Sberbank
(Savings Bank of the Russian Federation)

Condensed Interim Consolidated Financial Statements and Review Report

30 September 2008

CONTENTS

PRICEWATERHOUSECOOPERS

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REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed interim consolidated balance sheet of Sberbank (Savings Bank of the Russian Federation) (hereinafter - the "Bank") and its subsidiaries (together referred to as a "Group" or "Sberbank (Savings Bank of the Russian Federation) Group") as of 30 September 2008, and the related condensed interim consolidated statements of income, changes in equity and cash flows for the nine months then ended. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
26 December 2008

In millions of Russian Roubles	Note	30 September 2008 (Unaudited)	31 December 2007
ASSETS			
Cash and cash equivalents		228 735	242 231
Mandatory cash balances with the Bank of Russia		29 291	56 790
Trading securities		123 261	246 221
Other securities at fair value through profit or loss		176 516	247 024
Due from other banks	5	2 933	5 071
Loans and advances to customers	5	4 850 411	3 921 546
Repurchase receivable		3 388	-
Investment securities available for sale		169 476	10 094
Deferred income tax asset		3 848	68
Premises and equipment		159 198	146 850
Other assets		67 273	52 913
TOTAL ASSETS		**5 814 330**	**4 928 808**
LIABILITIES			
Due to other banks		46 253	80 321
Deposits from individuals	6	3 025 907	2 681 986
Customer accounts	6	1 664 677	1 195 634
Debt securities in issue		165 769	163 827
Other borrowed funds	7	111 704	112 025
Deferred income tax liability		25	-
Other liabilities		68 189	32 754
Subordinated debt		25 391	25 064
TOTAL LIABILITIES		**5 107 915**	**4 291 611**
EQUITY			
Share capital	8	87 742	87 742
Share premium		232 493	232 493
Treasury shares	8	(1)	-
Revaluation reserve for premises		14 418	14 815
Fair value reserve for investment securities available for sale		(9 301)	733
Retained earnings		381 064	301 414
TOTAL EQUITY		**706 415**	**637 197**
TOTAL LIABILITIES AND EQUITY		**5 814 330**	**4 928 808**

Approved for issue and signed on behalf of the Board on 26 December 2008.

Herman Gref
Chairman of the Board and CEO

Andrey Kruzhalov
Chief Accountant

In millions of Russian Roubles	Note	Nine months ended 30 September 2008 (Unaudited)	Three months ended 30 September 2008 (Unaudited)	Nine months ended 30 September 2007 (Unaudited)	Three months ended 30 September 2007 (Unaudited)
Interest income	9	441 295	163 206	304 084	111 711
Interest expense	9	(173 689)	(63 945)	(127 092)	(45 705)
Net interest income		**267 606**	**99 261**	**176 992**	**66 006**
Provision for loan impairment	5	(36 054)	(18 776)	(4 028)	(3 626)
Net interest income after provision for loan impairment		**231 552**	**80 485**	**172 964**	**62 380**
Fee and commission income	10	62 788	23 289	47 310	17 255
Fee and commission expense	10	(2 681)	(997)	(1 639)	(606)
Losses, net of gains arising from trading securities		(9 351)	(8 003)	2 742	(540)
Losses, net of gains arising from other securities at fair value through profit or loss		(6 175)	(5 816)	(2 393)	(2 189)
Gains less losses arising from investment securities available for sale		1 087	(1)	6	6
Impairment of investment securities available for sale		(1 821)	(1 821)	-	-
Gains less losses arising from trading in foreign currencies		5 291	1 922	4 473	1 765
Foreign exchange translation gains less losses		3 914	7 861	(2 269)	(2 081)
Losses, net of gains arising from operations with foreign currencies and securities derivatives		(4 106)	(7 645)	1 039	1 327
Gains less losses arising from operations with precious metals		704	(1 738)	824	343
Other operating income		3 163	753	1 988	624
Operating profit		**284 365**	**88 289**	**225 045**	**78 284**
Administrative and other operating expenses		(165 687)	(57 087)	(133 767)	(48 448)
Profit before tax		**118 678**	**31 202**	**91 278**	**29 836**
Income tax expense		(28 436)	(7 972)	(21 356)	(7 905)
Profit for the reporting period		**90 242**	**23 230**	**69 922**	**21 931**
Earnings per ordinary share, basic and diluted (expressed in RR per share)	11	**4.2**	**1.1**	**3.3**	**1.0**

In millions of Russian Roubles	Note	Share capital	Share premium	Treasury shares	Revaluation reserve for premises	Fair value reserve for investment securities available for sale	Retained earnings	Total equity
Balance as at 1 January 2007		**79 981**	**10 016**	**-**	**15 344**	**-**	**203 183**	**308 524**
Premises and equipment:								
- Depreciation of revalued premises		-	-	-	(522)	-	522	-
- Income tax recorded in equity		-	-	-	125	-	(125)	-
Investment securities available for sale:								
- Revaluation of securities		-	-	-	-	1 078	-	1 078
- Disposals		-	-	-	-	(6)	-	(6)
- Income tax recorded in equity		-	-	-	-	(257)	-	(257)
Net income/ (expense) recognised directly in equity for nine months ended 30 September 2007		**-**	**-**	**-**	**(397)**	**815**	**397**	**815**
Profit for nine months ended 30 September 2007		-	-	-	-	-	69 922	69 922
Total income/(expense) recognised for nine months ended 30 September 2007		**-**	**-**	**-**	**(397)**	**815**	**70 319**	**70 737**
Issue of ordinary shares		7 761	222 477	-	-	-	-	230 238
Dividends declared	12	-	-	-	-	-	(8 787)	(8 787)
Balance as at 30 September 2007 (Unaudited)		**87 742**	**232 493**	**-**	**14 947**	**815**	**264 715**	**600 712**
Balance as at 1 January 2008		**87 742**	**232 493**	**-**	**14 815**	**733**	**301 414**	**637 197**
Premises and equipment:								
- Depreciation of revalued premises		-	-	-	(522)	-	522	-
- Income tax recorded in equity		-	-	-	125	-	(125)	-
Investment securities available for sale:								
- Revaluation of securities		-	-	-	-	(12 116)	-	(12 116)
- Disposals		-	-	-	-	(1 087)	-	(1 087)
- Income tax recorded in equity		-	-	-	-	3 169	-	3 169
Foreign currency translation gains less losses		-	-	-	-	-	670	670
Net income/ (expense) recognised directly in equity for nine months ended 30 September 2008		**-**	**-**	**-**	**(397)**	**(10 034)**	**1 067**	**(9 364)**
Profit for nine months ended 30 September 2008		-	-	-	-	-	90 242	90 242
Total income/(expense) recognised for nine months ended 30 September 2008		**-**	**-**	**-**	**(397)**	**(10 034)**	**91 309**	**80 878**
Purchase of treasury shares	8	-	-	(1)	-	-	-	(1)
Dividends declared	12	-	-	-	-	-	(11 659)	(11 659)
Balance as at 30 September 2008 (Unaudited)		**87 742**	**232 493**	**(1)**	**14 418**	**(9 301)**	**381 064**	**706 415**

In millions of Russian Roubles	Note	Nine months ended 30 September 2008 (Unaudited)	Nine months ended 30 September 2007 (Unaudited)
Cash flows from operating activities			
Interest received		454 562	301 827
Interest paid		(161 134)	(116 782)
Fees and commissions received		62 929	47 219
Fees and commissions paid		(2 681)	(1 639)
Income received from trading securities		290	3 797
Income received from other securities at fair value through profit or loss		647	195
Income received from trading in foreign currencies		5 291	4 473
Income received from foreign currencies and securities derivatives		1 471	935
(Expenses paid)/income received on operations with precious metals		(571)	761
Other operating income received		3 669	1 838
Administrative and other operating expenses paid		(129 170)	(110 966)
Income tax paid		(34 281)	(21 624)
Cash flows from operating activities before changes in operating assets and liabilities		**201 022**	**110 034**
Changes in operating assets and liabilities			
Net decrease / (increase) in mandatory cash balances with the Bank of Russia		27 499	(5 038)
Net decrease in trading securities		112 677	44 098
Net decrease in other securities at fair value through profit or loss		62 467	17 193
Net decrease / (increase) in due from other banks		2 205	(23 281)
Net increase in loans and advances to customers		(961 011)	(939 947)
Net increase in repurchase receivables		(3 311)	(149 650)
Net increase in other assets		(16 854)	(3 916)
Net (decrease) / increase in due to other banks		(34 487)	143 816
Net increase in deposits from individuals		338 142	417 498
Net increase in customer accounts		453 559	224 293
Net increase / (decrease) in debt securities in issue		2 694	(19 799)
Net increase in other liabilities		19 959	8 093
Net cash from / (used in) operating activities		**204 561**	**(176 606)**
Cash flows from investing activities			
Purchase of investment securities available for sale		(206 323)	(14 323)
Proceeds from disposal and redemption of investment securities available for sale		36 748	102
Acquisition of premises and equipment		(30 257)	(19 505)
Proceeds from disposal of premises and equipment		152	308
Dividend income received		164	150
Net cash used in investing activities		**(199 516)**	**(33 268)**
Cash flows from financing activities			
Issue of ordinary shares		-	230 238
Other borrowed funds received		11 787	1 557
Redemption of other borrowed funds		(15 454)	(2 936)
Repayment of interest on other borrowed funds		(3 327)	(4 071)
Repayment of interest on subordinated debt		(1 516)	(1 615)
Disposal of treasury shares		-	10
Dividends paid	12	(11 628)	(8 680)
Net cash (used in) / from financing activities		**(20 138)**	**214 503**
Effect of exchange rate changes on cash and cash equivalents		**1 597**	**(1 856)**
Net (decrease) / increase in cash and cash equivalents		**(13 496)**	**2 773**
Cash and cash equivalents at the beginning of the reporting period		242 231	209 603
Cash and cash equivalents as at the end of the reporting period		**228 735**	**212 376**

1 Introduction

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") for the nine months ended 30 September 2008 for Sberbank (Savings Bank of the Russian Federation) (the "Bank") and its subsidiaries (together referred to as the "Group" or "Sberbank (Savings Bank of the Russian Federation) Group").

The Bank is an open joint stock commercial bank established in 1841 and operated in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank's principal shareholder, the Central Bank of the Russian Federation ("Bank of Russia"), owns 60.3% of ordinary shares or 57.6% of the issued and outstanding shares at 30 September 2008.

As at 30 September 2008 the Supervisory Board of the Bank is headed by the Chairman of the Bank of Russia. The Supervisory Board also included representatives from the Bank's other shareholders. Two Deputy Chairmen of the Bank of Russia are Deputy Chairmen of the Supervisory Board.

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

The Bank participates in the State deposit insurance scheme, which was introduced by the Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. In October 2008 the guarantee repayment of individual deposits under the State deposit insurance scheme was raised up to RR 700 thousand per individual in case of the withdrawal of a license of a bank or a Bank of Russia imposed moratorium on payments.

The Bank has 17 (31 December 2007: 17) regional head offices, 778 (31 December 2007: 791) branches and 19 615 (31 December 2007: 19 499) sub-branches within the Russian Federation as at 30 September 2008. The average number of the Bank's employees during the nine-months period ended 30 September 2008 was 259 334 (year ended 31 December 2007: 251 208).

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

2 Operating Environment of the Group

The Group principally operates within the Russian Federation.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and fast economic growth. The banking sector in the Russian Federation is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity and increased levels of volatility in market prices as witnessed during 2008. Management is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they could have on the financial position of the Group.

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

2 Operating Environment of the Group (Continued)

Recent volatility in global and Russian financial markets. While the Group does not have any exposure to the US sub-prime market, the ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Russian banking sector, and higher interbank lending rates. The uncertainties in the global financial market, has also led to bank failures and bank rescues in the United States of America, Western Europe and other countries including Russia. Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The borrowers of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has reflected revised estimates of expected future cash flows in their impairment assessments.

The uncertainty in the global markets combined with other local factors has during 2008 led to very high volatility in the Russian Stock Markets and at times much higher than normal interbank lending rates.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

3 Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2007.

These condensed interim consolidated financial statements are presented in millions of Russian Roubles ("RR millions").

At 30 September 2008 the principal rate of exchange used for translating foreign currency monetary balances was USD 1 = RR 25.2464 (31 December 2007: USD 1 = RR 24.5462).

4 Accounting Policies and Critical Accounting Estimates and Judgements

The accounting policies and methods of computation applied in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2007.

Judgements made by Management in the process of applying the accounting policies were consistent with the judgements disclosed in the annual consolidated financial statements for the year ended 31 December 2007. Management has not identified new areas of judgement. Critical estimates, as disclosed in the most recent annual financial statements, have not resulted in a material adjustment to the Group's assets, income or profit during the interim period ended 30 September 2008.

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

Interim period measurement. Income tax expense is recognised in these condensed interim consolidated financial statements based on management's best estimates of the effective annual income tax rate expected for the full financial year. Costs that occur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

4 Accounting Policies and Critical Accounting Estimates and Judgments (Continued)

Investment securities available for sale. Impairment losses on investment securities available for sale are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss. According to the assessment of the Group as of 30 September 2008 impairment of investment securities available for sale comprised RR 1 821 million and was recognised in the condensed interim consolidated income statement. The unrealised gains/(losses) on revaluation of investment securities available for sale other than impairment loss are recognised in equity in fair value reserve for investment securities available for sale.

Foreign currency translation gains less losses. Foreign currency translation gains less losses in the condensed interim consolidated statement of changes in equity include the result of net assets revaluation arising on the consolidation of the Group's subsidiaries whose functional currency differs from the Group's presentation currency (Russian Rouble). The cumulative balance of currency translation differences recorded in equity at 30 September 2008 amounted to a gain of RR 670 million (31 December 2007: nil).

Capital Adequacy Ratio. Capital Adequacy Ratio is calculated in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) (or Basel Capital Accord) requirements. Such requirements are subject to interpretation and accordingly the appropriateness of the inclusion, exclusion, and/or classification of amounts included in the calculation of the Capital Adequacy Ratio requires Management judgement, for example, treatment of off-balance sheet commitments.

New accounting pronouncements. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2007, became effective for the Group from 1 January 2008. They have not significantly affected these condensed interim consolidated financial statements. The Group has not early adopted any new standard or interpretation that was published but is not effective for the year ended 31 December 2008. The following new standards and interpretations were published after the Group's annual financial statements for the year ended 31 December 2007 were authorized for issue.

- *Puttable Financial Instruments and Obligations Arising on Liquidation — IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009).* The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group does not expect the amendment to affect its future consolidated financial statements.
- *IFRIC 13, Customer Loyalty Programmes (issued in June 2007; effective for annual periods beginning on or after 1 July 2008)*. IFRIC 13 clarifies that where goods or services are sold together *with* a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group is currently assessing the impact of the Interpretation on its future consolidated financial statements.

4 Accounting Policies and Critical Accounting Estimates and Judgments (Continued)

- *IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)*. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The Group is currently assessing the impact of the interpretation on its future consolidated financial statements.
- *IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).* The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. The Group does not expect the amendment to affect its future *consolidated financial statements.*
- *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment (revised May 2008; effective for annual periods beginning on or after 1 January 2009).* The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments will not have an impact on the Group's future consolidated financial statements.
- *Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009, with earlier application permitted).* The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have an impact on the Group's future consolidated financial statements.

Improvements to International Financial Reporting Standards *(issued in May 2008).* In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments issued in May 2008 consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group does not expect the amendments to have any material effect on its future consolidated financial statements.

4 Accounting Policies and Critical Accounting Estimates and Judgments (Continued)

Reclassification of Financial Assets. Amendment to IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective with retrospective application for the periods beginning on or after 1 July 2008 but up to 1 November 2008; any reclassification made in periods beginning on or after 1 November 2008 will be effective only prospectively) permits reclassification of certain assets at fair value through profit or loss in rare circumstances and if the asset is no longer held for trading in the near term, except financial assets designated at fair value through profit or loss upon initial recognition and derivatives. It also permits reclassification of financial assets that meet the definition of loans and receivables out of the fair value through profit or loss category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. The Group decided not to adopt this amendment for the purpose of these condensed interim consolidated financial statements.

Changes in estimates and presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts. The effect of reclassifications on the condensed interim consolidated income statement is as follows:

(Unaudited) *(In millions of Russian Roubles)*	**Nine months ended 30 September 2007**	**Three months ended 30 September 2007**
Increase in		
Gains less losses arising from trading securities and other securities at fair value through profit or loss	-	2 729
Losses, net of gains arising from trading securities	2 742	-
Gains less losses arising from trading in foreign currencies	4 473	1 765
Losses, net of gains arising from operations with foreign currencies and securities derivatives	1 039	1 327
Decrease in		
Gains less losses arising from trading securities and other securities at fair value through profit or loss	349	-
Losses, net of gains arising from trading securities	-	540
Losses, net of gains arising from other securities at fair value through profit or loss	2 393	2 189
Net gains from trading in foreign currencies and foreign exchange translation gains net of losses	3 243	1 011
Foreign exchanges translation gains less losses	2 269	2 081

Effects on the condensed interim consolidated statement of cash flows for the nine months ended 30 September 2007:

(Unaudited) *(In millions of Russian Roubles)*	**Nine months ended 30 September 2007**
Increase in	
Income received from trading securities	3 797
Income received from other securities at fair value through profit or loss	195
Income received from trading in foreign currencies	4 473
Income received from foreign currencies and securities derivatives	935
Decrease in	
Income received from trading securities and other securities at fair value through profit or loss	3 992
Income received from trading in foreign currencies	5 408

4 Accounting Policies and Critical Accounting Estimates and Judgments (Continued)

For the purpose of more accurate presentation of assets, liabilities and results of its operations the Group improved its internal methodology and management information on segment analysis and inter-segment allocation. The Group separated a new business-segment on the basis of internal management information: operations on financial markets. Thus operations of the Group are organised in three business-segments: corporate banking, retail banking and financial markets. The Group believes that the new presentation format of information on segment analysis provides better understanding of its business. The corresponding figures in the Note 13 have been adjusted to be consistent with the new presentation of segment reporting. The effect of the adjustment of comparative information on segment reporting disclosures is as follows:

(In millions of Russian Roubles)	**Corporate banking**	**Retail banking**	**Financial markets**	**Intra-Group items**	**Total**
Total assets as at 31 December 2007					
As previously reported at 31 December 2007	3 599 176	1 073 153	-	256 479	4 928 808
Effect of adjustment of segment reporting disclosures	(510 774)	123 964	641 712	(254 902)	-
Adjusted at 1 January 2008	**3 088 402**	**1 197 117**	**641 712**	**1 577**	**4 928 808**
Total liabilities as at 31 December 2007					
As previously reported at 31 December 2007	1 565 847	2 719 103	-	6 661	4 291 611
Effect of adjustment of segment reporting disclosures	(218 514)	648	217 866	-	-
Adjusted at 1 January 2008	**1 347 333**	**2 719 751**	**217 866**	**6 661**	**4 291 611**
Profit before tax (segment result) for the nine months ended 30 September 2007					
As previously reported	59 465	31 813	-	-	91 278
Effect of adjustment of segment reporting disclosures	14 987	(12 046)	(2 941)	-	-
Adjusted profit before tax (segment result) for the nine months ended 30 September 2007	**74 452**	**19 767**	**(2 941)**	**-**	**91 278**
Profit before tax (segment result) for the three months ended 30 September 2007					
As previously reported	16 160	13 676	-	-	29 836
Effect of adjustment of segment reporting disclosures	7 710	(3 871)	(3 839)	-	-
Adjusted profit before tax (segment result) for the three months ended 30 September 2007	**23 870**	**9 805**	**(3 839)**	**-**	**29 836**

5 Loans and Advances to Customers and Due from Other Banks

In millions of Russian Roubles	30 September 2008 (Unaudited)	31 December 2007
Commercial loans to legal entities	1 973 239	1 757 870
Specialised loans to legal entities	1 766 847	1 329 236
Loans to individuals - consumer and other loans	779 906	657 805
Mortgage loans to individuals	474 139	288 123
Due from other banks	2 933	5 071
Less: Provision for loan impairment	(143 720)	(111 488)
Total loans and advances to customers and due from other banks	**4 853 344**	**3 926 617**

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

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

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and reconstruction of real estate. These loans include loans for current needs, auto loans and overdrafts.

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

Due from other banks include term loans with original maturity of more than 30 days.

At 30 September 2008 loans to legal entities with over 90 days overdue amounted to RR 33 437 million (31 December 2007: RR 26 942 million) and individually impaired loans to legal entities and impaired loans to individuals amounted to RR 42 257 million (31 December 2007: RR 33 435 million). A loan is considered overdue when the borrower fails to make any payment due under the loan at the balance sheet date. In this case an overdue amount is recognised as the aggregate amount of all amounts due from borrower under the loan agreement including accrued interest and commissions. Methods of computation of individually impaired loans applied in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2007.

5 Loans and Advances to Customers and Due from Other Banks (Continued)

Movements in the provision for loan impairment for the nine months and the three months ended 30 September 2008 and 30 September 2007 are as follows:

In millions of Russian Roubles	Nine months ended 30 September 2008 (Unaudited)	Three months ended 30 September 2008 (Unaudited)	Nine months ended 30 September 2007 (Unaudited)	Three months ended 30 September 2007 (Unaudited)
Provision for loan impairment at the beginning of the period	**111 488**	**126 551**	**100 877**	**98 292**
Provision for loan impairment during the period	36 054	18 776	4 028	3 626
Loans and advances to customers written off during the period as uncollectible	(3 822)	(1 607)	(4 316)	(1 329)
Provision for loan impairment as at 30 September	**143 720**	**143 720**	**100 589**	**100 589**

6 Deposits from Individuals and Customer Accounts

In millions of Russian Roubles	30 September 2008 (Unaudited)	31 December 2007
Individuals		
- Current/demand accounts	345 480	302 339
- Term deposits	2 680 427	2 379 647
State and public organisations		
- Current/settlement accounts	72 701	64 546
- Term deposits	343 442	16 653
Other legal entities		
- Current/settlement accounts	753 250	686 806
- Term deposits	495 284	427 629
Total deposits from individuals and customer accounts	**4 690 584**	**3 877 620**

As at 30 September 2008 in term deposits of other legal entities are included deposits in the amount of RR 3 274 million (31 December 2007: nil) received under sale and repurchase agreements with legal entities. The total fair value of securities sold under these agreements in the amount of RR 3 388 million is included in Repurchase receivable in the condensed interim consolidated balance sheet of the Group.

7 Other Borrowed Funds

In millions of Russian Roubles	30 September 2008 (Unaudited)	31 December 2007
Long-term borrowings received	107 019	106 057
Other term borrowings	4 685	5 968
Total other borrowed funds	**111 704**	**112 025**

7 Other Borrowed Funds (Continued)

Included in long-term borrowings received is a syndicated loan in the amount of USD 1 000 million, which was received by the Group in December 2005 from a consortium of foreign banks. At 30 September 2008 the loan was accounted for at amortised cost of RR 5 071 million (31 December 2007: RR 19 762 million). This loan has a maturity date on 10 November 2008 and contractual floating interest rate of 3 months LIBOR + 0.55%. As at 30 September 2008 the effective interest rate on the loan was 3.6% p.a. (31 December 2007: 5.8% p.a.).

In May 2006 the Group entered into USD 10 000 million loan participation notes (MTN) issuance programme. In May 2006 the Group received the first loan under this programme in the amount of USD 500 million, which is included in long-term borrowings received. As at 30 September 2008 this borrowing is recorded at amortised cost of RR 12 919 million (31 December 2007: RR 12 360 million). This loan matures in May 2013 and has contractual fixed interest rate of 6.5% p.a. As at 30 September 2008 the effective interest rate on the loan was 6.6% p.a. (31 December 2007: 6.6% p.a.).

In October 2006 the Group received another syndicated loan in the amount of USD 1 500 million from a consortium of foreign banks, which is also included in long-term borrowings received. As at 30 September 2008 the borrowing was accounted for at amortised cost of RR 38 033 million (31 December 2007: RR 37 107 million). This loan matures in October 2009 and has contractual floating interest rate of 3 months LIBOR + 0.30%. As at 30 September 2008 the effective interest rate on the loan was 3.3% p.a. (31 December 2007: 5.8% p.a.).

In November 2006 the Group attracted the second loan under the MTN issuance programme in the amount of USD 750 million, which is also included in long-term borrowings received. As at 30 September 2008 this loan was accounted for at amortised cost of RR 19 346 million (31 December 2007: RR 18 533 million). This loan matures in November 2011 and has contractual fixed interest rate of 5.9% p.a. As at 30 September 2008 the effective interest rate on the loan was 6.0% p.a. (31 December 2007: 6.0% p.a.).

Also included in long-term borrowings received is a syndicated loan in the amount of USD 750 million which was received by the Group in December 2007 from a consortium of foreign banks. At 30 September 2008 the loan was accounted for at amortised cost of RR 18 845 million (31 December 2007: RR 18 295 million). This loan matures in December 2010 and has contractual floating interest rate of 3 months LIBOR + 0.45% p.a. As at 30 September 2008 the effective interest rate on the loan was 4.5% p.a. (31 December 2007: 5.7% p.a.).

In July 2008 the Group received the third loan under the MTN issuance programme in the amount of USD 500 million, which is also included in long-term borrowings received. As at 30 September 2008 this loan was accounted for at amortised cost of RR 12 805 million. This loan matures in July 2013 and has contractual fixed interest rate of 6.5% p.a. As at 30 September 2008 the effective interest rate on the loan was 6.6% p.a.

Other term borrowings represent funding received by the Group from foreign export agencies via foreign banks, which was used by the Group for direct lending to Russian companies in accordance with the terms of the agreements. At 30 September 2008 these term borrowings were accounted for at amortised cost of RR 4 685 million (31 December 2007: RR 5 968 million), had floating interest rates varying from 3.3% to 6.8% p.a. (31 December 2007: from 4.7% to 6.8% p.a.) and maturity dates from May 2009 to January 2016 (31 December 2007: from May 2008 to January 2016).

8 Share Capital

	30 September 2008 (Unaudited)			31 December 2007		
In millions of Russian Roubles, except for number of shares	**Number of shares, in thousands**	**Nominal amount**	**Inflation adjusted amount**	**Number of shares, in thousands**	**Nominal amount**	**Inflation adjusted amount**
Ordinary shares	21 586 948	64 761	83 337	21 586 948	64 761	83 337
Preference shares	1 000 000	3 000	4 405	1 000 000	3 000	4 405
Total share capital	**22 586 948**	**67 761**	**87 742**	**22 586 948**	**67 761**	**87 742**
Less: Treasury shares						
- Ordinary shares	(2 012)	(6)	(1)	(1 679)	(5)	-
Total share capital less treasury shares	**22 584 936**	**67 755**	**87 741**	**22 585 269**	**67 756**	**87 742**

As at 30 September 2008 all ordinary shares have a nominal value of RR 3 per share and rank equally. Each ordinary share carries one vote. Preference shares have a nominal value of RR 3 per share and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders meeting. If preference dividends are not declared, the preference shareholders obtain the right to vote as ordinary shareholders, but lose this right when the next dividend is paid. Preference share dividends rank above ordinary dividends.

9 Interest Income and Expense

In millions of Russian Roubles	Nine months ended 30 September 2008 (Unaudited)	Three months ended 30 September 2008 (Unaudited)	Nine months ended 30 September 2007 (Unaudited)	Three months ended 30 September 2007 (Unaudited)
Interest income				
Loans and advances to customers	414 797	154 401	267 408	98 394
Other debt securities at fair value through profit or loss	10 786	3 195	12 155	4 091
Debt trading securities	8 391	2 205	14 169	6 139
Debt investment securities available for sale	4 419	2 499	-	-
Due from other banks	2 405	804	7 204	2 121
Correspondent accounts with other banks	497	102	397	56
Debt investment securities held to maturity	-	-	2 751	910
Total interest income	**441 295**	**163 206**	**304 084**	**111 711**
Interest expense				
Deposits of individuals	116 533	40 529	97 500	34 214
Term deposits of legal entities	31 290	13 822	11 697	4 898
Current/settlement accounts	9 680	3 152	7 118	2 370
Debt securities in issue	7 617	2 903	3 074	1 141
Other borrowed funds	3 755	1 227	4 687	1 486
Term placements of other banks	3 100	1 732	1 122	926
Subordinated debt	1 129	382	1 211	402
Correspondent accounts of other banks	585	198	683	268
Total interest expense	**173 689**	**63 945**	**127 092**	**45 705**
Net interest income	**267 606**	**99 261**	**176 992**	**66 006**

10 Fee and Commission Income and Expense

In millions of Russian Roubles	Nine months ended 30 September 2008 (Unaudited)	Three months ended 30 September 2008 (Unaudited)	Nine months ended 30 September 2007 (Unaudited)	Three months ended 30 September 2007 (Unaudited)
Fee and commission income				
Cash and settlements transactions with legal entities	23 239	8 749	17 771	6 519
Cash and settlements transactions with individuals	21 228	7 415	15 929	5 747
Plastic cards operations	10 297	3 982	7 062	2 645
Operations with foreign currency	3 542	1 364	2 207	824
Cash collection	2 610	963	2 017	732
Guarantees issued	980	535	668	228
Transactions with securities	447	136	566	189
Fiduciary management operations	21	8	44	8
Other	424	137	1 046	363
Total fee and commission income	**62 788**	**23 289**	**47 310**	**17 255**
Fee and commission expense				
Settlement transactions	2 270	830	1 154	437
Operations with foreign currency	100	33	280	96
Cash collection	83	33	80	30
Other	228	101	125	43
Total fee and commission expense	**2 681**	**997**	**1 639**	**606**
Net fee and commission income	**60 107**	**22 292**	**45 671**	**16 649**

11 Earnings per Share

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

In millions of Russian Roubles	Nine months ended 30 September 2008 (Unaudited)	Three months ended 30 September 2008 (Unaudited)	Nine months ended 30 September 2007 (Unaudited)	Three months ended 30 September 2007 (Unaudited)
Profit attributable to equity holders of the Bank	90 242	23 230	69 922	21 931
Less: preference dividends	(650)	-	(465)	-
Profit attributable to the Bank's ordinary shareholders	**89 592**	**23 230**	**69 457**	**21 931**
Weighted average number of ordinary shares in issue (in millions)	21 585	21 585	20 751	21 585
Basic and diluted earnings per ordinary share (expressed in RR per share)	**4.2**	**1.1**	**3.3**	**1.0**

12 Dividends

	Nine months ended 30 September 2008 (Unaudited)		Nine months ended 30 September 2007 (Unaudited)	
In millions of Russian Roubles	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January	100	23	59	18
Dividends declared during the nine months ended 30 September	11 009	650	8 322	465
Dividends paid during the nine months ended 30 September	(10 987)	(641)	(8 230)	(450)
Dividends payable as at 30 September	**122**	**32**	**151**	**33**
Dividends per share declared during the reporting period (RR per share)	**0.51**	**0.65**	**0.39**	**0.47**

All dividends are declared and paid in Russian Roubles.

13 Segment Analysis

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

Business Segments. The Group is organised on a basis of three main business segments:

- Retail banking – representing private customer current accounts, savings, deposits, custody, debit cards, consumer loans and mortgages.
- Corporate banking – representing corporate current accounts, deposits, overdrafts, loan and other credit facilities.
- Financial markets – representing operations with securities, interbank placements and funding, long-term funding received on capital markets, foreign currency and derivative products and other operations on financial markets.

Intra-Group items comprise other operations of the Group, which, based on their size, do not comprise a separately reportable segment.

During nine months ended 30 September 2008 the Group measured business segment revenues, expenses and results on the basis of inter-segment prices used for internal management purposes only. Internal transfer pricing rates are established, approved and regularly revised by the Management of the Group.

For the purposes of these condensed interim consolidated financial statements segment revenue consists of interest income and fees and commission income in the amount of RR 317 280 million for corporate banking, in the amount of RR 291 532 million for retail banking and RR 26 276 for financial markets for nine months ended 30 September 2008 and in the amount of RR 119 275 million for corporate banking, RR 103 105 million for retail banking and RR 8 645 million for financial markets for three months ended 30 September 2008 (nine months ended 30 September 2007: RR 192 408 million, RR 214 926 million and RR 36 846 million respectively; three months ended 30 September 2007: RR 71 480 million, RR 79 663 million and RR 13 364 million respectively).

Segment information for the main reportable business segments of the Group as at 30 September 2008 and 31 December 2007, as well as for the nine months and the three months ended 30 September 2008, the nine months and the three months ended 30 September 2007 is as follows:

13 Segment Analysis (Continued)

Segment reporting of the Group's assets and liabilities per business segments as at 30 September 2008 is as follows:

Unaudited *In millions of Russian Roubles*	Corporate banking	Retail banking	Financial markets	Intra-Group items	Total
Assets					
Cash and cash equivalents	-	112 474	116 261	-	228 735
Mandatory cash balances with the Bank of Russia	10 545	18 453	293	-	29 291
Trading securities	-	-	123 261	-	123 261
Other securities at fair value through profit or loss	-	-	176 516	-	176 516
Due from other banks	-	-	2 933	-	2 933
Loans and advances to customers	3 636 348	1 214 063	-	-	4 850 411
Repurchase receivables	-	-	3 388	-	3 388
Investment securities available for sale	-	-	169 476	-	169 476
Deferred income tax asset	-	-	-	3 848	3 848
Premises and equipment	52 008	105 787	1 403	-	159 198
Other assets	17 668	24 512	17 581	7 512	67 273
Total assets	**3 716 569**	**1 475 289**	**611 112**	**11 360**	**5 814 330**
Liabilities					
Due to other banks	-	-	46 253	-	46 253
Deposits from individuals	-	3 025 907	-	-	3 025 907
Customer accounts	1 664 677	-	-	-	1 664 677
Debt securities in issue	144 619	21 150	-	-	165 769
Other borrowed funds	-	-	111 704	-	111 704
Deferred income tax liability	-	-	-	25	25
Other liabilities	11 841	37 880	5 452	13 016	68 189
Subordinated debt	-	-	25 391	-	25 391
Total liabilities	**1 821 137**	**3 084 937**	**188 800**	**13 041**	**5 107 915**
Other disclosures					
Capital expenditure incurred during nine months ended 30 September 2008 (additions of fixed assets)	9 561	20 424	272	-	30 257
Depreciation expenses accrued during nine months ended 30 September 2008	4 628	9 886	132	-	14 646

13 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses per business segments for the nine months ended 30 September 2008 is as follows:

Unaudited *In millions of Russian Roubles*	Corporate banking	Retail banking	Financial markets	Total
Interest income	285 148	130 043	26 104	441 295
Interest expense	(48 051)	(117 431)	(8 207)	(173 689)
Inter-segment (expense) and income	(109 747)	131 005	(21 258)	-
Fee and commission income	32 132	30 484	172	62 788
Fee and commission expense	(534)	(2 144)	(3)	(2 681)
Losses, net of gains arising from trading securities	-	-	(9 351)	(9 351)
Losses, net of gains arising from other securities at fair value through profit or loss	-	-	(6 175)	(6 175)
Gains less losses arising from investment securities available for sale	-	-	1 087	1 087
Impairment of investment securities available for sale	-	-	(1 821)	(1 821)
Gains less losses arising from trading in foreign currencies	-	3 959	1 332	5 291
Foreign exchange translation gains less losses	-	-	3 914	3 914
Losses, net of gains arising from operations with foreign currencies and securities derivatives	-	-	(4 106)	(4 106)
Gains less losses arising from operations with precious metals	67	779	(142)	704
Other operating income	1 664	468	1 031	3 163
Operating income before provision for loan impairment	**160 679**	**177 163**	**(17 423)**	**320 419**
Provision for loan impairment	(29 186)	(6 868)	-	(36 054)
Operating income	**131 493**	**170 295**	**(17 423)**	**284 365**
Administrative and other operating expenses	(50 294)	(113 809)	(1 584)	(165 687)
Profit before tax (Segment result)	**81 199**	**56 486**	**(19 007)**	**118 678**

13 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses per business segments for the three months ended 30 September 2008 is as follows:

Unaudited *In millions of Russian Roubles*	Corporate banking	Retail banking	Financial markets	Total
Interest income	107 046	47 585	8 575	163 206
Interest expense	(19 586)	(41 124)	(3 235)	(63 945)
Inter-segment (expense) and income	(37 293)	44 530	(7 237)	-
Fee and commission income	12 229	10 990	70	23 289
Fee and commission expense	(205)	(791)	(1)	(997)
Losses, net of gains arising from trading securities	-	-	(8 003)	(8 003)
Losses, net of gains arising from other securities at fair value through profit or loss	-	-	(5 816)	(5 816)
Losses, net of gains arising from investment securities available for sale	-	-	(1)	(1)
Impairment of investment securities available for sale	-	-	(1 821)	(1 821)
Gains less losses arising from trading in foreign currencies	-	1 376	546	1 922
Foreign exchange translation gains less losses	-	-	7 861	7 861
Losses, net of gains arising from operations with foreign currencies and securities derivatives	-	-	(7 645)	(7 645)
Losses, net of gains arising from operations with precious metals	23	305	(2 066)	(1 738)
Other operating income	301	286	166	753
Operating income before provision for loan impairment	**62 515**	**63 157**	**(18 607)**	**107 065**
Provision for loan impairment	(16 242)	(2 534)	-	(18 776)
Operating income	**46 273**	**60 623**	**(18 607)**	**88 289**
Administrative and other operating expenses	(17 130)	(39 453)	(504)	(57 087)
Profit before tax (Segment result)	**29 143**	**21 170**	**(19 111)**	**31 202**

13 Segment Analysis (Continued)

Segment reporting of the Group's assets and liabilities per business segments as at 31 December 2007 is as follows:

Adjusted (In millions of Russian Roubles)	Corporate banking	Retail banking	Financial markets	Intra-Group items	Total
Assets					
Cash and cash equivalents	-	123 087	119 144	-	242 231
Mandatory cash balances with the Bank of Russia	17 605	38 049	1 136	-	56 790
Trading securities	-	-	246 221	-	246 221
Other securities at fair value through profit or loss	-	-	247 024	-	247 024
Due from other banks	-	-	5 071	-	5 071
Loans and advances to customers	3 009 202	912 344	-	-	3 921 546
Investment securities available for sale	-	-	10 094	-	10 094
Deferred income tax asset	-	-	-	68	68
Premises and equipment	48 514	96 919	1 417	-	146 850
Other assets	13 081	26 718	11 605	1 509	52 913
Total assets	**3 088 402**	**1 197 117**	**641 712**	**1 577**	**4 928 808**
Liabilities					
Due to other banks	-	-	80 321	-	80 321
Deposits from individuals	-	2 681 986	-	-	2 681 986
Customer accounts	1 195 634	-	-	-	1 195 634
Debt securities in issue	143 552	20 275	-	-	163 827
Other borrowed funds	-	-	112 025	-	112 025
Other liabilities	8 147	17 490	456	6 661	32 754
Subordinated debt	-	-	25 064	-	25 064
Total liabilities	**1 347 333**	**2 719 751**	**217 866**	**6 661**	**4 291 611**
Other disclosures					
Capital expenditure incurred during nine months ended 30 September 2007 (additions of fixed assets)	5 968	13 342	195	-	19 505
Depreciation expenses accrued during nine months ended 30 September 2007	3 823	8 545	125	-	12 493

13 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses per business segments for the nine months ended 30 September 2007 is as follows:

Unaudited Adjusted *In millions of Russian Roubles*	Corporate banking	Retail banking	Financial markets	Total
Interest income	168 491	98 917	36 676	304 084
Interest expense	(21 105)	(98 284)	(7 703)	(127 092)
Inter-segment (expense) and income	(60 433)	92 786	(32 353)	-
Fee and commission income	23 917	23 223	170	47 310
Fee and commission expense	(303)	(1 335)	(1)	(1 639)
Gains less losses arising from trading securities	-	-	2 742	2 742
Losses, net of gains arising from other securities at fair value through profit or loss	-	-	(2 393)	(2 393)
Gains less losses arising from investment securities available for sale	-	-	6	6
Gains less losses arising from trading in foreign currencies	-	2 964	1 509	4 473
Foreign exchange translation losses net of gains	-	-	(2 269)	(2 269)
Gains less losses arising from operations with foreign currencies and securities derivatives	-	-	1 039	1 039
Gains less losses arising from operations with precious metals	-	287	537	824
Other operating income	1 055	506	427	1 988
Operating income before provision for loan impairment	**111 622**	**119 064**	**(1 613)**	**229 073**
Recovery of provision / (provision) for loan impairment	819	(4 847)	-	(4 028)
Operating income	**112 441**	**114 217**	**(1 613)**	**225 045**
Administrative and other operating expenses	(37 989)	(94 450)	(1 328)	(133 767)
Profit before tax (Segment result)	**74 452**	**19 767**	**(2 941)**	**91 278**

13 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses per business segments for the three months ended 30 September 2007 is as follows:

Unaudited Adjusted *In millions of Russian Roubles*	**Corporate Banking**	**Retail banking**	**Financial markets**	**Total**
Interest income	62 734	35 660	13 317	111 711
Interest expense	(8 134)	(34 489)	(3 082)	(45 705)
Inter-segment (expense) and income	(24 391)	35 541	(11 150)	-
Fee and commission income	8 746	8 462	47	17 255
Fee and commission expense	(107)	(499)	-	(606)
Losses, net of gains arising from trading securities	-	-	(540)	(540)
Losses, net of gains arising from other securities at fair value through profit or loss	-	-	(2 189)	(2 189)
Gains less losses arising from investment securities available for sale	-	-	6	6
Gains less losses arising from trading in foreign currencies	-	1 089	676	1 765
Foreign exchange translation losses net of gains	-	-	(2 081)	(2 081)
Gains less losses arising from operations with foreign currencies and securities derivatives	-	-	1 327	1 327
Gains less losses arising from operations with precious metals	-	102	241	343
Other operating income	406	167	51	624
Operating income before provision for loan impairment	**39 254**	**46 033**	**(3 377)**	**81 910**
Provision for loan impairment	(1 508)	(2 118)	-	(3 626)
Operating income	**37 746**	**43 915**	**(3 377)**	**78 284**
Administrative and other operating expenses	(13 876)	(34 110)	(462)	(48 448)
Profit before tax (Segment result)	**23 870**	**9 805**	**(3 839)**	**29 836**

14 Related Party Transactions

For the purposes of these condensed interim consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Disclosures are made in Note 15 for transactions with state-controlled entities and government bodies.

As at 30 September 2008 and 31 December 2007, the outstanding balances with the Bank of Russia and key management personnel of the Group were as follows:

In millions of Russian Roubles	**30 September 2008 (Unaudited)**	**31 December 2007**
Assets		
Mandatory cash balances with the Bank of Russia	29 291	56 790
Account with the Bank of Russia (other than mandatory cash balances)	24 474	24 782
Bonds of the Bank of Russia	-	83 081
Liabilities		
Due to other banks	35	667
Remuneration liabilities to key management personnel of the Group	398	29

The income and expense items with the Bank of Russia for the nine months ended 30 September 2008 and 30 September 2007 were as follows:

In millions of Russian Roubles	**Nine months ended 30 September 2008 (Unaudited)**	**Nine months ended 30 September 2007 (Unaudited)**
Interest income	1 213	9 593
Interest expense	(1 259)	(252)
Gains less losses arising from trading securities	96	2 761
Losses, net of gains arising from investment securities available for sale	(43)	-
Other operating expenses	(550)	(220)

The income and expense items with the Bank of Russia for three months ended 30 September 2008 and 30 September 2007 were as follows:

In millions of Russian Roubles	**Three months ended 30 September 2008 (Unaudited)**	**Three months ended 30 September 2007 (Unaudited)**
Interest income	99	4 161
Interest expense	(883)	(240)
Losses, net of gains arising from trading securities	-	(235)
Other operating expenses	(213)	(79)

14 Related Party Transactions (Continued)

For the nine-months period ended 30 September 2008, remuneration of the members of the key management personnel comprised salaries and bonuses totalling RR 662 million (the nine-months period ended 30 September 2007: RR 1 102 million).

For the three-months period ended 30 September 2008, remuneration of the members of the key management personnel comprised salaries and bonuses totalling RR 233 million (the three-months period ended 30 September 2007: RR 472 million).

15 Operations with State-Controlled Entities and Government Bodies

The Government of the Russian Federation does not provide to the general public or entities under its ownership/control a complete list of the entities, which are owned or controlled directly or indirectly by the State. Under these circumstances the Management of the Group disclosed only information that its current internal management and accounting systems allow to present in relation to operations with state-controlled entities and where the Management believes such entities could be considered as state-controlled based on its best knowledge. These condensed interim consolidated financial statements disclose operations with government bodies and entities, in which the government directly owns more than 50% of the share capital. In relation to state-controlled entities, Management analysed the Group's transactions with its largest customers and extracted balances and results of operations in relation to the following groups of entities which were included in the tables below: 1) 100% State subsidiaries and government bodies and 2) largest entities where the State controls over 50% of its share capital.

All transactions with government bodies and state-controlled entities are entered into in the normal course of business and priced at market rates. At 30 September 2008 and 31 December 2007, the outstanding balances with state-controlled entities and government bodies were as follows:

	30 September 2008 (Unaudited)		31 December 2007	
In millions of Russian Roubles	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital
Cash and cash equivalents	4 015	223	1	1 220
Trading securities	106 573	5 690	142 061	7 887
Other securities at fair value through profit or loss	165 147	2 316	226 384	2 772
Total loans and advances to customers (before provision for impairment)	232 828	78 878	185 419	125 936
Impairment provision for loans and advances to customers	(3 425)	(411)	(2 317)	(636)
Repurchase receivable	3 388	-	-	-
Investment securities available for sale	132 001	9 151	301	-
Due to other banks	3 000	2 000	3 286	10 901
Customer accounts	416 537	701	82 230	28 926

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

Income and expense items with State subsidiaries and government bodies for the nine-months period ended 30 September 2008 and 30 September 2007 were as follows:

	Nine months ended 30 September 2008 (Unaudited)		Nine months ended 30 September 2007 (Unaudited)	
In millions of Russian Roubles	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital
Interest income	36 426	7 422	29 978	3 973
Interest expense	(8 094)	(2 671)	(2 751)	(941)
Losses, net of gains arising from trading securities	(8 574)	(298)	(936)	(36)
Losses, net of gains arising from other securities at fair value through profit or loss	(5 116)	(735)	(1 745)	(123)
Gains less losses arising from investment securities available for sale	-	362	-	-
Fee and commission income	1 848	314	1 821	265

Income and expense items with State subsidiaries and government bodies for the three-months period ended 30 September 2008 and 30 September 2007 were as follows:

	Three months ended 30 September 2008 (Unaudited)		Three months ended 30 September 2007 (Unaudited)	
In millions of Russian Roubles	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital	100% owned State subsidiaries and government bodies	Entities where the State controls over 50% of share capital
Interest income	12 659	2 434	10 478	834
Interest expense	(4 531)	(1 801)	(1 292)	(553)
Losses, net of gains arising from trading securities	(7 225)	(273)	(324)	(267)
Losses, net of gains arising from other securities at fair value through profit or loss	(4 295)	(1 216)	(1 561)	114
Gains less losses arising from investment securities available for sale	-	74	-	-
Fee and commission income	630	93	1 337	123

Transactions with the State also include taxes. Russian Federation income tax expense of the Group amounts to RR 28 326 million and other taxes expense amounts to RR 19 729 million for the nine-months period ended 30 September 2008 (RR 21 356 million and RR 17 525 million respectively for the nine-months period ended 30 September 2007).

Russian Federation income tax expense amounts to RR 7 923 million and other taxes expense amounts to RR 5 716 million for the three–months period ended 30 September 2008 (RR 7 905 million and RR 5 962 million respectively for the three-months period ended 30 September 2007).

16 Capital Adequacy Ratio

As of 30 September 2008, Capital Adequacy Ratio calculated by the Bank in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel requirements, was as follows:

	30 September 2008 (Unaudited)	31 December 2007
Core capital adequacy ratio (Tier 1)	12.7%	13.9%
Total capital adequacy ratio (Tier 1 and Tier 2)	13.0%	14.5%

17 Subsequent events

On 2 October 2008, the Group entered into a syndicated loan agreement with a consortium of foreign banks. Under this agreement, the Group received a USD 1 200 million loan that has a three-year term and bears interest at LIBOR plus 0.85% p. a.

On 5 November 2008 the Group received a subordinated loan from the Bank of Russia in the amount of RR 500 000 million which was organised in two tranches of RR 150 000 million each and one tranche of RR 200 000 million which was received on 18 December 2008. The loan matures in 2019 and has a fixed interest rate of 8% p.a.

On 10 November 2008 the Group repaid in full the syndicated loan, which was attracted by the Group in 2005 from a consortium of foreign banks in the amount of USD 1 000 million. Refer to Note 7.

On 21 November 2008 the State Duma of the Russian Federation introduced an amendment to the Russian Tax Code under which the income tax rate was decreased from 24% to 20%. The amendment takes effect from 1 January 2009.

The financial situation in the Russian market, which had already deteriorated during 2008, significantly worsened after 30 September 2008. Due to increased market volatility, one-day MosPrime rate was fluctuating between 4% p.a. and 11% p.a. during October 2008, the official exchange rate of the Central Bank of Russia for USD 1 increased from RR 25.2464 at 30 September 2008 to RR 26.543 at 31 October 2008 and RR 27.6060 at 30 November 2008.

International reserves of the Russian Federation decreased from USD 556 813 000 thousand at 30 September 2008 to USD 484 590 000 thousand at 31 October 2008 and USD 455 730 000 thousand at 30 November 2008.

Since 30 September 2008 several banks from Russian top-50 banks list were acquired by state-controlled banks and companies due to their liquidity problems.

The commodities market was also impacted by the latest events on the financial markets. The spot FOB price of Urals oil decreased from USD 111.19 at 29 September 2008 to USD 59.83 at 31 October 2008 and USD 46.36 at 30 November 2008.

17 Subsequent events (Continued)

The Government of the Russian Federation has recently undertaken a number of measures to support the Russian financial market, including the following:

- On 13 October 2008 the Bank of Russia reduced mandatory reserves ratio to 0.5%.

- In October 2008 the guarantee repayment of individual deposits under the State deposit insurance scheme was raised up to RR 700 thousand per individual in case of the withdrawal of a license of a bank or a Bank of Russia imposed moratorium on payments.

- The Bank of Russia significantly extended the list of assets which can be pledged under repurchase agreements with the Bank of Russia.

- The Bank of Russia is committed to partially compensate losses that could be incurred by the number of Russian top-10 banks on inter-bank lending market. On 6 November 2008, the Bank has signed a special agreement with the Bank of Russia, whereby the Bank of Russia will guarantee inter-bank loans issued by the Bank by providing partial compensation for any losses incurred by the Bank on Russia's inter-bank lending market.

- The Government of the Russian Federation is committed to provide up to RR 950 000 million as subordinated loans to support liquidity of the Russian financial market.