Sovcombank Group

Interim condensed consolidated financial statements

for the three-month period ended 31 March 2013

Contents

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Report on review of interim condensed consolidated financial statements

To the Shareholders and Board of Directors of Sovcombank LLC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Sovcombank LLC and its subsidiaries (together the "Group") as at 31 March 2013, comprising of the interim condensed consolidated statement of financial position as at 31 March 2013 and the related interim condensed consolidated statement of comprehensive income for the three-month period then ended, interim condensed consolidated statements of changes in net assets attributable to participants and of cash flows for the three-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

15 May 2013

Interim condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2013

	Notes	For the three months ended 31 March 2013 RUR'000 (unaudited)	2012 RUR'000 (unaudited)
Interest income		4,125,672	2,599,614
Interest expense		(1,787,562)	(1,081,384)
Net interest income		**2,338,110**	**1,518,230**
Allowances for loan impairment	4	(1,643,586)	(457,632)
Net interest income after allowances for loan impairment		**694,524**	**1,060,598**
Fee and commission income	5	1,655,880	1,213,913
Fee and commission expense		(47,189)	(33,500)
Net fee and commission income		**1,608,691**	**1,180,413**
Net gain (loss) on financial instruments at fair value through profit or loss		195,697	93,392
Net foreign exchange gain		37,184	16,039
Other impairment and provisions		(8,979)	(6,510)
Other operating income		19,391	32,208
Operating income		**2,546,508**	**2,376,140**
Personnel expenses	6	(792,299)	(638,347)
Other general administrative expenses	7	(816,797)	(666,313)
Income before taxes		**937,412**	**1,071,480**
Income tax expense	8	(195,909)	(211,783)
Income		**741,503**	**859,697**
Other comprehensive income, net of tax		–	–
Total comprehensive income		**741,503**	**859,697**

The notes to, and forming part of, the interim condensed consolidated financial statements as set out on pages 5 to 19 were approved by the Board of Directors on 15 May 2013.

Mr. Khotimsky S.V.
Chief Executive Officer

Mr. Savoschenko D.N.
Chief Financial Officer

The interim condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

Interim condensed consolidated statement of financial position as of 31 March 2013

	Notes	*31 March 2013 RUR'000 (unaudited)*	*31 December 2012 RUR'000**
Assets			
Cash and cash equivalents	9	10,285,126	9,422,509
Mandatory cash balances with the Central Bank of the Russian Federation		813,551	776,562
Placements with banks		576,857	16,456
Financial instruments at fair value through profit or loss	10		
- Held by the Group		8,276,379	9,502,650
- Pledged under sale and repurchase agreements		24,058,345	21,297,296
Loans to customers	11	50,699,880	48,414,292
Investment in associates		5,880	5,880
Investment in car leasing joint venture		354,025	368,560
Investment property		1,699,559	1,679,713
Property, equipment and intangible assets		2,109,993	2,138,557
Goodwill		345,943	345,943
Deferred tax asset		49,158	69,173
Other assets		589,561	489,301
Total assets		**99,864,257**	**94,526,892**
Liabilities			
Amounts due to the CBR	13	21,189,743	17,934,364
Deposits and balances from banks	14	510,963	175,522
Current accounts and deposits from customers	12	64,768,865	62,625,681
Promissory notes		1,094,014	1,753,040
Subordinated debt	15	1,383,345	1,828,499
Deferred tax liabilities		208,782	236,516
Other liabilities		762,552	768,780
Total liabilities		**89,918,264**	**85,322,402**
Net assets attributable to participants			
Charter capital	17	1,906,004	1,906,004
Other capital contributions		2,736,614	2,736,614
Revaluation reserve for buildings		60,846	60,846
Retained earnings		5,242,529	4,501,026
Total net assets attributable to participants		**9,945,993**	**9,204,490**
Total net assets attributable to participants and liabilities		**99,864,257**	**94,526,892**

* *Certain amounts shown here do not correspond to the annual consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 19.*

The interim condensed consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in net assets attributable to participants for the three-month period ended 31 March 2013

	Attributable to participants				
	Charter capital RUR'000	***Other capital contributions RUR'000***	***Revaluation reserve for buildings RUR'000***	***Retained earnings RUR'000***	***Total net assets RUR'000***
Balance as at 1 January 2012	**2,242,358**	**2,428,960**	**14,570**	**2,487,597**	**7,173,485**
Total comprehensive income	–	–	–	859,697	**859,697**
Distributions to participants	–	–	–	(876,741)	**(876,741)**
Balance as at 31 March 2012 (unaudited)	**2,242,358**	**2,428,960**	**14,570**	**2,470,553**	**7,156,441**
Balance as at 1 January 2013	**1,906,004**	**2,736,614**	**60,846**	**4,501,026**	**9,204,490**
Total comprehensive income	–	–	–	741,503	**741,503**
Balance as at 31 March 2013	**1,906,004**	**2,736,614**	**60,846**	**5,242,529**	**9,945,993**

The interim condensed consolidated statement of changes in net assets attributable to participants is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows for the three-month period ended 31 March 2013

	Notes	*31 March 2013 RUR'000 (unaudited)*	*31 March 2012 RUR'000 (unaudited)*
Cash flows from operating activities		2,804,466	1,804,034
Increase in operating assets		(5,760,745)	(4,200,961)
Increase in operating liabilities		4,607,208	3,615,942
Net cash provided by operating activities before taxes paid		**1,650,929**	**1,219,014**
Taxes paid		(248,505)	(164,287)
Cash flows from operating activities		**1,402,424**	**1,054,727**
Cash flows from investing activities		**(47,420)**	**(371,452)**
Cash flows from financing activities		**(524,078)**	**(886,749)**
Net increase in cash and cash equivalents		**830,926**	**(203,474)**
Effect of changes in exchange rates on cash and cash equivalents		31,691	(66,110)
Cash and cash equivalents at the beginning of the period		9,422,509	4,338,044
Cash and cash equivalents at the end of the period	9	**10,285,126**	**4,068,460**

The interim condensed consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements.

1. Background

Principal activities

These interim condensed consolidated financial statements include the financial statements of Sovcombank (LLC) (the “Bank” or “Sovcombank”) and its subsidiaries (together referred to as the “Group” or “Sovcombank Group”). A list of principal subsidiaries of the Sovcombank Group is disclosed in Note 20.

Sovcombank, the parent company of the Group, was originally established in Kostroma as a limited liability company in 1990. The Bank operates under general banking licence № 963 issued by the Central Bank of the Russian Federation (the “CBR”). The Bank also has licenses for operations with securities and custody services issued by the Federal Securities Market Commission (the “FSMC”) on 27 January 2009 and 10 February 2009. The Bank is a member of the state deposit insurance scheme in the Russian Federation.

The Group’s principal business activity is retail and corporate banking operations within the Russian Federation. The Group is headquartered in Kostroma and has a network of branches in the Central, Ural, Siberian, South and Far East Federal Districts. The Group operates in 25 regions and more than 260 cities of the Russian Federation. The Group had 5,562 employees as at 31 March 2013 (31 December 2012: 5,191).

Shareholders

As at 31 March 2013 and 31 December 2012, the Group's ownership was as follows:

	Ownership % 31 March 2013	***Ownership % 31 December 2012***
SovCo Capital Partners B.V.	100.0000%	100.0000%

There is no single ultimate entity or individual that exercises control over the Group as at 31 March 2013 and as at 31 December 2012 (note 17).

Sovco Capital Partners B.V. is the participant of the Group since 2003. Sovco Capital Partners B.V. is controlled by the group of Russian businessmen and entrepreneurs, including key members of Sovcombank management.

Russian business environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Group’s future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group’s business in the current circumstances.

2. Basis of preparation

General

The interim condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2012.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012, except for the adoption of new Standards and Interpretations as of 1 January 2013, noted below:

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment did not have an impact on the interim condensed consolidated financial statements of the Group.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 Tax Effects of Distributions to Holders of Equity Instruments (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim Financial Reporting and Segment Information for Total Assets and Liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment did not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

2. Basis of preparation (continued)

Changes in accounting policies (continued)

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The application of this new standard impacted the financial position of the Group by replacing proportionate consolidation of the joint venture in LLC "Sollers-Finance" (see Note 19) with the equity method of accounting. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. The effect of IFRS 11 is described in more detail in Note 19, which includes quantification of the effect on the financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 16.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standards, interpretations or amendments that has been issued but not yet effective.

3. Significant accounting judgments and estimates

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of a subsidiary where ownership percentage is 50% or less

Group controls subsidiaries through combination of direct ownership and by virtue of an agreement with other investors.

Estimation uncertainty

Significant accounting judgments and estimates used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

4. Allowances for loan impairment

	For the three months period ended 31 March	
	2013 RUR'000 (unaudited)	2012 RUR'000 (unaudited)
Loans to individuals (Note 11)	(1,608,778)	(451,799)
Loans to corporate entities, small and medium size companies and finance lease receivables (Note 11)	(34,808)	(5,833)
	(1,643,586)	**(457,632)**

5. Fee and commission income

	For the three months period ended 31 March	
	2013 RUR'000 (unaudited)	2012 RUR'000 (unaudited)
Insurance agencies fees	1,456,585	1,070,845
Plastic cards	134,756	92,128
Settlement operations	23,458	20,254
Cash withdrawal	14,788	6,712
Foreign exchange operations	3,480	7,643
Guarantee issuance	5,628	10,338
Security operations	1,460	3,894
Cash transfer	1,266	941
Other	14,459	1,158
	1,655,880	**1,213,913**

6. Personnel expenses

	For the three months period ended 31 March	
	2013 RUR'000 (unaudited)	2012 RUR'000 (unaudited)
Employee compensation, including bonuses	(606,879)	(494,462)
Payroll related taxes	(185,420)	(143,885)
	(792,299)	**(638,347)**

7. Other general administrative expenses

	For the three months period ended 31 March	
	2013 RUR'000 (unaudited)	2012 RUR'000 (unaudited)
Occupancy	(182,198)	(124,059)
Advertising and marketing	(131,843)	(158,722)
Professional and encashment services	(93,619)	(58,023)
Depreciation and amortization	(75,227)	(55,003)
Office stationery	(58,264)	(41,866)
Obligatory deposit insurance	(55,356)	(37,959)
Communications and information services	(52,189)	(42,449)
Security	(42,547)	(28,596)
Maintenance	(39,057)	(31,452)
Taxes other than on income	(23,917)	(10,485)
Transport	(22,507)	(18,914)
IT supporting payments	(17,515)	(18,641)
Insurance	(6,252)	(5,273)
Other	(16,306)	(34,871)
	(816,797)	**(666,313)**

8. Income tax expense

	For the three months period ended 31 March	
	2013 RUR'000 (unaudited)	***2012 RUR'000 (unaudited)***
Current tax expense		
Current tax expense	(209,158)	(224,885)
	(209,158)	**(224,885)**
Deferred tax expense		
Origination and reversal of temporary differences	13,249	13,102
Total income tax expense	**(195,909)**	**(211,783)**

The applicable tax rate for current tax is 20%.

9. Cash and cash equivalents

	31 March 2013 RUR'000 (unaudited)	***31 December 2012 RUR'000***
Nostro accounts with OECD banks	5,184,631	4,326,001
Cash on hand	2,724,688	3,206,815
Due from the CBR	1,356,383	1,246,577
Nostro accounts with Russian banks	959,175	524,386
Short-term placements and reverse REPO deals less than 90 days with Russian banks	60,249	118,730
	10,285,126	**9,422,509**

10. Financial instruments at fair value through profit or loss

	31 March 2013 RUR'000 (unaudited)	***31 December 2012 RUR'000***
Held by the Group		
Corporate bonds	4,581,050	2,316,381
Bonds of companies with state participation	2,931,707	3,011,755
Government and municipal bonds	596,450	2,244,079
Promissory notes	167,172	1,930,435
Total financial instruments at fair value through profit or loss held by the Group	**8,276,379**	**9,502,650**
Financial instruments at fair value through profit or loss pledged under sale and repurchase agreements		
Corporate bonds	11,349,141	12,748,622
Bonds of companies with state participation	8,017,558	7,317,479
Government and municipal bonds	4,691,646	1,231,195
Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements	**24,058,345**	**21,297,296**
Total financial instruments at fair value through profit or loss	**32,334,724**	**30,799,946**

11. Loans to customers

	31 March 2013 RUR'000 (unaudited)	*31 December 2012 RUR'000*
Loans to individuals		
Consumer loans	45,106,698	41,724,042
Credit cards	3,834,608	3,532,545
Mortgage loans	206,515	223,106
Car loans	296	4,227
Other	173,946	154,855
Total loans to individuals	**49,322,063**	**45,638,775**
Loans to corporate entities and finance lease receivables		
Corporate	5,499,738	6,077,850
Small and medium size companies	509,761	579,795
Finance lease receivables	179,143	204,086
Total loans to corporate entities and finance lease receivables	**6,188,642**	**6,861,731**
Gross loans to customers	**55,510,705**	**52,500,506**
Less: provision for loan impairment	(4,810,825)	(4,086,214)
Net loans to customers	**50,699,880**	**48,414,292**

Movements in the loan impairment provision for three-month periods ended 31 March 2013 and 31 March 2012 are as follows:

	Corporate	*Small and medium size companies*	*Finance lease receivables*	*Consumer lending*	*Credit cards*	*Mortgage*	*Car*	*Other loans to individuals*	*Total*
At 1 January 2013	**(283,506)**	**(70,971)**	**(16,835)**	**(3,203,795)**	**(489,984)**	**(7,820)**	**(3,757)**	**(9,546)**	**(4,086,214)**
Charge for the period	(28,643)	(7,394)	1,229	(1,415,605)	(201,445)	2,545	1,012	4,715	**(1,643,586)**
Recoveries	–	(10,268)	–	(56,443)	–	(4,076)	(1,087)	(703)	**(72,577)**
Loans written off as uncollectable	98,312	27,799	1	774,811	84,542	1,274	3,601	1,212	**991,552**
At 31 March 2013	**(213,837)**	**(60,834)**	**(15,605)**	**(3,901,032)**	**(606,887)**	**(8,077)**	**(231)**	**(4,322)**	**(4,810,825)**

	Corporate	*Small and medium size companies*	*Finance lease receivables*	*Consumer lending*	*Credit cards*	*Mortgage*	*Car*	*Other loans to individuals*	*Total*
At 1 January 2012	**(355,484)**	**(92,030)**	**(63,345)**	**(831,132)**	**(16,541)**	**(16,845)**	**(9,651)**	**(3,012)**	**(1,388,040)**
Charge for the period	423	(9,544)	3,288	(394,032)	(55,096)	890	(3,250)	(311)	**(457,632)**
Recoveries	–	(37,011)	–	(39,461)	–	(7,857)	(2,319)	(294)	**(86,942)**
Loans written off as uncollectable	45,090	67,536	86	122,350	–	8,124	8,959	742	**252,887**
At 31 March 2012	**(309,971)**	**(71,049)**	**(59,971)**	**(1,142,275)**	**(71,637)**	**(15,688)**	**(6,261)**	**(2,875)**	**(1,679,727)**

11. Loans to customers (continued)

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals as at 31 March 2013:

	Gross loans RUR'000	*Impairment RUR'000*	*Net loans RUR'000*	*Impairment to gross loans %*
Consumer loans				
- Not past due	38,218,065	(333,950)	37,884,115	0.87%
- Overdue less than 30 days	2,200,074	(308,355)	1,891,719	14.02%
- Overdue 30-89 days	1,218,295	(564,522)	653,773	46.34%
- Overdue 90-179 days	1,331,751	(919,985)	411,766	69.08%
- Overdue 180-360 days	2,138,513	(1,774,220)	364,293	82.97%
Total consumer loans	**45,106,698**	**(3,901,032)**	**41,205,666**	**8.65%**
Credit cards				
- Not past due	2,814,302	(27,223)	2,787,079	0.97%
- Overdue less than 30 days	295,794	(46,714)	249,080	15.79%
- Overdue 30-89 days	199,631	(104,753)	94,878	52.47%
- Overdue 90-179 days	188,302	(140,695)	47,607	74.72%
- Overdue 180-360 days	336,579	(287,502)	49,077	85.42%
Total credit cards	**3,834,608**	**(606,887)**	**3,227,721**	**15.83%**
Mortgage loans				
- Not past due	169,746	(1,696)	168,050	1.00%
- Overdue less than 30 days	20,877	(1,044)	19,833	5.00%
- Overdue 30-89 days	2,591	(259)	2,332	10.00%
- Overdue 90-179 days	2,873	(575)	2,298	20.01%
- Overdue 180-360 days	3,545	(1,063)	2,482	29.99%
- Overdue more than 360 days	6,883	(3,440)	3,443	49.98%
Total mortgage loans	**206,515**	**(8,077)**	**198,438**	**3.91%**
Car loans				
- Overdue less than 30 days	6	(1)	5	16.67%
- Overdue 30-89 days	72	(29)	43	40.28%
- Overdue 90-179 days	44	(27)	17	61.36%
- Overdue 180-360 days	174	(174)	–	100.00%
Total car loans	**296**	**(231)**	**65**	**78.04%**
Other loans to individuals				
- Not past due	163,618	(2,923)	160,695	1.79%
- Overdue less than 30 days	8,607	(550)	8,057	6.39%
- Overdue 30-89 days	297	(15)	282	5.05%
- Overdue 180-360 days	1,038	(519)	519	50.00%
- Overdue more than 360 days	386	(315)	71	81.61%
Total other loans to individuals	**173,946**	**(4,322)**	**169,624**	**2.48%**
Total loans to individuals	**49,322,063**	**(4,520,549)**	**44,801,514**	**9.17%**

11. Loans to customers (continued)

Credit quality of loans to individuals (continued)

The following table provides information on the credit quality of loans to individuals as at 31 December 2012:

	Gross loans RUR'000	*Impairment RUR'000*	*Net loans RUR'000*	*Impairment to gross loans %*
Consumer loans				
- Not past due	36,231,367	(283,200)	35,948,167	0.78%
- Overdue less than 30 days	1,498,256	(194,928)	1,303,328	13.01%
- Overdue 30-89 days	994,321	(444,198)	550,123	44.67%
- Overdue 90-179 days	1,134,733	(759,734)	374,999	66.95%
- Overdue 180-360 days	1,865,365	(1,521,735)	343,630	81.58%
Total consumer loans	**41,724,042**	**(3,203,795)**	**38,520,247**	**7.68%**
Credit cards				
- Not past due	2,693,019	(23,373)	2,669,646	0.87%
- Overdue less than 30 days	236,175	(36,507)	199,668	15.46%
- Overdue 30-89 days	177,326	(91,287)	86,039	51.48%
- Overdue 90-179 days	173,287	(126,847)	46,440	73.20%
- Overdue 180-360 days	252,738	(211,970)	40,768	83.87%
Total credit cards	**3,532,545**	**(489,984)**	**3,042,561**	**13.87%**
Mortgage loans				
- Not past due	199,390	(1,993)	197,397	1.00%
- Overdue less than 30 days	7,049	(352)	6,697	4.99%
- Overdue 30-89 days	3,113	(311)	2,802	9.99%
- Overdue 90-179 days	134	(27)	107	20.15%
- Overdue 180-360 days	7,850	(2,352)	5,498	29.96%
- Overdue more than 360 days	5,570	(2,785)	2,785	50.00%
Total mortgage loans	**223,106**	**(7,820)**	**215,286**	**3.51%**
Car loans				
- Not past due	383	(4)	379	1.04%
- Overdue 30-89 days	39	(16)	23	41.03%
- Overdue 90-179 days	170	(102)	68	60.00%
- Overdue 180-360 days	3,635	(3,635)	–	100.00%
Total car loans	**4,227**	**(3,757)**	**470**	**88.88%**
Other loans to individuals				
- Not past due	117,573	(2,151)	115,422	1.83%
- Overdue less than 30 days	24,863	(1,220)	23,643	4.91%
- Overdue 30-89 days	368	(37)	331	10.05%
- Overdue 90-179 days	1,038	(311)	727	29.96%
- Overdue 180-360 days	10,423	(5,237)	5,186	50.24%
- Overdue more than 360 days	590	(590)	–	100.00%
Total other loans to individuals	**154,855**	**(9,546)**	**145,309**	**6.16%**
Total loans to individuals	**45,638,775**	**(3,714,902)**	**41,923,873**	**8.14%**

The Group has estimated loan impairment for loans to individuals based on its past historical loss experience and in some cases per group experience for comparable loan groups.

11. Loans to customers (continued)

Credit quality of loans to corporate entities

The following table provides information on the credit quality of the loans to corporate entities and finance lease receivables as at 31 March 2013:

	Gross loans RUR'000	*Impairment RUR'000*	*Net loans RUR'000*	*Impairment to gross loans %*
Loans to corporate entities and finance lease receivables				
Unimpaired loans and finance lease receivables	5,770,029	(75,856)	5,694,173	1.31%
Impaired loans and finance lease receivables:				
- Overdue less than 90 days	111,783	(5,366)	106,417	4.80%
- Overdue more than 90 days and less than 1 year	152,016	(64,206)	87,810	42.24%
- Overdue more than 1 year	154,814	(144,848)	9,966	93.56%
Total impaired loans and finance lease receivables	**418,613**	**(214,420)**	**204,193**	**51.22%**
Individual impairment	279,024	(148,903)	130,121	53.37%
Collective impairment	139,589	(65,517)	74,072	46.94%
Total loans to corporate entities and finance lease receivables	**6,188,642**	**(290,276)**	**5,898,366**	**4.69%**

The following table provides information on the credit quality of the loans to corporate entities and finance lease receivables as at 31 December 2012

	Gross loans RUR'000	*Impairment RUR'000*	*Net loans RUR'000*	*Impairment to gross loans %*
Loans to corporate entities and finance lease receivables				
Unimpaired loans and finance lease receivables	6,270,999	(74,795)	6,196,204	1.19%
Impaired loans and finance lease receivables:				
- Overdue less than 90 days	274,864	(55,421)	219,443	20.16%
- Overdue more than 90 days and less than 1 year	81,157	(42,254)	38,903	52.06%
- Overdue more than 1 year	234,711	(198,844)	35,867	84.72%
Total impaired loans and finance lease receivables	**590,732**	**(296,519)**	**294,213**	**50.20%**
Individual impairment	339,134	(218,592)	120,542	64.46%
Collective impairment	251,598	(77,927)	173,671	30.97%
Total loans to corporate entities and finance lease receivables	**6,861,731**	**(371,314)**	**6,490,417**	**5.41%**

12. Current accounts and deposits from customers

	31 March 2013 RUR'000 (unaudited)	*31 December 2012 RUR'000*
Individuals		
Current accounts and demand deposits	1,292,829	1,224,515
Term deposits	57,062,610	54,934,678
Corporates		
Current accounts and demand deposits	3,966,551	4,181,442
Amounts payable under repurchase agreements	1,422,468	1,891,492
Term deposits	1,024,407	393,554
	64,768,865	**62,625,681**

13. Amounts due to the CBR

	31 March 2013 RUR'000 (unaudited)	*31 December 2012 RUR'000*
Repurchase agreements	19,187,593	16,931,746
Lombard loans received from the CBR	1,500,907	501,378
Loans received from the CBR secured by guarantee	501,243	501,240
	21,189,743	**17,934,364**

14. Deposits and balances from banks

	31 March 2013 RUR'000 (unaudited)	*31 December 2012 RUR'000*
Deposits from banks	87,867	32,084
Repurchase agreements with other banks	336,560	125,064
Loro accounts of banks	86,536	18,374
	510,963	**175,522**

15. Subordinated debt

On 20 February 2013 the Group repaid prior to maturity one subordinated loan amounted to USD 16,000 thousand, borrowed from Sovco Capital Partners B. V.

Principal' 000	*Currency*	*Counterparty*	*Interest rate*	*Issue date*	*Maturity date*	*31 March 2013 RUR'000 (unaudited)*	*31 December 2012 RUR'000*
25,000	USD	Nederlandse Financierings-Maatschappijvoor Ontwikkelingslanden N.V.(FMO)	Libor 3m+ 4.5%*	24.10.2008 22.01.2009	15.10.2018	846,121	814,138
16,000	USD	Sovco Capital Partners B. V.	15.0%	29.05.2012	29.05.2022	–	489,419
5,000	USD	Sovco Capital Partners B. V.	15.0%	26.07.2012	26.07.2022	158,007	154,395
7,000	USD	Sovco Capital Partners B. V.	15.0%	15.08.2012	15.08.2022	221,210	216,152
5,000	USD	Sovco Capital Partners B. V.	15,0%	04.07.2012	04.07.2022	158,007	154,395
						1,383,345	**1,828,499**

*Libor 3m+4.5%+premium, calculated in accordance with terms of agreements.

As of 31 March 2013, the Group accrued additional fees in the amount of RUR 66,089 thousand (as of 31 December 2012 – RUR 51,979 thousand) payable to FMO in accordance with terms of agreements which were accounted for as part of effective interest rate on subordinated debt. In accordance with terms of agreements additional fees are calculated based on the financial result of the Group before tax and paid since the Group accumulated profit for the period.

16. Fair value of financial instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IFRS 7 *Financial Instruments: Disclosures*. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction other than in forced sale or liquidation. As no readily available market exists for a large part of the Group's financial instruments (specifically extended loans) at which such financial assets would be traded on a regular basis, judgment is necessary in arriving at fair value based on current economic conditions and the specific risks attributable to a given instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

16. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As of 31 March 2013	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Financial instruments at fair value through profit or loss	31,712,955	621,769	–	**32,334,724**
	31,712,955	**621,769**	**–**	**32,334,724**

As of 31 December 2012	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Financial instruments at fair value through profit or loss	28,552,242	2,247,704	–	**30,799,946**
	28,552,242	**2,247,704**	**–**	**30,799,946**

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Financial assets at fair value through profit or loss

Trading securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and nonobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of nonfinancial assets and nonfinancial liabilities.

	31 March 2013 RUR'000	*31 March 2013 RUR'000*	*31 March 2013 RUR'000*	*31 December 2012 RUR'000*	*31 December 2012 RUR'000*	*31 December 2012 RUR'000*
	Carrying value	*Fair value*	*Unrecognised gain/(loss)*	*Carrying value*	*Fair value*	*Unrecognised gain/(loss)*
Assets						
Cash and cash equivalents	10,285,126	10,285,126	–	9,422,509	9,422,509	–
Mandatory reserves with the Central Bank of the Russian Federation	813,551	813,551	–	776,562	776,562	–
Placements with banks and other financial institutions	576,857	576,857	–	16,456	16,456	–
Loans to customers	50,699,880	50,852,003	152,123	48,414,292	48,636,601	222,309
Other assets	589,561	589,561	–	489,301	489,301	–
Liabilities						
Amounts due to the CBR	21,189,743	21,189,743	–	17,934,364	17,934,364	–
Deposits and balances from banks	510,963	510,963	–	175,522	175,522	–
Current accounts and deposits from customers	64,768,865	64,352,019	416,846	62,625,681	61,874,666	751,015
Promissory notes	1,094,014	1,094,014	–	1,753,040	1,753,040	–
Subordinated debt	1,383,345	1,383,345	–	1,828,499	1,828,499	–
Other liabilities	762,552	762,552	–	768,780	768,780	–
			568,969			**973,324**

17. Charter capital and other capital contributions

As of 31 March 2013 and 31 December 2012 charter capital totalled RUR 1,906,004 thousand.

On 11 January 2012, 24 January 2012, 20 February 2012 and 29 March 2012 at the extraordinary General meetings of participants it was decided to make distributions to participants from the net profit earned in 2011. The total amount of distributions to participants was RUR 876,741 thousand and made in proportion to units of participants. Distributions to participants were fully paid in March 2012.

In accordance with the Bank's LLC charter, participants may unilaterally withdraw their interests. In such cases the Bank will be obliged to pay the withdrawing participant's share of net assets of the Bank, determined on the basis of statutory accounting reports for the year of withdrawal, in cash or, subject to consent of the participant, by in-kind transfer of assets. The payment should be made no later than six months after the end of the year of the withdrawal.

On 30 May 2012 TBIF Financial Services B.V. announced its withdrawal from the participation in the Bank. 35% of net assets previously owned by TBIF Financial Services B.V. (nominal value of RUR 784,825 thousand) were purchased by SovCo Capital Partners B.V. As a result of that transaction SovCo Capital Partners B.V. became the ultimate parent of the Group. The remaining 15% of net assets (nominal value of RUR 336,354 thousand) were redeemed by the Bank for a total amount of RUR 961,618 thousand.

As of 30 September 2012 the Group recognized its rights under call option with related party in the amount of RUR 307,654 thousand as other capital contributions into Bank's net assets attributable to participants.

18. Related party transactions

For the purposes of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by International Financial Reporting Standard IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Total remuneration included in employee compensation (refer to Note 6).

	31 March 2013 RUR'000	***31 March 2012 RUR'000***
Members of the Board of Directors	11,505	12,758
Other key management personnel	17,100	17,402
	28,605	**30,160**

The outstanding balances as at 31 March 2013 (unaudited) with related parties are as follows:

	Participants of Parent Group RUR'000	***Key management personnel RUR'000***	***Other RUR'000***	***Total RUR'000***
Financial instruments at fair value through profit or loss	**115,429**	**–**	**–**	**–**
Loans outstanding at 31 March, gross	**–**	**97,656**	**389,492**	**487,148**
Less: allowance for impairment at 31 March	–	(1,266)	(3,638)	**(4,904)**
Loans outstanding at 31 March, net	**–**	**96,390**	**385,854**	**482,244**
Deposits at 31 March	–	**75,153**	**145,354**	**220,507**
Current accounts at 31 March	**94,416**	**35,810**	**21,907**	**152,133**
Subordinated debt at 31 March	**537,225**	**–**	**–**	**537,225**
Guarantees received	–	**94,070**	**470,604**	**564,674**

18 Related party transactions (continued)

The outstanding balances as at 31 December 2012 with related parties are as follows:

	Participants of Parent Group RUR'000	*Key management personnel RUR'000*	*Other RUR'000*	*Total RUR'000*
Loans outstanding at 31 December, gross	–	**96,455**	**381,138**	**477,593**
Less: allowance for impairment at 31 December	–	(1,199)	(5,402)	**(6,601)**
Loans outstanding at 31 December, net	**–**	**95,256**	**375,736**	**470,992**
Deposits at 31 December	**17,149**	**76,466**	**134,643**	**228,258**
Current accounts at 31 December	**518**	**26,295**	**51,709**	**78,522**
Subordinated debt 31 December	**1,014,360**	–	–	**1,014,360**
Guarantees received	–	**36,648**	**1,935,577**	**1,972,225**

Amounts included in the interim condensed consolidated income statement for for the three-month period ended 31 March 2013 (unaudited) in relation to transactions with the related parties are as follows:

	Participants RUR'000	*Key management personnel RUR'000*	*Other RUR'000*	*Total RUR'000*
Interest income	1,562	2,902	9,758	**14,222**
Interest expense	(29,463)	(1,413)	(2,862)	**(33,738)**
Provision for loan impairment	–	18,883	34,734	**53617**
Fee and commission income	38	126	78	**242**
Other income	(226)	–	140	**(86)**
Other general administrative expenses	–	(662)	–	**(662)**

Amounts included in the consolidated income statement for for the three-month period ended 31 March 2012 (unaudited) in relation to transactions with the related parties are as follows:

	Participants RUR'000	*Key management personnel RUR'000*	*Other RUR'000*	*Total RUR'000*
Interest income	4,477	1,759	16,810	**23,046**
Interest expense	(1,603)	(819)	(3,774)	**(6,196)**
Provision for loan impairment	–	54	38,234	**38,288**
Fee and commission income	15	219	55	**289**
	(1,643)	**–**	**71**	**(1,572)**
Other general administrative expenses	–	(120)	–	**(120)**

In April and May 2012 the Group sold a controlling stake in one of it's subsidiaries to a related party and bought none controlling stake in non-related entity from a third party. Under the call option agreement concluded with the same related party just after the sale-purchase the Group is able to buy back the stake in sold subsidiary at any time for the consideration of none controlling stake in other entity.

In August 2012 the Group amended the call option with a related party according to which the Bank obtained the right to require the related party to sell controlling stake in subsidiary with the nominal value of RUR 307,654 thousand for one Euro (1 EUR) to the Bank.

As a result of these transactions, the Group retained control over it's subsidiary and continued it's consolidation. Refer to Note 3.

19. Share of investments in a joint venture

Interest in a joint venture (transition to IFRS 11)

The Group has a 50% interest in LLC “Sollers-Finance”, which provides car leasing services for the legal entities in Russian Federation. Under IAS 31 Investment in Joint Ventures (prior to the transition to IFRS 11), the Group’s interest in LLC “Sollers-Finance” was classified as a jointly controlled entity and the Group’s share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest to be a joint venture and it is required to be accounted for using the equity method. The effect of applying IFRS 11 is as follows:

Deemed cost of Sollers Finance LLC

	As at 1 January 2012
Cash and cash equivalents	3,571
Loans to customers	562,197
Premises and equipment	13,101
Deferred tax assets	2,187
Other assets	42,821
Total assets	**623,877**
Due to other banks	311,636
Deferred tax liability	9,150
Other liabilities	20,365
Total liabilities	**341,151**
Deemed cost of joint venture	**282,726**

Impact on the income statement

	For the three months ended 31 March 2012 RUR’000
Decrease in Interest income	(24,821)
Decrease in Interest expense	6,694
Decrease in Net interest income	**(18,127)**
Increase in Allowances for loan impairment	(3,560)
Decrease in Net interest income after allowances for loan impairment and other impairment	**(21,687)**
Decrease in Fee and commission income	(2,106)
Decrease in Fee and commission expense	2,240
Increase in Net fee and commission income	**134**
Increase in Other impairment and provisions	(11)
Decrease in Other operating income	(2,129)
Decrease in Operating income	**(23,693)**
Decrease in Personnel expenses	11,587
Decrease in Other general administrative expenses	7,277
Decrease in Profit before income tax expense	**(4,829)**
Decrease in Income tax expense	4,829
Net impact on profit after tax	**–**

19. Share of investments in a joint venture (continued)

Interest in a joint venture (transition to IFRS 11) (continued)

Impact on the statement of financial position

	As at 31 December 2012 RUR'000
Decrease in Cash and cash equivalents	(3,524)
Decrease in Loans to customers	(866,447)
Increase in Investment in car leasing joint venture	368,560
Decrease in Property, equipment and intangible assets	(18,814)
Decrease in Goodwill	(43,108)
Decrease in Deferred tax assets	(1,795)
Decrease in Other assets	(85,410)
Decrease in Deposits and balances from banks	593,035
Increase in Current accounts and deposits from customers	(215)
Decrease in Deferred tax liability	2,367
Decrease in Other liabilities	55,351
Net impact on net assets attributable to participants	**–**

As of 31 March 2013 and 31 March 2012 the Group had share of profit from the joint venture LLC "Sollers-Finance" in a total amount of RUR 5,485 thousand and RUR 5,385 thousand, respectively.

During the first quarter 2013 the Group received dividends from the joint venture LLC "Sollers-Finance" in a total amount of RUR 20,020 thousand.

20. Principal consolidated subsidiaries

Included in the table below is the list of the principal consolidated subsidiaries, joint ventures and associate of the Group as at 31 March 2013 and 31 December 2012:

		Voting rights	
	Relationship	***31 March 2013***	***31 December 2012***
LLC "Leasing Company Razvitie"	Subsidiary	100.00%	100.00%
LLC "Regionalnaya Lisingovaya Compania"	Subsidiary	100.00%	100.00%
LLC "BKA"	Subsidiary	100.00%	100.00%
LLC "Investicii v nedvizhimost"	Subsidiary	100.00%	100.00%
LLC "Sollers-Finance"	Joint venture	50.00%	50.00%
LLC "Avtozaim"	Special purpose entity	100.00%	100.00%
OJSC "Kostromskoy ipotechniy operator"	Associate	49.00%	49.00%

21. Events subsequent to the balance sheet date

On 2 April 2013 the Group repaid prior to maturity three subordinated loans amounted to USD 17,000 thousand, borrowed from Sovco Capital Partners B. V.