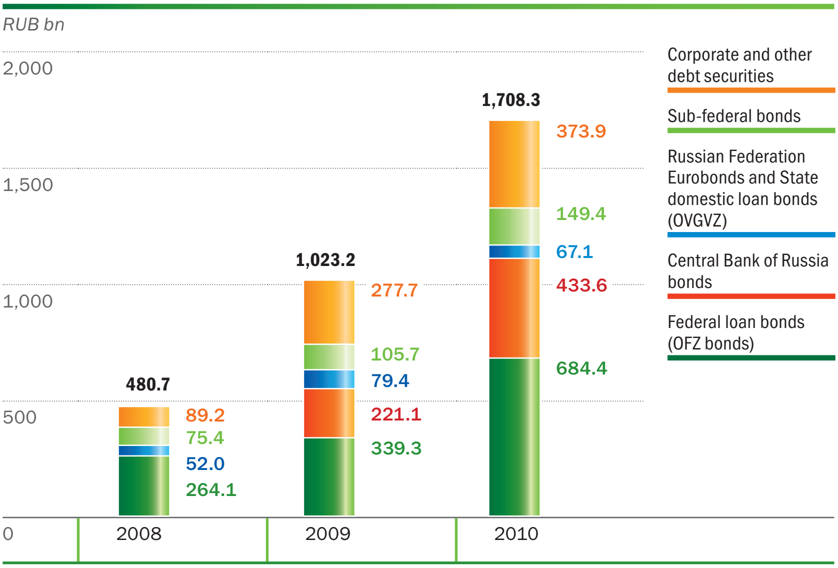
RUB m	As of 31 December 2010 Amount	As of 31 December 2010 % of amount	As of 31 December 2009 Amount	As of 31 December 2009 % of amount
Debt securities	1,708,345	93.7	1,023,183	96.2
Equity securities	115,303	6.3	40,952	3.8
Total securities	**1,823,648**	**100.0**	**1,064,135**	**100.0**

Investments in debt securities

The Group's investments in debt securities predominantly consist of bonds issued by the Russian government and the Bank of Russia. On aggregate these bonds made up 69.4% of the Group's investments in debt securities at 31 December 2010, having experienced an 85.2% year on year increase to reach RUB 1,185.1bn.

Investments in corporate debt securities and other instruments also saw gains, rising to RUB 373.9bn in 2010 from RUB 277.7bn at the end of 2009, though this growth was slower than that seen in investments in Russian government and Bank of Russia bonds. As a result the share of investments in corporate debt securities and other instruments in the debt securities portfolio slipped to 21.9% at the end of 2010 (at 31 December 2009 the same share was 27.1%).

INVESTMENTS IN DEBT SECURITIES AT YEAR-END



Breakdown of investments in securities by portfolio

Investment securities available for sale made up 70.2% of the Group's investments in securities at 31 December 2010 (up 50.8% year on year). This portfolio expanded in the first half of 2010 largely because the Group had excess liquidity. In the second half of 2010, this portfolio shrunk with a corresponding increase in the loan portfolio. The portfolio of investment securities available for sale comprises the following major components: Central Bank of Russia bonds — 33.9%, OFZ bonds — 27.2%, and corporate bonds — 22.6%.

In 2010, the Group started building up a portfolio of investment securities held to maturity. This portfolio includes securities with maturities from one year to seven years. At 31 December 2010, the Group's investments in this portfolio amounted to RUB 358.2bn or 19.6% of the Group's securities portfolio. OFZ bonds account for the largest share of the portfolio of investment securities held to maturity (RUB 227.3bn or 63.5%). Sub-federal and municipal bonds make up another substantial share of 24.0%.

The Group's investments in securities designated at fair value through profit or loss amount to RUB 106.9bn or 5.9% of the Group's investments in securities. OFZ bonds account for more than half (58.7%) of this portfolio. Their share increased by 0.3 p.p. from 2009. The proportion of corporate shares was up 4.7 p.p. and amounted to RUB 26.7bn at 31 December 2010. Shares are mainly represented by blue chip equity securities.

The Group's trading portfolio incorporates investments that are essentially short term; investments in this portfolio account for 4.3% of the Group's securities portfolio.

RUB m	As of 31 December 2010		As of 31 December 2009	
	Amount	% of amount	Amount	% of amount
Investment securities available for sale	1,280,264	70.2	848,674	79.8
Investment securities held to maturity	358,191	19.6	–	–
Securities designated at fair value through profit or loss	106,875	5.9	124,439	11.7
Trading securities	78,318	4.3	91,022	8.5
Total	**1,823,648**	**100.0**	**1,064,135**	**100.0**

Fair value of securities

All the securities the Group holds, with the exception of investment securities held to maturity, are measured at fair (market) value. In most cases, fair value is based on their market quotes effective as of the reporting date. Where market quotes were unavailable, the Group applies appropriate valuation models using both observable market data and judgment-based parameters.

The securities for which the fair value was determined using valuation models and professional judgment accounted for 2.4% of the portfolio at 31 December 2010 (RUB 43.6bn). These securities include unquoted equity instruments issued by companies operating in the oil and gas, transportation, telecommunication and construction industries.

Structure Liabilities

RUB m	As of 31 December 2010		As of 31 December 2009		Change, %
	Amount	% of amount	Amount	% of amount	
Due to individuals	4,834,459	63.2	3,787,312	59.8	27.6
Due to corporate customers	1,816,672	23.8	1,651,559	26.1	10.0
Subordinated debt	303,513	4.0	519,061	8.2	-41.5
Other borrowed funds	270,765	3.5	115,213	1.8	135.0
Debt securities in issue	119,426	1.6	124,599	2.0	-4.2
Due to other banks	188,431	2.5	53,947	0.9	249.3
Other liabilities	108,094	1.4	74,439	1.2	45.2
Total liabilities	**7,641,360**	**100.0**	**6,326,130**	**100.0**	**20.8**

In 2010, the Group's liabilities increased 20.8% to RUB 7,641.4bn. This was predominantly driven by a 27.6% escalation in amounts due to customers to RUB 4,834.5bn. Other borrowed funds rose substantially in 2010 (by 135.0%) as a result of the Group raising new borrowings under the medium-term borrowing programme (MTN programme) and a syndicated loan from a consortium of foreign banks. The year 2010 also saw growth in amounts due to corporate customers (by 10.0%), amounts due to other banks (by 249.3%) and other liabilities (by 45.2%).

Given that in 2010 the Group had far more available funding sources versus 2009 combined with a high capital adequacy ratio, it was in the position to make an early repayment of a RUB 200bn tranche of its subordinated loan from the Central Bank of Russia.

INTERNATIONAL BORROWINGS

In 2010, in order to boost its foreign currency liquidity, Sberbank raised funds on international financial markets at record-low rates as part of its MTN programme. Furthermore, for the first time Sberbank issued Eurobonds denominated in Swiss francs.

Late in the reporting year, Sberbank raised a syndicated loan of USD 2bn. The syndicate included 26 banks operating across a broad geography. This loan became the largest syndicated loan ever granted to a Russian financial institution and the largest syndicated loan to a bank in Central and Eastern Europe in 2010. The loan interest rate is the lowest for three-year unsecured syndicated loans granted to Russian borrowers in 2010.

In December 2010, Sberbank repaid a syndicated loan of USD 0.75bn.

The nominal amount of Sberbank's international borrowings at the end of the reporting year was CHF 0.4bn and USD 7.7bn, of which CHF 0.4bn and USD 4.5bn were raised under the MTN programme. The share of international borrowings in the Group's funds continues to be insignificant at about 3.3% of total liabilities.

The main parameters of the Group's international borrowings at 31 December 2010 are as follows.

Instrument	Currency	Amount	Origination date	Maturity	Interest rate
Loan participation notes under the MTN programme	USD	0.5bn	May 2006	7 years	6.48% (i.e. SWAP 7Y+0.98%)
Loan participation notes under the MTN programme	USD	0.75bn	November 2006	5 years	5.93% (i.e. SWAP 5Y+0.80%)
Loan participation notes under the MTN programme	USD	0.5bn	July 2008	5 years	6.468% (i.e. SWAP 5Y+2.00%)
Syndicated loan	USD	1.2bn	October 2008	3 years	3m LIBOR+0.85%
Loan participation notes under the MTN programme	USD	1.5bn	July 2010	5 years	5.499%
Loan participation notes under the MTN programme	USD	1.25bn	September 2010	6.5 years	5.4%
Loan participation notes under the MTN programme	CHF	0.4bn	November 2010	4 years	3.5%
Syndicated loan	USD	2bn	December 2010	3 years	6m LIBOR+1.5%

AMOUNTS DUE TO CUSTOMERS

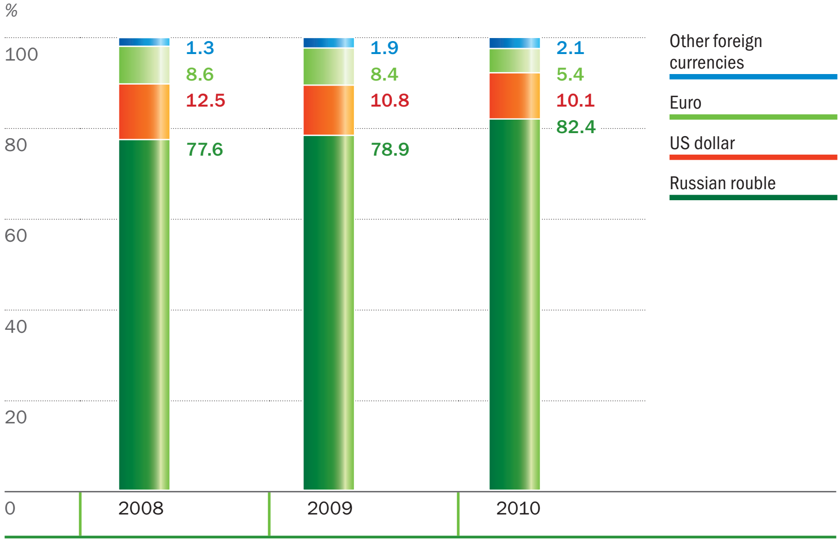
A breakdown of the structure of amounts due to customers is presented in the table below:

	As of 31 December 2010		As of 31 December 2009		Change, %
RUB m	Amount	% of amount	Amount	% of amount	
Due to individuals					
Current/settlement accounts	785,750	11.8	540,455	9.9	45.4
Term deposits	4,048,709	60.9	3,246,857	59.7	24.7
Total	**4,834,459**	**72.7**	**3,787,312**	**69.6**	**27.6**
Due to corporate customers					
Current/settlement accounts	1,199,581	18.0	965,032	17.8	24.3
Term deposits	617,091	9.3	686,527	12.6	-10.1
Total	**1,816,672**	**27.3**	**1,651,559**	**30.4**	**10.0**
TOTAL	**6,651,131**	**100.0**	**5,438,871**	**100.0**	**22.3**

At 31 December 2010, amounts due to individuals and corporate customers increased by 22.3% to RUB 6,651.1bn. The share of amounts due to individuals in the total amount due to customers increased by 3.1 p.p. to 72.7%; the portion of amounts due to corporate customers fell to 27.3%.

In 2010, the structure of amounts due to individuals and corporate customers changed little versus 2009. Term deposits make up 70.2% of amounts due to customers and the proportion of current accounts added 2.1 p.p. to 29.8%.

CURRENCY STRUCTURE OF AMOUNTS DUE TO CUSTOMERS AT YEAR-END



In 2010 the Russian rouble was the Group's major funding currency with the volume of Russian rouble-denominated amounts due to individuals and corporate customers reaching 82.4%. This is a 3.5 p.p. increase versus 2009 reflective of a more stable exchange rate and customer confidence in the national currency returning.

Capital Adequacy

Capital adequacy in accordance with the Basel Capital Accord is presented in the table below.

RUB m (unless stated otherwise)	As of 31 December 2010	As of 31 December 2009
Core capital adequacy ratio	**11.9%**	**11.5%**
Total capital adequacy ratio	**16.8%**	**18.1%**
CAPITAL COMPONENTS		
Core capital (Tier 1)		
Share capital	87,742	87,742
Share premium	232,553	232,553
Retained earnings	585,819	403,934
Less – Goodwill	(8,251)	(469)
Supplementary capital (Tier 2)		
Revaluation reserve for office premises	53,648	55,540
Fair value reserve for investment securities available for sale	13,437	(329)
Foreign currency translation reserve	(1,136)	(1,009)
Subordinated capital	303,513	362,115
Less – Investments in associates	(2,479)	(31)
Total capital	**1,264,846**	**1,140,046**
Risk-weighted assets	**7,526,973**	**6,303,813**

In 2010, the Group's core capital adequacy ratio increased by 0.4 p.p. to 11.9%. Retained earnings grew faster than risk-weighted assets in 2010 and this resulted in the Group having a higher core capital adequacy ratio.

Taking into account a substantial increase in customer funds and a high capital adequacy ratio, in May 2010 the Group paid back a RUB 200bn tranche of the RUB 500bn subordinated loan it received from the Bank of Russia in the fourth quarter of 2008. The partial repayment of the subordinated loan caused a reduction in the Group's Tier 2 capital and, therefore, the total capital adequacy ratio declined by 1.3 p.p. to 16.8% in 2010. However, the capital adequacy ratio is notably higher than the minimum 8% ratio set by the Basel Committee.

Risk management

Sberbank will only be able to achieve the commercial objectives set out in its Development Strategy up to 2014 if it undertakes a major upgrade of its risk management system, and is better equipped to deal with the key risks inherent to the banking business.

CREDIT RISK

The Group's major exposure relates to credit risk, that is, the risk that a counterparty will be unable to pay outstanding amounts in whole or in part when they become due. Credit risk management and the control of loan-portfolio quality receive special focus. During the reporting period, the Bank's critical objectives were to stabilise its loan-portfolio quality and secure the recovery of non-performing loans and the specific techniques and procedures employed manifested themselves in Sberbank maintaining a good quality loan portfolio in the current economic environment.

Credit risk exposure to corporate customers

In order to limit and monitor credit risk exposure to corporate customers, the Bank operates an internal counterparty rating system. It sets limits and caps for various counterparty groups, regions and countries, as well as individual loan products and transactions subject to credit risk.

During the reporting year, the Bank implemented a new credit risk assessment system for corporate customers, based on borrower default statistics. It was integrated into the process of making decisions to grant loans to medium and large corporate customers, as well as its largest customers.

In 2010, the Bank implemented new tools for managing credit risk exposure to small businesses, resulting in a standardised and simplified risk analysis procedure. The Bank performs comprehensive analysis of micro businesses within the small business segment by means of the Credit Factory. The process uses the business/owner credit-scoring model and combines this with rating the borrower's financial performance. The Bank also launched a standardised credit process to analyse and assign credit ratings to borrowers from small businesses requiring more complex lending transactions — small businesses being defined as those with annual revenue below RUB 60m per year.

In order to assess exposure to borrowers with annual revenue of over RUB 150m, the Bank has implemented new approaches based on Probability of Default analysis and a uniform rating system.

With the new risk management approaches in place, the Bank will be able to build a high quality portfolio of corporate loans.

Credit risk exposure to retail customers

Vigorous retail-loan book growth has necessitated new requirements for managing credit risk exposure to retail customers. The key objective is to secure planned growth in retail lending while maintaining a low level of non-performing loans.

The Bank monitors the quality of its retail loan book on an ongoing basis on the basis of business units and the main loan products. Where a higher concentration of risk level is identified in any segment, the Bank proactively makes changes to bring the existing problems in that segment under control, reduce the risk level and develop recommendations so as to prevent or decrease the possibility of similar problems in the future.

Concentration of credit risk

The Group's loan portfolio is quite well diversified by economic sector. The trade and services sectors account for the largest portions of the loan portfolio structure at 16.3% and 16.2%, respectively. Retail loans made up to 21.3% of the loan portfolio at 31 December 2010, 0.4 p.p. down from 2009. The most significant increases were seen in the transport, services and energy sectors. At the same time there was a slump in lending to machine building and a slight decrease in lending to the construction sector. The Group's corporate loan portfolio has a structure largely similar to that of Russian GDP.

THE GROUP'S LOAN PORTFOLIO BY ECONOMIC SECTOR

RUB m	As of 31 December 2010		As of 31 December 2009		Change, %
	Amount	% of loan portfolio	Amount	% of loan portfolio	
Individuals	1,319,732	21.3	1,177,539	21.7	12.1
Trade	1,008,025	16.3	960,385	17.7	5.0
Services	1,001,330	16.2	748,240	13.7	33.8
Agriculture	585,394	9.5	511,658	9.4	14.4
Construction	404,601	6.5	408,307	7.5	-0.9
Machine building	317,588	5.1	347,222	6.4	-8.5
Metallurgy	300,806	4.9	273,814	5.0	9.9
Chemical industry	216,833	3.5	186,790	3.4	16.1
Energy	208,797	3.4	172,623	3.2	21.0
Oil and gas	177,495	2.9	157,078	2.9	13.0
Telecommunications	168,042	2.7	164,934	3.0	1.9
Transport	147,540	2.4	109,211	2.0	35.1
Other	335,727	5.3	226,044	4.1	48.5
Total loans to customers	**6,191,910**	**100.0**	**5,443,845**	**100.0**	**13.7**

The Group closely monitors the concentration of large credit risk exposure. The credit risk exposure to the largest borrower and ten largest borrowers as seen in the table below indicates that its credit risk concentration has not changed significantly over the past three years and remains acceptable.

THE GROUP'S CREDIT RISK CONCENTRATION

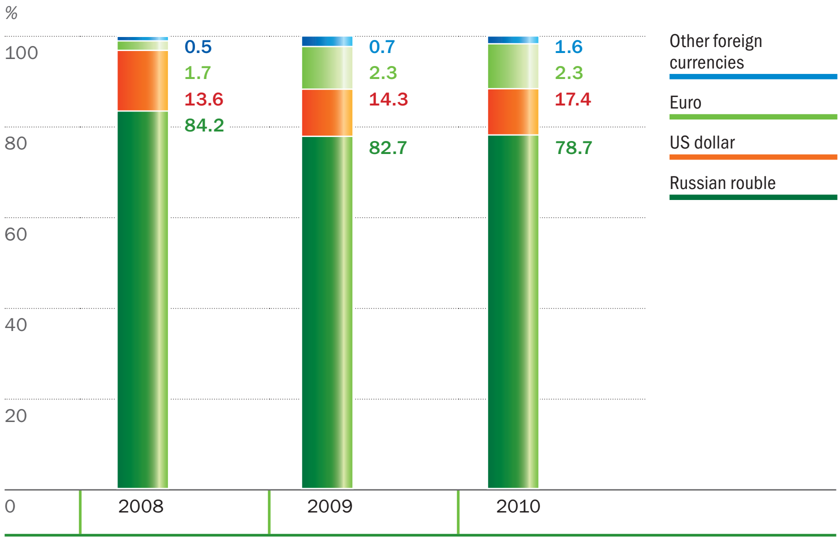
	As of 31 December 2010	As of 31 December 2009	As of 31 December 2008
Concentration of loans in the gross loan portfolio due from the largest borrower before provision for loan impairment	3.7%	4.4%	3.5%
Concentration of loans in the gross loan portfolio due from ten largest borrowers before provision for loan impairment	16.0%	16.9%	15.8%

The Group's largest borrowers (groups of related borrowers), provided below, demonstrates their high diversification by economic sector.

RUB m		Amount	% of total loans
Customer 1	Machine building, trade, construction, metallurgy	231,263	3.7
Customer 2	Services	138,057	2.2
Customer 3	Oil and gas	128,041	2.1
Customer 4	Energy, Telecommunications, Chemical industry	100,349	1.6
Customer 5	Construction	100,329	1.6
Customer 6	Telecommunications	83,074	1.3
Customer 7	Aviation industry	54,669	0.9
Customer 8	Metallurgy	53,915	0.9
Customer 9	Metallurgy	52,747	0.9
Customer 10	Trade, oil and gas	51,515	0.8
Total		**993,959**	**16.0**

A currency analysis of the loan portfolio indicates that the bulk of loans (78.7%) are denominated in Russian roubles. In 2010, there was stronger growth in foreign-currency-denominated loans driven by the strengthening rouble and investors' negative inflation expectations. Some customers raised long-term foreign currency loans to refinance their foreign debt which contributed to the share of foreign currency loans in Sberbank's portfolio increasing from 16.3% to 19.7% by the end of the year. The increase in loans denominated in other foreign currencies is indicative of higher lending volumes to customers in the CIS.

LOAN PORTFOLIO CURRENCY STRUCTURE AT YEAR-END



Loan portfolio quality

The Group's existing policies and procedures helped to avoid uncontrolled deterioration in loan-portfolio quality during the financial crisis. Provided below is the analysis of overdue loans to borrowers by age, with their share in the loan portfolio. As can be seen in this data, the volume of overdue loans declined in 2010, both in relative and in absolute terms. The contraction in the overdue loan porfolio was thanks to the Group's ongoing efforts to ensure repayment of overdue/problem loans, the disposal of a certain portion of problem loans and writing off uncollectible loans.

	As of 31 December 2010		As of 31 December 2009	
RUB m	Amount	% of loan portfolio	Amount	% of loan portfolio
Loans to customers with overdue principal or interest				
Loans up to 1 month overdue	41,494	0.7	41,529	0.8
Loans 1 to 3 months overdue	30,814	0.5	52,309	1.0
Loans over 3 months overdue	452,292	7.3	458,732	8.4
Total	**524,600**	**8.5**	**552,570**	**10.2**

Non-performing loans and provisions for loan impairment

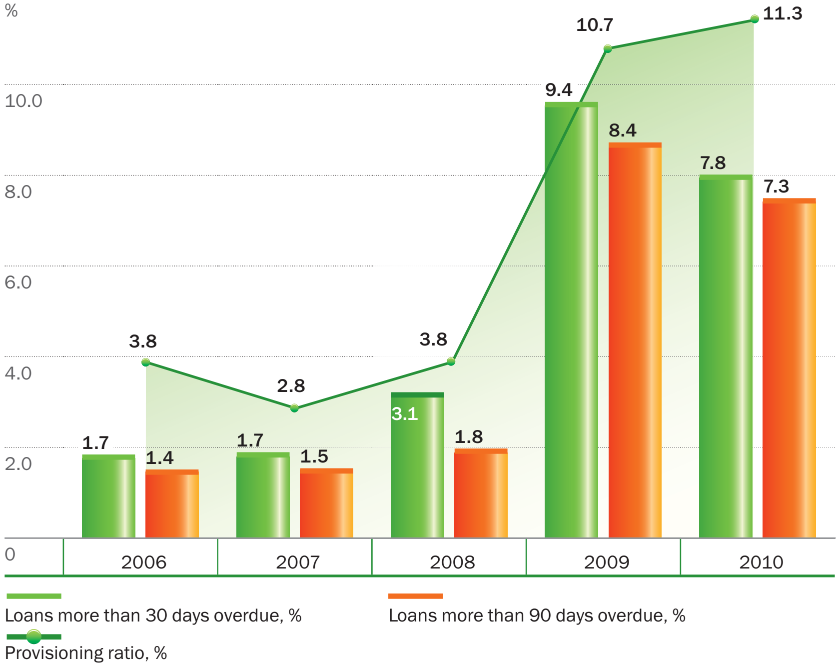
Loan portfolio quality, provisions for loan impairment and non-performing loans (where payments of principal or interest are overdue by more than 90 days) are analysed below.

RUB m	As of 31 December 2010		As of 31 December 2009		Change, %
	Amount	% of loan portfolio	Amount	% of loan portfolio	
Current loans collectively assessed for impairment	5,540,865	89.5	4,805,677	88.3	15.3
Past due loans collectively assessed for impairment	316,739	5.1	328,597	6.0	-3.6
Individually impaired corporate loans	334,306	5.4	309,571	5.7	8.0
Total loans to customers, gross	**6,191,910**		**5,443,845**		**13.7**
Provisions for impairment:	(702,523)		(579,814)		
Provisioning ratio, %		11.3		10.7	
Total loans to customers, net	**5,489,387**		**4,864,031**		**12.9**
Non-performing loans	452,292		458,732		-2.6
Share of non-performing loans, %		7.3		8.4	

The Group has maintained a sustainable loan-portfolio structure as far as the share of overdue/problem loans is concerned, which is reflected in lower provisioning rates; nonetheless it still continues to pursue a conservative approach towards credit risk. The provisioning policy involves a careful analysis of borrowers, their current liquidity position and debt burden, with consideration given to the availability of reliable repayment sources, and the quality and liquidity of provided collateral. The volume of non-performing loans at year-end 2010 is almost the same as in the previous year, while the share of non-performing loans has declined against the overall growth of the loan portfolio.

At 31 December 2010, the Group's provisioning ratio (provision for loan impairment to total gross loan portfolio) was 11.3%. In the total portfolio, loans overdue by more than 30 days account for 7.8%, with the share of loans overdue by more than 90 days comprising

DYNAMICS OF OVERDUE LOANS



7.3%. The Bank's impairment provision exceeds non-performing loans by 1.6 times.

Restructured loans

RUB m	As of 31 December 2010		As of 31 December 2009		Change, %
	Amount	% of amount	Amount	% of amount	
Loans to corporate customers					
Current loans collectively assessed for impairment	574,490	76.9	532,704	82.4	7.8
Individually impaired current loans	43,636	5.8	19,888	3.1	119.4
Loans 1 to 90 days overdue	28,689	3.8	20,346	3.1	41.0
Loans over 90 days overdue	78,406	10.5	64,086	9.9	22.3
Total restructured loans to corporate customers	**725,221**	**97.0**	**637,024**	**98.5**	**13.8**

Continued >>

RUB m	As of 31 December 2010		As of 31 December 2009		Change, %
	Amount	% of amount	Amount	% of amount	
Loans to individuals					
Current loans collectively assessed for impairment	8,820	1.2	1,753	0.3	403.1
Loans 1 to 90 days overdue	252	0.0	67	0.0	276.1
Loans over 90 days overdue	13,428	1.8	7,938	1.2	69.2
Total restructured loans to individuals	**22,500**	**3.0**	**9,758**	**1.5**	**130.6**
Total	**747,721**	**100.0**	**646,782**	**100.0**	**15.6**

Presented above are the loans that have been restructured. Restructuring entails renegotiation of the original loan agreement to formulate terms and conditions more favourable for the borrower.

Throughout 2010, the volume of restructured loans expanded 15.6%, totalling RUB 747.7bn at year-end. There was no significant change in the share of restructured loans in the gross loan portfolio at year-end (12.1% against 11.9% in 2009). At 31 December 2010, non-overdue loans accounted for 78.1% of restructured loans (2009: 82.7%). Given that volumes of overdue restructured loans and individually impaired loans have risen more quickly relative to the total restructured loan portfolio, this has pushed their share in the latter to 12.9%. Nonetheless the overall quality of the restructured loans is deemed satisfactory.

It is the Group's policy to renegotiate problem loans only when there is objective evidence that the loan restructuring will assist in improving the borrower's economic position and ensure that the borrower is able to meet its debt service obligations in full when due.

Loan loss provisioning methodology

Estimation of the impairment provision for corporate loans involves the following steps:

- Loans that are individually significant are identified.

- It is determined whether an individually significant loan shows objective evidence of impairment (the loan is considered impaired when its carrying amount materially exceeds its estimated recoverable amount).
- A separate impairment loss is recorded on each individually significant impaired loan.
- All the remaining loans that have not been identified as individually significant are collectively assessed for impairment.

Overdue loans and advances are collectively assessed for impairment based on their ageing analysis.

For impairment assessment purposes, loans to individuals are grouped by credit product type into homogeneous sub-portfolios with similar risk characteristics. Each sub-portfolio is then assessed for impairment based on the ageing analysis. Retail loans are deemed fully impaired when the principal and/or interest payment becomes more than 180 days overdue.

LIQUIDITY RISK

Management of mid- and long-term liquidity within the Group is centralised. Subsidiary banks' funding needs are recorded in their corresponding business plans. Sberbank maintains the liquidity of all Group entities, acting as a single source of cross-border financing and raising funds on the global financial markets for further allocation to subsidiaries in accordance with their funding needs. Immediate liquidity management within the Group is decentralised. Subsidiary banks independently determine their current asset and liability structures which best fit their individual goals and objectives and is consistent with local regulators' requirements.

Decentralised immediate liquidity management, coupled with coordinative actions to manage mid- and long-term liquidity, significantly improve the Group's borrowing position on global financial markets and contribute to the efficient use of temporarily free funds.

Sberbank's liquidity risk management policy is based on the classification of assets and liabilities by their residual expected maturity (which may differ materially from the contractual maturities of certain instruments), while assuming that all losses arising from any potential write-offs should be offset by expected proceeds at all times. The Bank classifies liquidity risk as follows:

Statutory liquidity risk is the risk of possible failure to meet the statutory liquidity ratios established by the Bank of Russia (N3 or N4). The Bank prepares weekly liquidity ratio forecasts, which are monitored for compliance with both regulatory restrictions and the more conservative internal limits set by the Bank. Throughout 2010, the Bank's liquidity ratios were significantly better than the statutory requirements.

Bank's compliance with liquidity ratios

Liquidity ratios	CBR threshold, %	Actual liquidity ratio, %	
		31 December 2010, %	31 December 2009, %
N2	More than 15	80.6	82.5
N3	More than 50	103.0	114.4
N4	Less than 120	78.0	73.8

Physical liquidity risk is the risk that any amount expressed in any currency falls short of obligations imposed upon the Bank. Short-term physical liquidity risk management involves cash flow forecasting and monitoring available liquidity sources. The Bank's immediate liquidity needs are primarily ensured through direct repurchase agreements with foreign banks and the Central Bank of Russia.

Mid- to long-term liquidity is managed across Sberbank based on quarterly funding plans. These plans consider a historical analysis of current asset and liability trends, include various development scenarios for the nearest future, analyse various aspects of liquidity risk and describe compensatory measures to be implemented in the case of potential transgressions. Trade finance, bond issuance and syndicated loans are the main source for covering *mid- to long-term* funding requirements.

The year 2010 saw a steady inflow of rouble-denominated funds from customers. The liquidity accumulated during the year was used for lending and securities purchase transactions; in May it was allocated to repaying the subordinated loan granted by the Central Bank of Russia. Direct repurchase and trade finance transactions with foreign banks, borrowings on global capital markets under the MTN programme and the syndicated loan provided the required foreign currency-denominated funds for active operations. This improved the Bank's foreign currency lending position, with a number of major loans being granted to corporate borrowers.

MARKET RISK

The Bank classifies market risk as follows:

- Interest rate risk for non-trading positions, which is the risk of a decrease/increase in interest income/expenses occurring because of yield curve changes resulting from a mismatch of investment and borrowing maturities (interest rate repricing).
- Market risk for trading positions, including:
  - > Interest rate risk for the debt securities portfolio which is the risk arising from an adverse change in the market value of debt securities.
  - > Equity risk which is the risk arising from an adverse change in the market value of ordinary and preferred shares.
  - > Currency risk which is the risk arising from an adverse change in foreign exchange rates and precious metals prices.

Interest rate risk for non-trading positions is assessed using gap analysis. Assets and liabilities with fixed interest rates are arranged according to their remaining contractual maturities; those with flexible interest rates are arranged by time remaining to repricing. Russian rouble and foreign currency gaps are analysed separately. This involves analysing the net profit sensitivity to a 100 basis point increase/decrease.

Market risk for trading positions (interest rate risk for the debt securities portfolio, equity and currency risk) is assessed based on the VaR methodology. The VaR that the Bank measures is an estimate, using a specified confidence level, of the potential financial loss that it does not expect to exceed over a certain time period. The Bank measures the VaR using the historical simulation method with a 99% confidence level. Changes in financial market indices are measured for a 10-day holding period, i.e. an average period to liquidate and/or hedge risk positions. To monitor the level of market risk arising from trading positions, the Bank also analyses its daily risk positions and their sensitivity to changes in market indices. In order to obtain more detailed information on market risk, VaR measurements are complemented with other techniques such as scenario analysis and stress-testing.

In 2010, the Bank actively expanded investments in securities. Conversely, the level of market risk arising from trading positions was lower for the following reasons:

- On instructions from the Bank's Assets and Liabilities Committee, a portion of investments in government and sub-federal bonds was reclassified from available-for-sale to held-to-maturity securities.
- From the fourth quarter of 2010, the effects of the peak changes in market indices observed in the fourth quarter of 2008 had less impact on VaR measurements since these are limited to a two-year observation period (500 trading days).

To mitigate market risk, the Assets and Liabilities Committee sets the following limits and restrictions:

- Interest rate risk for non-trading positions is mitigated using marginal interest rates on borrowed and invested corporate funds and by setting limits on long-term lending amounts (the investment instrument which entails the greatest risk).
- Market risk for trading positions:
  - Interest rate risk for the debt securities portfolio is mitigated by setting limits on investments by type of issuer and currency; restricting the share of investment per bond issue; limiting international investments to certain countries and currencies; setting limits on duration; and the use of stop-loss limits.
  - Equity risk is mitigated by setting limits on the equity portfolio and investments by equity investee; and the use of stop-loss limits.

> Market risk arising from currency and money market transactions is mitigated by limits on intra-day and end-of-day open positions by type of transaction and currency; the use of sensitivity limits; limits on the maximum term of transaction; and the use of stop-loss limits.

OPERATIONAL RISK

Operational risk management is designed to prevent and mitigate the risk of loss arising from weaknesses in internal processes, systems failure, human error, and external events. To that end, the Bank segregates employee duties; closely regulates business processes; maintains internal control over compliance with transaction rules and limits; takes comprehensive measures to ensure information security and business continuity; enhances process automation and hardware integration; and insures property and other assets, etc.

The rapid development of Sberbank's business, new service offerings and the growing level of technological sophistication make it imperative that potential problems are detected in a timely manner and met with an adequate response. Accordingly, a risk coordinator position was established at each Bank unit in 2010. Risk coordinators are responsible for communicating operational risk issues to the corresponding operational risk management department. The Bank applies a systemic approach to collecting information on operational risk exposures and analysing the loss events.

Corporate Business

LENDING

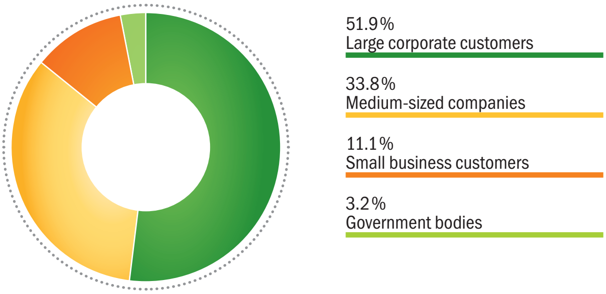
Corporate lending remains a top priority for Sberbank. In 2010 Sberbank aimed to balance the growth of the loan portfolio with its profitability and quality, improve lending processes, and develop and implement a customer-oriented model to work with clients ranging from micro businesses to major corporations.

Financial markets and the overall economic environment stabilised and began to improve in the reporting year. In this climate, corporate demand for investment resources began to rebound, and lending increased healthily across the banking sector.

Sberbank has taken the lead among Russia's banks in terms of investments in the real economy. The Bank extended over RUB 4.35tn in loans to corporate borrowers in 2010. From the mid-second quarter, new corporate lending consistently exceeded repayments. As a result, the loan portfolio expanded 14.2% year on year to RUB 4,872bn.

The Bank actively cooperates with Russian and multinational majors, who add the most value to the Russian economy, as well as micro and small enterprises. The Bank prioritises corporate borrowers who have good credit histories and whose accounts with the Bank are their main business accounts.

CORPORATE LOAN PORTFOLIO BY CUSTOMER GROUP



The Bank had a particular focus on major corporate borrowers in 2010, providing funds for customers' operations and investments; refinancing loans from other banks; funding acquisitions, mergers and takeovers; financing lease transactions and bidding costs, as well as housing construction. Some of the related construction was performed under contracts from the Russian Federation's Ministry of Defence.

The Bank also completed a range of debt restructuring programmes for Russia's major companies. Some turnaround programmes were implemented by arranging syndicated loans that were unique to the Russian market. To support Russia's core enterprises, the Bank also used government guarantees in consortium with lending banks and the government.

In the small-business segment, the Bank focused on simple, standardised, mass customised high quality products and services. To achieve this, the Bank began to disseminate its innovative micro business lending process, Credit Factory, over the entire Sberbank network in 2010. Credit Factory facilitates significantly reducing the time to review loan applications and simplifying lending procedures. In addition, the Bank launched a pilot process of standardised lending to small businesses with revenues below RUB 60m per annum.

In 2010, Sberbank introduced a new range of seven basic loan types, Doveriye, Business-Oborot, Business-Invest, Business-Auto, Business-Nedvizhimost, Business-Aktiv, and Business-Renta, and three dedicated products, Privatization for Small Businesses, Government Contracts and GAZ Facility, aiming to support small businesses and encourage demand for debt financing. The Bank also implemented a joint project with the Government of the Republic of Belarus to offer special lending terms to the Russian buyers of agricultural machinery manufactured in Belarus.

While promoting positive economic developments, efforts undertaken by Sberbank also enabled it to extend over RUB 480bn in loans to small enterprises in 2010.

CORPORATE DEPOSIT OPERATIONS

With liquidity abundant, taking time deposits from corporate customers was not a priority for the Group in 2010. Instead its focus was on improving service quality and consequently customer loyalty and satisfaction.

The corporate deposits balance added 10% in 2010 to RUB 1,817bn despite the Bank reducing interest rates on all instruments given that additional corporate funds were not required.

Sberbank's reluctance to participate in price competition to win customers' funds resulted in the decline in its share of aggregate corporate deposits in the banking sector from 17.7% to 16.6%.

A pilot project was launched in a number of territorial banks in 2010 to offer corporate customers published fixed rates on time deposit instruments. As a result, clients can make deposit agreements by accepting the terms and conditions on the Bank's website. To do so, one simply submits the relevant request to the Bank.

CORPORATE BANKING SERVICES

In 2010, corporate banking's main focus was improving the speed and convenience of services and customising products. Service lines such as trade and export finance and documentary transactions developed robustly both globally and domestically. Investment and banking services also advanced.

Cash and settlement services

The vast majority of Sberbank's clients use its cash and settlement services. Related income has traditionally accounted for a considerable portion of overall fees and commissions — RUB 40.6bn or 31.0% of the total fee and commission income in 2010. Given that the Bank is promoting its offering in a highly competitive market, it seeks to improve its processes and make its services more convenient for all customers.

In 2010, the Bank significantly reduced the time required to open an account, provided for the possibility of making changes to account agreements in line with a customer's preferences and nature of business, and cut the time taken to process payment orders. The latter was achieved by implementing electronic document management. The Bank also started work to equalise pricing across Russia with the aim of improving customer loyalty.

The Bank introduced a new internet banking service for corporate customers, Sberbank Business OnLine.

A full-service offering is now available remotely through the internet to meet the surging demand in the micro business segment. Roughly 20,000 customers already use the service.

Cash collection

The Bank provides cash collection services to its clients, including the delivery and collection of cash and valuables, and servicing automated teller machines and self-service devices. In 2010 the Bank provided services to 87,700 customer locations. Income from cash collection services amounted to RUB 4.4bn in 2010, or 3.4% of total fee and commission income.

From 2010, in addition to traditional banking services, customers may use new offerings such as the receipt and transfer of customer revenues to accounts with other credit institutions, or the delivery of banknotes/coins with a certain face value in exchange for banknotes with a different face value for customers opening new outlets.

Sberbank places great emphasis on the security of cash in transit (CIT). In particular, it started a phased changeover to special containers for money transportation. The Bank also uses an automated system to monitor CIT vehicles. Both are large-scale projects unique to Russia's valuables transportation.

Trade and export finance

With Russian companies' foreign economic activity gradually recovering, Sberbank considerably increased its trade and export finance in 2010. The overall value of transactions grew six-fold from 2009 to exceed USD 3.8bn.

In 2010, Sberbank strongly promoted trade finance instruments. In particular, the Bank arranged financing for its customers by means of tied loans, advanced pre-export financing and opened unsecured letters of credit in favour of customers, taking into account credit exposure limits.

In 2010, cooperation with foreign export credit agencies was resumed, and operations relating to the acceptance of letters of credit and the issuance of reimbursement obligations on behalf of Russia and CIS-based banks were actively developed. Subsidiaries in the Republic of Belarus, Kazakhstan and Ukraine account for the major portion of such obligations, reflecting Sberbank's strategy to expand operations in local trade finance markets.

As at the end of 2010, the Bank maintained correspondent relations with 219 leading international banks in order to support customers' foreign economic activity and improve its international settlement processes.

Retail Business

In the development of retail operations, the primary objective is to transform the current isolated offerings into an integrated customer relations model.

LENDING

Lending was also a key focus in retail operations. The Bank sought to develop a new range of lending products and improve banking processes, in particular, by disseminating Credit Factory across the network.

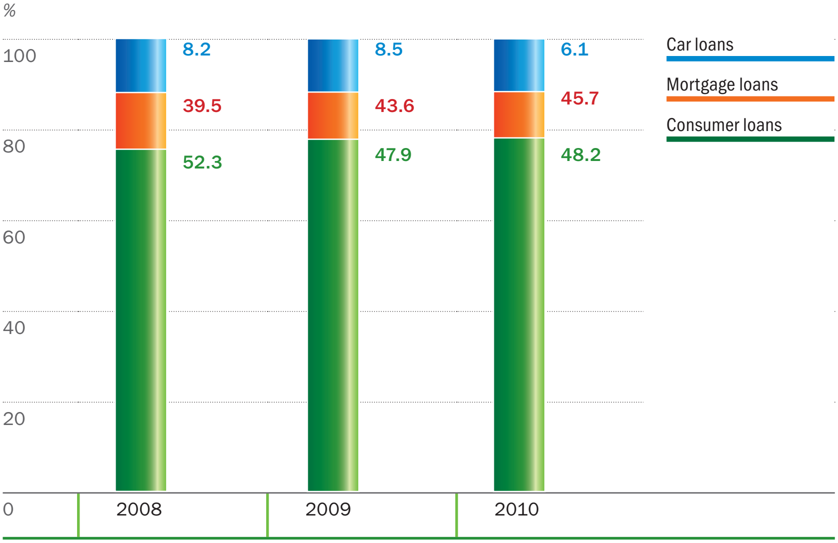
Loan Portfolio movement

In 2010, the Bank significantly simplified lending procedures for all loan types by streamlining loan execution, disbursement and maintenance processes. In particular, this was achieved by introducing electronic document management. As a result, the Bank was able to reduce interest rates on loans twice during the year and made a decision to cancel commissions on loans to individuals.

Amid a gradual recovery of the retail lending market coupled with the Bank's pricing policy, lending volumes expanded in the reporting year. From March, newly issued loans steadily exceeded repayments. The Bank extended a total of RUB 737bn in loans to individuals in 2010 (a 1.8-fold increase year on year). The majority of the Bank's loans, with a total value of roughly RUB100bn, were issued in December 2010 when a special reduced-rate offer was available for Credit Factory loans. This was an absolute record for monthly individual lending in the Bank's history.

The individual loan portfolio grew by 12.1% year on year to RUB 1,320bn. Consumer and mortgage loans drove growth, resulting in a decline in the share of car loans.

INDIVIDUAL LOAN PORTFOLIO
BY LENDING PRODUCT AT YEAR-END



Developing our product range

Over 2010 and early 2011, the Bank developed and launched an innovative product range. As a result, each borrower category, including salary programmes, bank employees and other customers, is offered individual interest rates on their selected loan type. Rate discounts are available to borrowers with good credit histories.

Instead of six types of personal consumption loan, the new range includes two universal products, an unsecured consumer loan and a consumer loan guaranteed by individuals. We also introduced two basic vehicle-financing programmes for the purchase of new and used cars. The above new loan types are only provided on the Credit Factory platform. There are three basic types of mortgage loan, including loans for the purchase of ready-to-move-in residential properties or properties under construction, and for the construction of new houses. In addition, there are a number of special-purpose facilities such as countryside real estate and garage loans, government-backed mortgage and mortgage refinancing facilities.

In 2010, the Bank also developed two new product concepts, *Express Lending* and the *Buy-Back Car Loan*, the latter providing for the possibility of repaying the major portion of principal with the last instalment.

In order to make its offering more attractive to customers, the Bank significantly improved its value propositions within a number of lending programmes during the year. It reduced initial instalments for mortgage facilities to 10-15% and increased the maximum value per single consumer loan, and the aggregate consumer loan payable per borrower from RUB 1.0m to RUB 1.5m, amongst other things.

The launch of the special offer “V desyatku!” mortgage was an important step forward in 2010. This programme offers clients a rate of 10% p.a. on a 10-year loan subject to an initial instalment of at least 10%. Sberbank is also participating in all special mortgage lending programmes being rolled out in preparation for the Sochi 2014 Winter Olympics and Paralympics. The Bank is offering favourable mortgage terms to Olympic facilities’ staff and special loan terms to Sochi citizens for the repair and reconstruction of their houses in order to harmonise the face of the city.

Improving the lending process

The Bank extended Credit Factory, its centralised approach to processing applications for consumer loans, car loans and credit cards across its entire network in the reporting year. Credit Factory has made it possible to reduce loan application review times to two business days while simultaneously mitigating credit risk. Credit Factory is in place in all the Bank’s divisions and loans are issued at the same speed and on the same terms in the most distant locations as they are in Moscow. Wherever a loan may be disbursed, lending decisions are made in one of the Customer Operations Support Centres.

Close to 30,000 lending decisions are made within Credit Factory every day. In 2010, the Bank extended roughly two million loans worth a total of RUB 290bn, which is more than 50% of the total value of consumer and car loans the Bank issued during the year. The Bank intends to migrate its mortgage lending products to the Credit Factory platform in 2011.

In 2010, Sberbank also promoted other retail lending processes. The Bank began to provide prior-approval general-purpose loans and to issue credit cards alongside consumer and car loans up to the respective borrower’s credit limit. In addition, the Bank’s employees process consumer loans on the premises of potential borrowers' employers, meaning that a borrower need visit the Bank's office just once.

Other enhancements made during the year include simplifying the procedure for borrowers to verify their financial position, extending the validity of positive lending decisions and developing additional options of using safe deposit boxes for settlement of real estate transactions in mortgage lending, etc.

RETAIL DEPOSIT OPERATIONS

As deposit growth outperformed lending growth in 2010, the Bank's focus on deposit operations lessened. Other banks continued to pursue aggressive policies to attract retail deposits and as a result Sberbank's share in the deposit market declined from 49.4% to 47.9%.

The retail deposits balance rose 27.6% year on year to RUB 4,834bn, with the influx primarily driven by term deposits.

During the year the Russian currency appreciated which was reflected in the savings attitudes of people who favoured rouble-denominated deposits. The Bank repeatedly changed its pricing policy during the year based on the market and its current demand for foreign currency and rouble resources — it reduced interest rates on rouble-denominated deposits in January, May and August and increased interest rates on US dollar-denominated deposits in August. In order to encourage shorter-term deposits, reductions in interest rates on longer-term deposits were more significant.

PRIVATE BANKING

Expanding the product range and improving service convenience were top-priority development areas in Sberbank's private banking business. The Bank actively promoted Universal Banking Service Agreements and insurance products, and improved its cash and settlement and money transfer processes.

Cash and settlement services

Cash and settlement services remain the most significant service line in terms of transaction value and fee and commission income. In 2010, commission income on retail cash and settlement services amounted to RUB 41.8bn or 32% of total fee and commission income.

The Bank processes payments from individuals, including payments for housing and public utility services, taxes and similar payments, and transfers to state non-budget funds. The total value of individuals' payments increased by a factor of 1.4 year on year reaching RUB 1,621bn, and over 1,134 million payments were processed in 2010. To a great extent, growth in the value and quantity of payments is owed to billing processes and self-service devices: in 2010 the share of payments made using Sberbank's billing process increased to 65.7%.

Despite tough competition from commercial banks and dedicated companies, the Bank has expanded its share of the money transfer market. The number of customer remittance orders rose 11% year on year to exceed 23 million. *BLITZ express money transfers* account for over 50% of all money transfers and are available at 10,800 Bank divisions.

BLITZ express international money transfers are increasingly prevalent between Sberbank divisions in Russia and its subsidiaries' branch networks in Kazakhstan and Ukraine. In 2010 the Bank processed roughly 345,000 transfers with the Bank's share in the cross-border money transfers market widening from 4.4% to 6.0%, thanks to BLITZ transfers. In 2011, Sberbank launched this service jointly with its subsidiary in Belarus.

In order to promote cross-border money transfers, the Bank began to process express transfers through *MoneyGram,* a major international money-transfer service, in late 2010. The Bank also entered into an agreement with the market-leading *Western Union* and intends to start processing *Western Union* transfers in late 2011.

Sberbank has successfully competed with other banks in payroll and pension-related transfers to deposit and card accounts. The Bank maintains the payroll accounts of over 50% of the Russian labour force and has agreements with over 272,000 companies to transfer their salary payments. Pension recipients account for over 40% of all social pensioners and over 95% of pensioners of the national security, defence and law enforcement agencies. Total salary and pension payments transferred by Sberbank in 2010 exceeded RUB 5,300bn, growing 27.2% year on year, and the number of recipients increased to 43 million.

Bank cards

Card operations was one of the top-priority development areas in 2010. As the second-largest service line by size of commission income, it generated commissions of RUB 23.6bn or 18.1% of total fee and commission income in 2010.

The Bank has placed special emphasis on the implementation of a new customer service model within its card operations. The model is based on the Universal Banking Service Agreement (Basic Product), according to which the card is a means of automatic access to information on the client's accounts, deposits, loans and transactions on a 24-hour basis. The technology has been successfully rolled out across the territorial banks and is a technological breakthrough for Sberbank. The Basic Product is in great demand.

Sberbank has actively expanded credit card operations. In 2010 the number of credit cards exceeded 1.9 million increasing more than fourfold. Since June 2010, the Bank has issued credit cards on the Credit Factory platform.

Key results of card operations

	31 December 2010	31 December 2009
Number of valid cards, million	51.4	39.8
Number of customers having Universal Banking Service Agreements, million	13.6	1.2
Number of ATMs, thousand	27.9	22.9
Number of retailers and service providers using the Bank's acquiring service, thousand	123.3	92.5

Sberbank's competitive advantages remain the following: an extensive network of outlets accepting cards, a broad product range and viable tariffs.

Selling insurance contracts

In 2010, the most significant growth in fee and commission income was achieved on a new service type relating to the sale of insurance policies. The Bank earned agency commissions of RUB 9.4bn which contributed 7.2% of total fee and commission income in 2010.

In addition to voluntary group life and health insurance first offered to retail borrowers in late 2009, collateral insurance has been available in all the Bank's branches since April 2010. Clients can now buy insurance policies in the Bank's offices for cars and apartments that have been provided as security on car and mortgage loans. The Bank permits its customers free choice of insurer, and in addition to its partner insurance companies, continues to accept policies issued by all insurance companies that provide collateral insurance (the list of such insurers is shown on the Bank's website).

Furthermore, two pilot insurance programmes were launched in 2010:

- A programme for card holders including life and health insurance, card fraud insurance and travel insurance for individuals traveling abroad and within Russia
- Life and health insurance for deposit holders

By implementing bank insurance programmes, Sberbank is making progress towards one of its key goals in this area — developing an insurance culture among Russian citizens and organisations with respect to preventing potential losses when using borrowed funds. Voluntariness is one of the key principles; that is, clients may decline the offered insurance options without the risk of being denied any banking services.

Other services

Sberbank also offered other services to private clients in the reporting year:

- Foreign exchange operations — Foreign exchange transactions were performed at over 9,000 divisions, totalling an equivalent of USD 13.5bn.
- Selling precious metals and coins — In 2010, the Bank sold 1 million coins and over 4.9 tonnes of precious metal ingots.

- Leasing individual safe deposit boxes — Over 230,000 safe deposit boxes are available at over 1,000 divisions.
- Processing requests for transactions with shares in mutual funds — In 2010, 429 agency desks operated across the branch network and the total value of transactions exceeded RUB 1.1bn.
- Selling all-Russia and regional lottery tickets — In 2010 the Bank sold roughly 38 million lottery tickets worth RUB 1.2bn. The Bank decided to join the Olympic Lotteries project implemented in pursuance of the Russian Government's Resolution on All-Russia Government Lotteries Conducted to Support the Sochi 2014 Winter Olympics and Paralympics.
- Processing requests to transfer the funded pension component from the Pension Fund of the Russian Federation to management companies and non-state pension funds and to admit the insured to the state programme for co-financing pensions — Roughly 420,000 applications processed.
- Selling obligatory pension insurance policies issued by Sberbank's Non-State Pension Fund — Over 280,000 policies sold.
- Paying grants, copyright royalties and financial and humanitarian aid under agreements with charity organisations and foundations — The Bank paid an equivalent of USD 2m to 3,700 recipients.
- Paying unemployment benefits and benefits to individuals with children financed by the government and state non-budget funds — The aggregate value of payments exceeded RUB 113bn in 2010.

RETAIL SALES AND SERVICES

Improving the quality of customer service and reducing queues in the Bank's offices were the key focus in 2010. To that end, the Bank implemented best practices in service delivery, actively promoted distant sales channels and internet technology and centralised support functions.

Sberbank expanded the network of self-service devices by over 30% in the reporting year in order to facilitate customer access to its products. The number of ATMs and information and payment terminals increased to 44,900. The capabilities of access devices via remote channels, including Internet and mobile, were also significantly enhanced. As a result, the number of customers using the Mobile Bank service almost doubled, exceeding 22 million, while the number of "Sberbank OnLine" users increased to 7.5 million. At year-end, over 57% of transactions had been migrated to remote channels.

The Bank continued to set up a full-featured telephone contact centre to provide round-the-clock customer support via telephone and multimedia across Russia and to create an efficient sales channel. Currently, there are platforms in Moscow, Voronezh, Ekaterinburg and St. Petersburg. Their effectiveness may be evaluated as high with 80% of calls attended to by contact centre employees within 40 seconds. Lost calls account for less than 5%.

The Bank continued to migrate support functions to special-purpose Customer Operations Support Centres (COSCs) with a view to freeing up sales offices for customer service. In addition to the existing COSCs in Moscow and St. Petersburg, another two COSCs were opened in Perm and Krasnoyarsk. In parallel with opening the new COSCs, a considerable increase in their efficiency was achieved by means of significant improvements in all back and middle office processes. In 2010, pilot projects for electronic data processing were implemented in the COSCs in Moscow and St. Petersburg. The result will be harmonised processes and reduced customer service delivery times.

In order to achieve a new level of service delivery to wealthy clients, in 2010 Sberbank opened its first offices within a new sub-brand, "Sberbank perviy", to focus on this client category in Moscow, Samara and Yaroslavl. They offer concierge services (information services); tax and legal advice from Sberbank's partners PricewaterhouseCoopers, Deloitte and Baker & McKenzie; Allianz Index, an investment product with a guaranteed return on invested capital developed jointly with ALLIANZ ROSNO insurance company; term life insurance products; and the Investitsionny deposit product with a comprehensive 'Deposit + Mutual Fund' offer.

Financial Markets Operations

The year 2010 was marked by excess short-term liquidity across the banking sector. As rouble liquidity accumulated, foreign currency liquidity tended to decline.

Sberbank invested surplus rouble liquidity in rouble-denominated securities, primarily federal loan bonds, Bank of Russia bonds and corporate shares and bonds. Most bonds purchased by the Bank were included in the Bank of Russia's Lombard List. This materially improved the Bank's ability to obtain refinancing from the Bank of Russia. In the 2010 results, Sberbank ranked first in the MICEX ratings of the leading stock-exchange operators for non-government bonds in regular trading.

Just as in the overall banking sector, Sberbank's foreign currency liquidity diminished as a result of large-volume lending and decreases in the share of foreign-currency-denominated deposits in total deposits, a consequence of the strengthening Russian rouble. To cover the deficit, Sberbank raised funds in external markets both by borrowing under the MTN programme and raising syndicated loans, and by means of repurchase transactions with foreign-currency-denominated instruments. In addition, the Bank significantly reduced its portfolio of foreign-currency-denominated securities in the third quarter of 2010 in order to obtain more liquidity.

In 2010, Sberbank expanded into new segments of the securities market, such as Eurobonds issued by sovereign borrowers in the CIS and CIS-based corporate issuers, and sovereign bonds issued by developing economies (Turkey, Brazil). Diversifying its own securities portfolio, the Bank performed transactions with over 450 securities issues of roughly 150 issuers during the year. Sberbank's aggregate securities portfolio increased by a factor of 1.7 year on year to RUB 1,824bn with the share of securities in the Bank's assets rising from 15% to 21%.

TRANSACTIONS ON BEHALF OF CLIENTS

Client transactions on the financial markets have great capacity for increasing fee and commission income. Commission income from securities transactions conducted on behalf of clients was RUB 1.1bn in 2010, dropping 20.5% year on year. This was primarily composed of income from assisting clients throughout security issues and placement processes and from brokerage and depository services.

Underwriting services

In 2010, the Bank placed or assisted in placing 52 third-party bond issues, including municipal and sub-federal bonds, with an overall participation of RUB 87.2 at par. Sberbank's share in total rouble-denominated bond placements was 10.2% in 2010. Major bond issuers Sberbank assisted in 2010 include Federal Grid Company of Unified Energy System, ZAO AK ALROSA, Vnesheconombank, Mobile TeleSystems, Russian Railways, Evraz Holding Finance and Mechel.

The Bank arranged some unique transactions in international capital markets. In particular, the Bank acted as a co-arranger in a sovereign bond issue of the Republic of Belarus and participated as a co-bookrunner in UC Rusal's listing on the Hong Kong Stock Exchange.

Fiduciary management and brokerage services

The Bank continued to promote services relating to the fiduciary management of clients' funds on the financial markets, with the value of funds managed by Sberbank increasing fivefold to RUB 5.5bn.

The Bank entered the collective investment market in 2010 by creating the Sberbank Management Company and launching a basic range of three mutual funds in December, including funds for shares and bonds and a hybrid fund.

The Bank's brokerage business using an internet trading service matured in the reporting year. With a view to improving the quality of brokerage services, the Bank, as of 1 July 2010, introduced a new internet trading product based on the QUIK internet system which is dominant in the Russian market. Total internet client sales amounted to RUB 215bn, tripling year on year. There were roughly 12,000 clients.

Depository services

The Sberbank Depository is one of Russia's largest. It comprises over 240,000 customer accounts with an asset market value of roughly RUB 1,700bn.

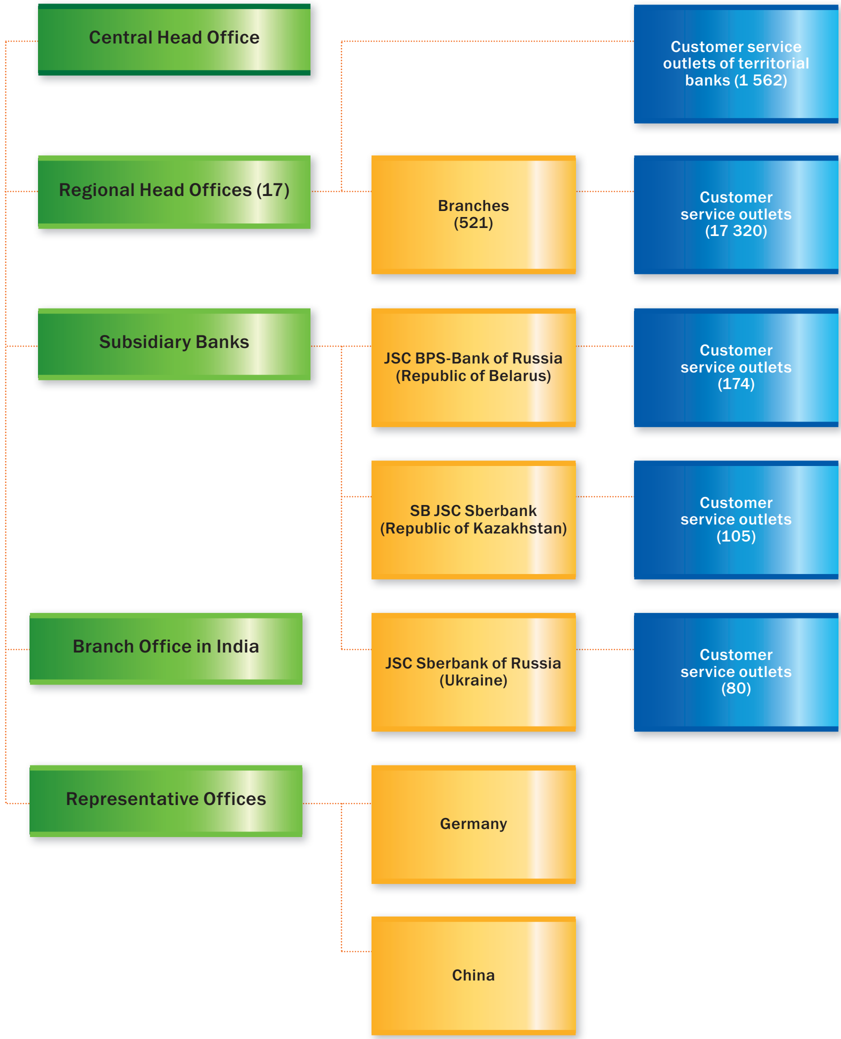
In 2010, Sberbank acted as an advisor and issuing depository for the issue of Russian depository receipts for shares in UC RUSAL PLC. The issue was the first in Russian history. By participating in this issue the Bank joined the elite global club of banks issuing depository receipts.

In 2010, the Depository served as the underlying asset sub-custodian for the issue and clearance of depository receipts issued by JP Morgan Chase Bank N.A. for shares in major Russian companies.

Based on client feedback on service quality, Global Custodian named the Sberbank Depository Domestic Commended as the domestic depository of choice for investors in Russia, both local and foreign.

Branch Network

BRANCH NETWORK STRUCTURE



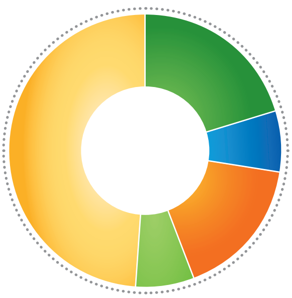
BRANCH NETWORK IN RUSSIA

The Bank's extended branch network is one of its strongest competitive advantages. The regional bank structure includes more than 19,400 branches and exists across the country.

The Bank continues to develop its branch network by opening new branches and improving the location of its existing outlets: in 2010, it established 78 branches and relocated 208 outlets. The Bank has also consolidated its existing branches by establishing large banking centres with high development potential (83 branches were reorganised during the reporting year). At the end of 2010, the Bank consolidated the Altaisky and Sibirsky regional head offices to increase the efficiency of its regional structure.

Over the year, 387 outlets were closed down as they lacked the conditions necessary to provide banking services or due to long-standing poor performance. In some locations stationary outlets were replaced with mobile units.

BRANCH NETWORK IN RUSSIA BY LOCATION TYPE



20.4%
Centres of constituent entities

7.2%
Cities with population over 100,000

16.8%
Other cities

6.8%
Urban-type communities

48.8%
Rural settlements

To improve customer service conditions, more than 600 outlets have extended their operation hours during weekdays. About 900 outlets now serve clients without lunch breaks. Around 2,000 self-service terminals were opened in 2010 to allow self-service banking via automated channels.

As part of the approved Development Strategy, the Bank is reformatting its entire branch network. Eight newly developed basic formats were pilot tested during the year in various regions of Russia. In 2011 the Bank will start a gradual transition to the new formats.

Regional head offices as of 1 January 2011

Bank	Serviced territories	Branches	Customer service outlets
Baikalsky Bank	Zabaikalsky Territory, Irkutsk Region, Republic of Buryatia	10	541
Volgo-Viatsky Bank	Nizhniy Novgorod Region, Vladimir Region, Kirov Region, Republic of Mordovia, Republic of Mariy-El, Republic of Chuvashia – Chuvashia, Republic of Tatarstan	57	2,288
Vostochno-Sibirsky Bank	Krasnoyarsk Territory, Republic of Tyva, Republic of Khakassia	15	436
Dalnevostochny Bank	Khabarovsk Territory, Primorski Territory, Amur Region, Sakhalin Region, Jewish Autonomous Region	7	446
Zapadno-Sibirsky Bank	Tyumen region, Omsk region, Khanty-Mansiysk Autonomous District – Yugra, Yamalo-Nenetsky Autonomous District	21	829
Zapadno-Uralsky Bank	Perm Territory, Komi Republic, Udmurtian Republic	33	809
Moskovsky Bank	Moscow	–	757
Povolzhsky Bank	Samara Region, Ulyanovsk Region, Orenburg Region, Saratov Region, Volgograd Region, Astrakhan Region, Penza Region	63	2,822
Severny Bank	Yaroslavl Region, Kostroma Region, Ivanovo Region, Vologda Region, Arkhangelsk Region, Nenetsky Autonomous District	16	748
Severo-Vostochny Bank	Magadan Region, Kamchatka Territory, Chukchi Autonomous District, Republic of Sakha (Yakutia)	19	249
Severo-Zapadny Bank	St Petersburg, Leningrad Region, Murmansk Region, Kaliningrad Region, Pskov Region, Novgorod Region, Republic of Karelia	5	1,051
Severo-Kavkazsky Bank	Stavropol Territory, Republic of Ingushetia, Republic of North Ossetia – Alania, Kabardino-Balkarian Republic, Republic of Dagestan, Karachai-Circassian Republic, Republic of Kalmykia, Chechen Republic	27	504

Continued >>

Bank	Serviced territories	Branches	Customer service outlets
Sibirsky Bank	Novosibirsk Region, Tomsk Region, Kemerovo Region, Altai Territory, Republic of Altai	38	1,374
Srednerussky Bank	Moscow Region, Tver Region, Kaluga Region, Bryansk Region, Smolensk Region, Tula Region, Ryazan Region	63	1,617
Uralsky Bank	Sverdlovsk Region, Chelyabinsk Region, Kurgan Region, Republic of Bashkortostan	58	1,603
Tsentralno-Chernozemny Bank	Voronezh Region, Orel Region, Lipetsk Region, Kursk Region, Belgorod Region, Tambov Region	40	1,397
Yugo-Zapadny Bank	Rostov Region, Krasnodar Territory, Republic of Adygeya	49	1,410

DEVELOPMENT OF THE BRANCH AND SUBSIDIARY NETWORK ABROAD

In line with the Development Strategy through 2014, Sberbank is set to develop its business in the CIS and to look for expansion opportunities outside the CIS. At 1 January 2011, Sberbank operated outside Russia through a branch office in India, two representative offices in Germany and China and three subsidiary banks located in Kazakhstan, Ukraine and Belarus.

A branch office in India

In autumn 2010, Sberbank registered a branch office in India (New Delhi). The branch office was established as a strategic platform for the development of Sberbank's business and will be primarily engaged in handling foreign trade settlement flows between India and Russia and other CIS states in which Sberbank conducts its business.

A representative office in Germany

The key objective of the representative office is to strategically position Sberbank with European business circles. In 2010, the representative office took an active part in the Munich Security Conference, the 20th Frankfurt European Banking Congress, and SIBOS 2010. The representative office provided support in arranging and holding multi-lateral negotiations with a consortium of German banks in order to finance exports of capital-intensive goods and services to Russia under the guarantee of export credit agencies.

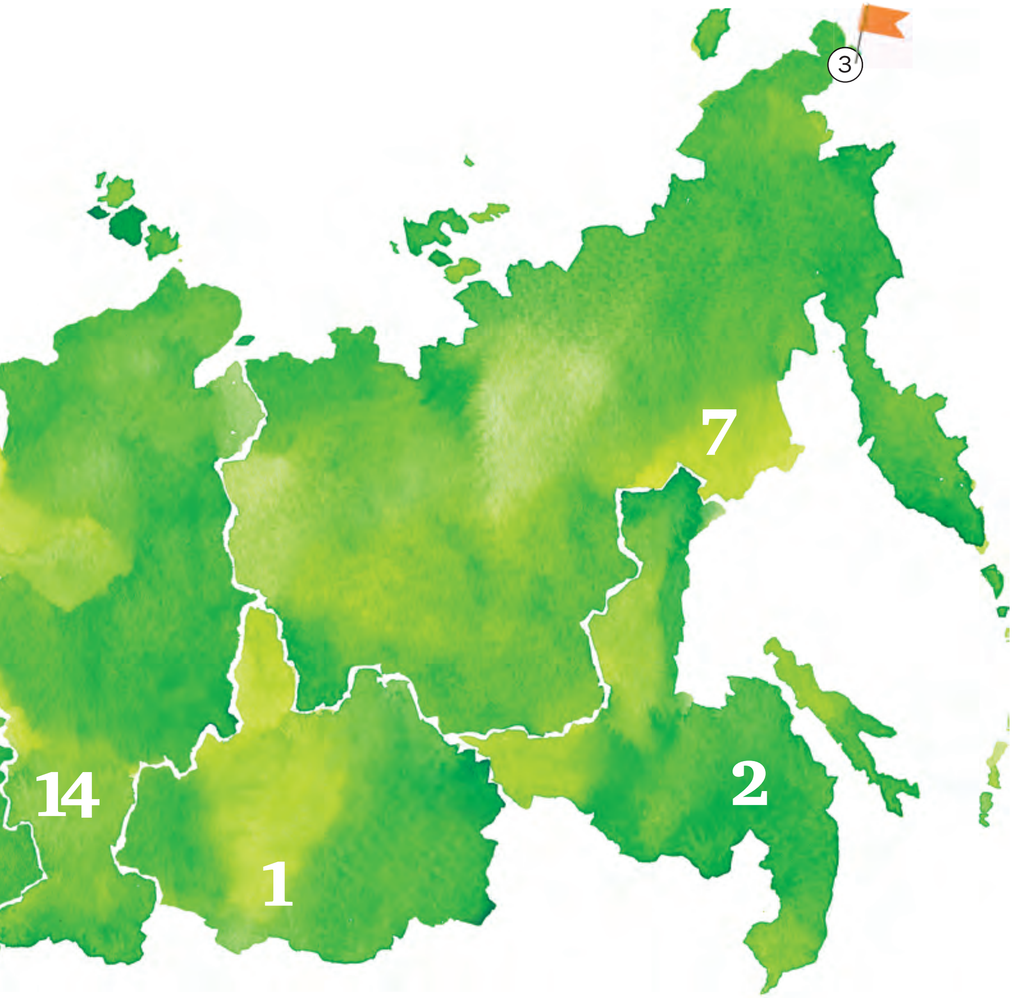
BRANCH NETWORK

1 Territorial banks

1. Baikalsky bank
2. Dalnevostochny bank
3. Moskovskiy bank
4. Povolzhsky bank
5. Severny bank
6. Severo-Kavkazsky bank
7. Severo-Vostochny bank
8. Severo-Zapadny bank
9. Sibirsky bank
10. Srednerussky bank
11. Tsentralno-Chernozemny bank
12. Uralsky bank
13. Volgo-Vyatsky bank
14. Vostochno-Sibirsky bank
15. Yugo-Zapadny bank
16. Zapadno-Sibirsky bank
17. Zapadno-Uralsky bank

1 Subsidiary banks

1. OJSC BPS Bank (Republic of Belarus)
2. DB JSC Sberbank (Kazakhstan)
3. JSC Sberbank of Russia (Ukraine)



The most
remote offices

1. **The northern most office:**
#8637/0136 office, Arkhangelsk-55, Novaya Zemlya.
2. **The southern most office:**
#8590/010 office, Magaramkent village, Dagestan.
3. **The eastern most office:**
#8557/022 office, Lavrentia village, Chukotskiy AO.
4. **The western most office:**
#8626/01255 office, Baltyisk, Kaliningrad oblast.

A representative office in China

In June 2010, Sberbank obtained approval from the China Banking Regulatory Commission to open a representative office in Beijing. The representative office was registered in the People's Republic of China in the third quarter of 2010 in accordance with local laws, and will become fully operative from 2011. The representative office is set to develop relations with local banking, commercial and government structures in order to promote the business of the Bank and its clients in the region.

JSC BPS-Bank (Republic of Belarus)

In 2010, JSC BPS-Bank was ranked among the top-three players on the national banking market and significantly expanded its presence in all key market segments. JSC BPS-Bank services more than 27,000 legal entities and around 1.5m individual clients, and is involved in 30 government lending programmes.

The subsidiary's asset value according to IFRS grew by 80.9% during 2010, totalling BYR 807bn, while net profits increased by 9.3% to BYR 114.7bn.

The year 2010 saw the completion of key initiatives towards the integration of JSC BPS-Bank into the Sberbank Group, including the institution of the new executive management bodies, establishment of control over the management bodies, approval of the subsidiary's mid-term development strategy and the introduction of the new organisational structure. These initiatives provide Sberbank with the required decision-making leverage to manage the operations of its subsidiary.

Sberbank increased its shareholding in JSC-BPS Bank to 97.91%, following the offer to purchase JSC-BPS Bank's shares and injecting additional capital in excess of RUB 960m.

SB JSC Sberbank (Republic of Kazakhstan)

According to the local ratings of the major banks at 1 January 2011, SB JSC Sberbank is ranked seventh by equity, seventh by profit and ninth by total assets.

In 2010, SB JSC Sberbank's assets according to IFRS grew by 29.0% due to an increase in corporate lending operations and growing investments in securities. An influx of funds deposited by customers contributed to the liabilities growth. The subsidiary bank's net profits for 2010 totalled KZT 2.6bn.

Supported by Sberbank, the subsidiary bank has put in place a unified tariff system aimed at expanding its customer base. The system provides for a significant reduction in cash withdrawal fees for the subsidiary bank's cardholders using Sberbank's ATMs in Russia.

The subsidiary bank's Development Strategy up to 2015 was approved by its board of directors in 2010.

JSC Sberbank of Russia (Ukraine)

JSC Sberbank of Russia strengthened its position in the local market in 2010. The subsidiary bank's assets according to IFRS grew by 73.4% to UAH 10.2bn, primarily due to an improved corporate lending business. The year 2010 saw the first lending transactions with major Ukrainian companies that were completed jointly by the parent and the subsidiary bank. The growth in liabilities was primarily driven by an increase in corporate and retail deposit balances.

The subsidiary bank's net profits for 2010 totalled UAH 136.9m.

In March 2010, Sberbank acquired additional shares issued by JSC Sberbank of Russia for an amount equivalent to USD 186m in order to support the subsidiary bank's financial stability.

Personnel

Highly skilled staff are one of the Bank's core competitive advantages. The magnitude of changes to the Bank's business that are envisaged in its Development Strategy compels fundamental shifts in employee skills, mentality and corporate culture. 2010 was a landmark year for the Bank in terms of innovations in employee compensation approaches, new opportunities for career promotion and professional development and improvements in the employee social security system.

In 2010, Sberbank introduced its new organisational structure across the management bodies of its regional head offices and branches. The focus of the changes was to formally anchor the responsibility of sub-branches and their managers for the relevant business lines. The reorganisation initiatives resulted in optimised headcount (involving mostly management personnel), and centralisation of the administrative and support functions. In 2010, headcount dropped by 3.6% to 240,895 staff — in line with the business plan. Building a long-term talent pool is a key contributor to the success of the Bank's strategy. To evaluate staff potential, in 2010 the Bank developed a comprehensive system of performance assessment and promotion criteria for employees of various levels in order to assess their professional skills and personal competencies. The new technology was applied to assess the performance of management personnel at the Central Head Office, chairpersons of the territorial banks, and regional head office and outlet managers. The valuation helped to identify promising leaders, formalise succession planning and a talent development process in order to cultivate a healthy pipeline of future candidates from among the existing management ranks and strategic talent pool. Sberbank employs a corporate training system focused on the systemic improvement of key competencies, the development of skills required to improve performance in an employee's current role and building a knowledge pipeline for the future talent pool. In 2010, the Bank organised a number of soft skills training sessions to facilitate the development of customer service, sales and negotiation skills. The Bank also actively uses distance e-learning systems. Employees are provided access to the Training & Development Portal, an online tool that allows the user to receive training or take a test. In 2010, Sberbank continued the development of the Corporate University in order to set learning standards and coordinate personnel training initiatives. In line with the Bank's Development Strategy, Sberbank introduced new personnel motivation principles to be consistently applied across the organisation. The principles are aimed at creating a transparent and flexible system to ensure that an employee's remuneration is directly linked to performance. The new motivation system applies a fundamentally new approach: employee remuneration should be more coherent, predictable and competitive (i.e. represent the market average in a given region).

In 2010, Sberbank launched a new corporate medical insurance programme for its employees. More than 85,000 people or 35% of the total headcount have been enrolled in the medical insurance scheme on a co-funding basis following a number of tenders that were organised to select voluntary medical insurance providers. For the first time, the Bank provided a full medical examination to promote the prevention and early detection of diseases among its employees (primarily, cancer and cardiovascular diseases). Over 95,000 employees took the medical examination in 2010.

Information Technologies

Among the Development Strategy's key areas of focus is making technological breakthroughs and building advanced processes and systems. In 2010, the Bank continued to proactively pursue IT upgrade initiatives in various areas.

One of the initiatives is the deployment of a best-practice, automated customer relationship management (CRM) system, an internationally recognised solution for building relationships with customers. In 2010, Corporate CRM processes were customised to include a cross-sale function and to cater for a new customer segment (medium-sized businesses), accompanied by the partial introduction of the new lending process. To enhance retail CRM processes (relationships with individuals), the Bank has completed the tender for the selection of a centralised system that will facilitate the matching of offerings with different customer groups' interests and conducting cross selling.

Another important area is the development of remote service channels. Each new 'remote' service added to the Bank's service offering makes it more customer-friendly and contributes to a significant increase in operating efficiency. Some notable 2010 achievements include:

- Basic Product, a unique technology enabling customer access to the entire product range through all channels, is fully operational in Moscow and is currently being launched in the regions
- The update to Sberbank OnLine, an e-banking system that provides a combined solution for managing credit card and deposit accounts, now features an improved interface and extended functionality
- Sberbank Business Online, a centralised e-banking system for legal entities, has been launched in some territorial banks
- Internet Display of foreign currency treasury products allows the tracking of intraday price movements for a given product; provides access to analytical tools and news feeds; and enables instant on-line transactions on the terms proposed by the Bank
- Online brokerage service
- Cooperation with the web portal of Russia's Pension Fund: a statement of the pension fund account is now available through ATMs and online
- Up to 80% of bills to local governments and state agencies may now be paid via payment terminals in Moscow

Over 2010 the Bank has made significant progress in developing a modern management information system (MIS). MIS is designed to provide management with critical information to support decision-making. The Bank has created a unified web portal hosting a management reporting database. A number of the latest IT technologies that were introduced in 2010 have facilitated significant cost reductions and improved delivery. Cash liquidity management has been successfully launched in Moscow, with pilot projects being implemented in the territorial banks. The cost budgeting and expense planning system is now fully operative and Hunter, a combined tool offering a continuous cycle to enable users to prevent, detect and investigate fraud when extending loans to borrowers, has been introduced.

The Bank's advanced IT project management framework received recognition from the IPMA Approval Commission and an IPMA Level B compliance certificate confirms that the Bank is capable of undertaking undertake complex IT projects both locally and on a global scale.

Based on the findings of the surveillance audit conducted in January 2010, the Bank's information technology service management system continues to meet ISO/IEC 20000:1-2005.

Charity

Sberbank has been traditionally involved in charity and sponsorship activities, striving to better the lives of Russian citizens and improve the country's social climate.

This work is arranged by the Commission on Charity and Sponsor Activity, which is headed by the CEO and Chairman of Sberbank's Management Board.

Sberbank provides financial support to a number of charity foundations, including those focused on cultural activities, restoration of national historic monuments and conservation of the country's architectural heritage.

The Bank supports public health care programmes by providing donations to public organisations and health care institutions to finance the purchase of expensive medical equipment. Jointly with the children's charity foundation, the Bank supports charitable actions and programmes that are focused on children with cancer and other complex health needs.

The Bank is committed to continued partnerships with educational institutions, including universities majoring in economics, finance and law.

Targeted donations are directed to non-profit organisations to support and develop sports.

Sberbank traditionally supports child care organisations (orphanages, child and youth centres and children's art houses).

In 2010, the Bank provided significant finance aid to local communities that had faced losses from disasters involving fires and floods.

Development Outlooks

With the majority of key indicators returning to pre-crisis levels, Sberbank intends to maintain its momentum in order to achieve sustainable growth in 2011, while consistently adhering to the Development Strategy through to 2014.

In terms of finance, the Bank's sees its primary objective in maximising return on capital and shareholder value, which calls for enhancing credit-portfolio quality, securing the repayment of non-performing loans and continually improving operating efficiency.

Customer service priorities for 2011 include the following:

- Enhancing the level of customer satisfaction with the Bank's service; emphasis will be placed on eliminating queues at outlets and introducing the corporate relations manager role — a new position specifically designed to serve corporate customers.
- Increasing the Bank's share of Russian banking assets by strengthening its relative position in the financial market's key segments.
- Offering the market's best level of customer service in remote banking.
- Strengthening the brand in the priority retail segments.

The Bank intends to take the following steps in 2011 in the context of process and technology enhancement:

- Complete transition to a customer-focused service model.
- Fully implementing the new corporate lending process, having made the Bank's lending system the best on the market.
- Leveraging the Bank's economies of scale to the fullest by consolidating the back-office function.

Human capital is a key enabler of the Bank's successful business development. Human capital management priorities for 2011 include the following:

- Drawing up a comprehensive staff development and optimisation plan
- Creating a highly dedicated and motivated team by relying on fully implemented and consistently applied motivation processes and the establishment of career management and social security systems
- Maintaining the required level of personnel qualification to meet the Development Strategy by setting up professional training and development processes, liaising with educational institutions, and developing and introducing knowledge management processes and tools.