Sovcombank Group

Interim condensed consolidated financial statements

for the three-month period ended 31 March 2014

Contents

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Report on review of interim condensed consolidated financial statements

To the Participants and Board of Directors of Sovcombank LLC

We have reviewed the accompanying interim condensed consolidated financial statements of Sovcombank LLC and its subsidiaries (together the "Group"), which comprise the interim condensed consolidated statement of financial position as at 31 March 2014 and the related interim condensed consolidated statements 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 the Federal law On Auditing Activity, Federal Rule (Standard) on Auditing No. 33 *Engagements to Review Financial Statements* and International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the federal standards on auditing effective in the Russian Federation and 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 *Interim Financial Reporting*.

Ernst & Young LLC

23 June 2014

Interim condensed consolidated statement of comprehensive income
for the three-month period ended 31 March 2014

	Notes	*For the three months ended 31 March (unaudited)* 2014 RUR'000	2013 RUR'000
Interest income		6,997,423	4,125,672
Interest expense		(2,799,882)	(1,787,562)
Net interest income		**4,197,541**	**2,338,110**
Provision for loan impairment	4	(2,734,631)	(1,643,586)
Net interest income after allowances for loan impairment and other impairment		**1,462,910**	**694,524**
Fee and commission income	5	2,109,875	1,655,880
Fee and commission expense		(100,576)	(47,189)
Net fee and commission income		**2,009,299**	**1,608,691**
Net (loss)/gain on financial instruments at fair value through profit or loss		(514,570)	195,697
Net gain from foreign currencies		44,807	37,184
Other impairment and provisions	7	(30,986)	(8,979)
Share of profit of car leasing joint venture		6,793	5,485
Other operating income, net	6	2,533,340	13,906
Operating income		**5,511,593**	**2,546,508**
Personnel expenses	8	(2,085,233)	(792,299)
Other general administrative expenses	9	(1,666,327)	(816,797)
Profit before income tax expense		**1,760,033**	**937,412**
Income tax expense	10	156,772	(195,909)
Profit for the year		**1,916,805**	**741,503**
Other comprehensive income, net of tax		–	–
Total comprehensive income		**1,916,805**	**741,503**

Mr. Sergey Khotimsky
Chief Executive Officer

Mr. Andrei Osnos
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 2014

	Notes	31 March 2014 (unaudited) RUR'000	31 December 2013 RUR'000
Assets			
Cash and cash equivalents	11	10,945,032	10,687,670
Mandatory cash balances with the CBR		955,750	772,536
Placements with banks		137,238	2,592,719
Financial instruments at fair value through profit or loss			
- held by the Group	12	14,674,173	16,621,120
- pledged under sale and repurchase agreements	12	35,719,040	27,710,336
Loans to customers	13	81,044,499	60,465,515
Investment in associates		–	3,000
Investment in car leasing joint venture		389,712	420,752
Investment property		1,843,128	1,829,002
Property, equipment and intangible assets		2,677,313	2,628,097
Goodwill		283,538	283,538
Deferred tax asset		731,142	5,492
Other assets		1,215,713	489,847
Total assets		**150,616,278**	**124,509,624**
Liabilities			
Amounts due to the CBR	15	30,898,432	24,024,784
Deposits and balances from banks	16	307,293	246,225
Current accounts and deposits from customers	14	94,735,857	80,775,104
Debt securities issued	17	5,306,306	4,077,782
Subordinated debt	18	2,903,757	1,615,734
Deferred tax liability		8,528	212,029
Other liabilities		1,721,692	740,358
Total liabilities excluding net assets attributable to participants		**135,881,865**	**111,692,016**
Net assets attributable to participants			
Charter capital	20	1,906,004	1,906,004
Other capital contributions		2,736,614	2,736,614
Revaluation reserve for property and equipment		133,637	133,637
Retained earnings		9,958,158	8,041,353
Total net assets attributable to participants		**14,734,413**	**12,817,608**
Total liabilities		**150,616,278**	**124,509,624**

Mr. Sergey Khotimsky
Chief Executive Officer

Mr. Andrei Osnos
Chief Financial Officer

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 2014

	Attributable to participants of the parent				
	Charter capital RUR'000	*Other capital contributions RUR'000*	*Revaluation reserve for property RUR'000*	*Retained earnings (accumulated losses) RUR'000*	*Total net assets RUR'000*
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**
Balance as at 1 January 2014	**1,906,004**	**2,736,614**	**133,637**	**8,041,353**	**12,817,608**
Total comprehensive income	–	–	–	1,916,805	**1,916,805**
Balance as at 31 March 2014	**1,906,004**	**2,736,614**	**133,637**	**9,958,158**	**14,734,413**

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Chief Executive Officer

Mr. Andrei Osnos
Chief Financial Officer

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 2014

	Notes	*31 March 2014 RUR'000 (unaudited)*	*31 March 2013 RUR'000 (unaudited)*
Cash flows from operating activities		2,082,975	2,804,466
(Increase)/decrease in operating assets		(3,401,375)	(5,760,745)
Increase/(decrease) in operating liabilities		1,534,825	4,607,208
Net cash provided from operating activities before taxes paid		**216,425**	**1,650,929**
Taxes paid		(300,004)	(248,505)
Cash flows from operations		**(83,579)**	**1,402,424**
Cash flows from investing activities		(3,163,878)	(47,420)
Cash flows from financing activities		3,031,600	(524,078)
Net increase/(decrease) in cash and cash equivalents		**(215,857)**	**830,926**
Effect of changes in exchange rates on cash and cash equivalents		473,219	31,691
Cash and cash equivalents at the beginning of the year		10,687,670	9,422,509
Cash and cash equivalents at the end of the period	11	**10,945,032**	**10,285,126**

Mr. Sergey Khotimsky
Chief Executive Officer

Mr. Andrei Osnos
Chief Financial Officer

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 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”). The list of principal consolidated subsidiaries of Sovcombank Group is disclosed in Note 23.

Sovcombank, the parent company of the Group, was originally established in Kostroma as a limited liability company in 1990. The Bank’s registered legal address is 156000, Kostroma, Russia, 46 prospect Tekstilschikov. The Bank operates under general banking license № 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 7 February 2006. The Bank is a member of the state deposit insurance system in the Russian Federation.

The Bank accepts deposits from the public and extends credit, transfers payments in Russia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The Group is headquartered in Kostroma. As at 31 March 2014, the Bank operates in 732 cities, towns and villages across 41 subjects of Russian Federation. The Bank had 8,158 employees as at 31 March 2014 (6,673 as at 31 December 2013).

Shareholders

As at 31 March 2014 and 31 December 2013, the Group's ownership was as follows:

	Ownership % ***31 March 2014***	***Ownership %*** ***31 December 2013***
SovCo Capital Partners B.V.	100.0000%	100.0000%

There is no single ultimate legal entity or individual that exercised control over the Group as at 31 March 2014 and as at 31 December 2013.

SovCo Capital Partners B.V., a legal entity incorporated in the Netherlands, is the participant of the Group since 2003. SovCo Capital Partners B.V. is controlled by a group of Russian businessmen, including key members of 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 2014 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 2013.

2. Basis of preparation (continued)

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 2013, except for the adoption of new Standards and Interpretations as at 1 January 2014, noted below:

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, since no entities in the Bank qualified to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities − Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments had no impact on the Group's financial position.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. This IFRIC had no material impact on the Group's financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. This amendment is not relevant to the Group, since the Group has not novated its derivatives during the current period.

Recoverable Amount Disclosures for Non-financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments had no impact on the Group's financial position or performance.

3. Business combination

Background

On 6 February 2014 (the "acquisition date"), the Group acquired from DRB Holdings B.V. 100% of the voting shares of CJSC GE Money Bank ("GEMB") following required regulatory approvals by Federal Antimonopoly Service and the Central Bank of the Russian Federation. DRB Holdings B.V. is a wholly owned subsidiary of GE Capital International Financing Corporation, located in Stamford, Connecticut, United States of America. This company in turn is ultimately owned by General Electric Company, located at Fairfield, United States of America.

GEMB specialises in unsecured consumer lending, credit cards and deposit products. At the acquisition date, GEMB network comprised 51 offices and 90 points of sale and was present in 52 Russian predominantly large cities (Moscow, Saint Petersburg, Nizhny Novgorod, Kazan, Ekaterinburg, Krasnodar, Novosibirsk, Samara, Rostov-on-Don, Chelyabinsk, Ufa and others).

For the Bank, the rationale for the acquisition was to become a federal bank present in majority federal subjects of Russian Federation, procure high quality, low risk retail loan portfolio, acquire a range of intellectual properties, IT technologies and market leading retail banking practices (corporate governance, risk, etc.) as well as increase capital.

3. Business combination (continued)

The Group performed the consolidation of GEMB financial statements into Group financials statements as at 31 March 2014. The consolidation was based on:

- the fair value of GEMB net identifiable assets and liabilities as at the acquisition date; and
- GEMB the profit and loss for the three months ended 31 March 2014.

GEMB the profit and loss for the three months ended 31 March 2014 has been used for consolidation purposes because:

- producing GEMB profit and loss statement for the period from the acquisition date to 31 March 2014 was not practicable; and
- were the acquisition took place at the beginning of the year, the change of the profit and loss for the three months period ended 31 March 2014 of the Group would have been immaterial.

As at the acquisition date, the Bank had two interbank deposits of RUR 2,558,734 thousand in total placed with GEMB.

Fair value of GEMB net identifiable assets and liabilities

The Bank estimated the fair value of GEMB net identifiable assets and liabilities based on the results of an independent valuation to ensure that the identification of assets and liabilities was complete and that measurements appropriately reflected consideration of all available information in compliance with IFRS 3 “Business Combinations”. The fair value of GEMB net identifiable assets and liabilities acquired as at the acquisition date was:

	RUR’000
Assets	
Cash and cash equivalents	2,214,134
Mandatory cash balances with the Central Bank of the Russian Federation	155,868
Placements with banks	107,183
Loans to customers	22,529,796
Property, equipment and intangible assets	74,827
Deferred tax asset	417,232
Other assets	448,768
Total assets	**25,947,808**
Liabilities	
Deposits and balances from banks	3,273,396
Current accounts and deposits from customers	7,803,915
Other borrowed funds	6,922,636
Other liabilities	145,645
Total liabilities	**18,145,592**
Identifiable net assets	
Share capital	490,247
Other capital contributions	7,325,399
Retained earnings	(13,430)
Total identifiable net assets	**7,802,216**

Bargain purchase gain

Because the fair value of GEMB net identifiable assets exceeded consideration transferred to DRB Holdings B.V., the Bank recognised “bargain purchase gain” in profit or loss as a part of Other operating income (Note 6). The bargain purchase gain from the acquisition as at the acquisition date was:

	RUR’000
Consideration transferred	5,294,909
GEMB equity as at the acquisition date	(7,802,216)
Bargain purchase gain	**(2,507,307)**

Consideration transferred is presented by cash paid to DRB Holdings B.V.

3. Business combination (continued)

GEMB the profit and loss for the three months

During the three months ended 31 March 2014, GEMB incurred loss of RUR 142,751 thousands:

	RUR'000
Interest income	1,751,131
Interest expense	(289,818)
Net interest income	**1,461,313**
Provision for loan impairment	(664,604)
Net interest income after allowances for loan impairment and other impairment	**796,709**
Fee and commission income	179,836
Fee and commission expense	(17,307)
Net fee and commission income	**162,529**
Net foreign exchange gain	1,607
Other impairment and provisions	595
Other operating income	12,650
Operating income	**974,090**
Personnel expenses	(651,527)
Other general administrative expenses	(501,024)
Loss before income tax expense	**(178,461)**
Income tax benefit	35,710
Loss for the period	**(142,751)**

One-off and non-recurring transaction and restructuring costs as a result of business combination

The Group recognised the following one-off and non-recurring provisions and post-acquisition costs directly related to the acquisition of GEMB:

	RUR'000
Personnel expenses (Note 8)	(525,732)
Other general administrative expenses (Note 9)	(80,468)
Total provisions and expenses	**(606,200)**

- Personnel expenses:
  - Personnel expenses which relate to GE Group – specific employee redundancy arrangements to which the Group committed under the sale and purchase agreement with DRB Holdings B.V.; consist of:
    - a provision of RUR 326,091 thousands; and
    - an expense of RUR 184,051 thousands.
  - Staff costs and bonuses which relate to additional staff costs and bonuses of RUR 15,590 thousands which the Group incurred in relation to the integration of GEMB into the Bank.
- Other general administrative expenses:
  - Rent of unused premises*: relates to the non-cancellable until September 2014 rental agreement in relation to unused premises in “Avrora” business centre in Moscow which were previously used as GEMB head offices; consists of:
    - a provision of RUR 29,628 thousands; and
    - an expense of RUR 7,863 thousands.
  - IT services (TSA): expenses of RUR 19,193 thousands which relate to IT services provided by General Electric Capital Corporation to GEMB under Transitional Service Agreement (“TSA”) after the acquisition date through to 31 March 2014.
  - Rebranding and restructuring: expenses which relate to rebranding and restructuring GEMB distribution network.
  - Consulting services: expenses of RUR 11,624 thousands which relate valuation and legal services provided by third parties directly in relation to the acquisition of GEMB by the Group.

* In compliance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Group has recognised rent of unused premises and personnel expenses as a provision.

3. Business combination (continued)

Cash outflow on acquisition of the subsidiary

Net cash acquired with the subsidiary(included in cash flows from investing activities)	2,214,314
Cash paid (included in cash flows from investing activities)	(5,294,909)
Net cash outflow	**(3,080,595)**

4. Provision for loan impairment

	For the three months ended 31 March (unaudited)	
	2014 RUR'000	***2013 RUR'000***
Provision charge for loans to individuals(Note 13)	(2,743,552)	(1,608,778)
Reversal of provision/(charge) for loans to corporate entities and finance lease receivables (Note 13)	8,921	(34,808)
	(2,734,631)	**(1,643,586)**

5. Fee and commission income

	For the three months ended 31 March (unaudited)	
	2014 RUR'000	***2013 RUR'000***
Insurance	1,794,275	1,456,585
Credit cards	167,727	134,756
Settlement operations	105,743	23,458
Cash withdrawal	19,650	14,788
Guarantee issued	5,925	5,628
Foreign exchange operations	4,783	3,480
Operations with securities	1,171	1,460
Cash transfers	739	1,266
Other	9,862	14,459
	2,109,875	**1,655,880**

6. Other operating income

	For the three months ended 31 March (unaudited)	
	2014 RUR'000	***2013 RUR'000***
Bargain purchase gain (Note 3)	2,507,307	–
Disposal of foreclosed property	7,543	5,823
Income on operating sublease	6,215	3,728
Operating lease	1,132	1,111
Disposal of fixed assets	559	469
Other	10,584	2,775
	2,533,340	**13,906**

7. Other impairment and provisions

	For the three months ended 31 March (unaudited)	
	2014	***2013***
	RUR'000	***RUR'000***
Other assets	(2,946)	1,902
Litigations	(28,040)	(11,278)
Repossessed assets	–	397
	(30,986)	**(8,979)**

8. Personnel expenses

	For the three months ended 31 March (unaudited)	
	2014	***2013***
	RUR'000	***RUR'000***
Employee compensation, including bonuses	(1,730,844)	(606,879)
Payroll related taxes	(354,389)	(185,420)
	(2,085,233)	**(792,299)**

9. Other general administrative expenses

	For the three months ended 31 March (unaudited)	
	2014	***2013***
	RUR'000	***RUR'000***
Rent	(363,506)	(182,198)
Advertising and marketing	(242,083)	(131,843)
Professional and encashement services	(212,865)	(93,619)
Communications and information services	(125,932)	(52,189)
Miscellaneous IT expenses	(114,117)	(17,515)
Depreciation and amortization	(110,610)	(75,227)
Maintenance	(83,814)	(39,057)
Obligatory deposit insurance	(81,819)	(55,356)
Office stationary	(74,115)	(58,264)
Security	(53,372)	(42,547)
Transport	(41,167)	(22,507)
Taxes other than income tax	(31,925)	(23,917)
Property insurance	(21,237)	(6,252)
Other	(109,765)	(16,306)
	(1,666,327)	**(816,797)**

10. Income tax expense

	For the three months ended 31 March (unaudited)	
	2014	***2013***
	RUR'000	***RUR'000***
Current tax expense		
Current tax expense	(214,598)	(209,158)
	(214,598)	**(209,158)**
Deferred tax expense		
Origination of temporary differences	371,370	13,249
Total income tax expense	**156,772**	**(195,909)**

The applicable tax rate for current tax is 20%.

11. Cash and cash equivalents

	30 March 2014 RUR'000 (unaudited)	*31 December 2013 RUR'000*
Nostro accounts with OECD banks	4,729,793	3,225,387
Cash on hand	4,064,205	3,892,148
Due from the CBR	1,440,655	2,413,582
Short-term placements and reverse REPO deals less than 90 days with Russian banks	3,569	632,246
Nostro accounts with Russian banks	706,810	524,307
	10,945,032	**10,687,670**

12. Financial instruments at fair value through profit or loss

	30 March 2014 RUR'000 (unaudited)	*31 December 2013 RUR'000*
Held by the Group		
Bonds of companies with state participation	6,848,925	3,511,250
Corporate bonds	4,092,149	7,871,518
Government and municipal bonds	3,733,099	5,238,352
Total financial instruments at fair value through profit or loss held by the Group	**14,674,173**	**16,621,120**
Pledged under sale and repurchase agreements		
Bonds of companies with state participation	14,276,612	8,705,177
Corporate bonds	11,290,403	10,335,029
Government and municipal bonds	10,152,025	8,670,130
Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements	**35,719,040**	**27,710,336**
Total financial instruments at fair value through profit or loss	**50,393,213**	**44,331,456**

13. Loans to customers

	30 March 2014 RUR'000 (unaudited)	*31 December 2013 RUR'000*
Loans to individuals		
Consumer loans	72,621,190	56,498,908
Credit cards	10,039,091	4,804,139
Mortgage loans	397,282	164,620
Other	131,197	212,226
Total loans to individuals	**83,188,760**	**61,679,893**
Loans to corporate entities and finance lease receivables		
Loans to corporate entities	5,103,429	4,676,021
Loans to small and medium size companies	310,686	389,909
Finance lease receivables	92,545	108,008
Total loans to corporate entities and finance lease receivables	**5,506,660**	**5,173,938**
Gross loans to customers	**88,695,420**	**66,853,831**
Less: provision for loan impairment	(7,650,921)	(6,388,316)
Net loans to customers	**81,044,499**	**60,465,515**

13. Loans to customers (continued)

Movements in the loan impairment provision for three-month periods ended 31 March 2014 and 31 March 2013 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 2014	(81,620)	(56,232)	(9,602)	(5,572,181)	(659,122)	(4,253)	–	(5,306)	**(6,388,316)**
(Charge)/reversal for the year	7,120	5,784	(3,983)	(2,344,307)	(392,713)	(6,518)	(738)	724	**(2,734,631)**
Recoveries	(23,677)	(1,375)	(16)	(9)	–	(1,835)	(409)	(220)	**(27,541)**
Loans written off as uncollectible	–	15,016	16	1,324,102	153,664	5,270	1,147	352	**1,499,567**
At 31 March 2014	**(98,177)**	**(36,807)**	**(13,585)**	**(6,592,395)**	**(898,171)**	**(7,336)**	–	**(4,450)**	**(7,650,921)**

	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)/reversal for the year	(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 uncollectible	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)**

Credit quality of loans to individuals

The credit quality of loans to individuals is assessed and managed by the Group based on the number of days overdue. The tables below show the credit quality of loans to individuals based on the number of days overdue as at 31 March 2014 and 31 December 2013.

As at 31 March 2014:

	Gross loans RUR'000	*Impairment RUR'000*	*Net loans RUR'000*	*Impairment to gross loans %*
Consumer loans				
- Not past due	59,539,204	(489,137)	59,050,067	0.82%
- Overdue less than 30 days	3,746,521	(591,415)	3,155,106	15.79%
- Overdue 30-89 days	2,698,812	(1,150,496)	1,548,316	42.63%
- Overdue 90-179 days	2,632,819	(1,526,088)	1,106,731	57.96%
- Overdue 180-360 days	4,003,834	(2,835,259)	1,168,575	70.81%
Total consumer loans	**72,621,190**	**(6,592,395)**	**66,028,795**	**9.08%**
Credit cards				
- Not past due	7,573,586	(51,969)	7,521,617	0.69%
- Overdue less than 30 days	703,019	(72,428)	630,591	10.30%
- Overdue 30-89 days	568,281	(173,162)	395,119	30.47%
- Overdue 90-179 days	475,409	(209,312)	266,097	44.03%
- Overdue 180-360 days	718,796	(391,300)	327,496	54.44%
Total credit cards loans	**10,039,091**	**(898,171)**	**9,140,920**	**8.95%**
Mortgage loans				
- Not past due	254,222	(1,360)	252,862	0.53%
- Overdue less than 30 days	63,061	(1,193)	61,868	1.89%
- Overdue 30-89 days	28,280	(556)	27,724	1.97%
- Overdue 90-179 days	21,156	(538)	20,618	2.54%
- Overdue 180-360 days	23,665	(2,523)	21,142	10.66%
- Overdue more than 360 days	6,898	(1,166)	5,732	16.90%
Total mortgage loans	**397,282**	**(7,336)**	**389,946**	**1.85%**
Other loans to individuals				
- Not past due	121,789	(1,854)	119,935	1.52%
- Overdue less than 30 days	5,924	(90)	5,834	1.52%
- Overdue 30-89 days	715	(71)	644	9.93%
- Overdue more than 360 days	2,769	(2,435)	334	87.94%
Total other loans to individuals	**131,197**	**(4,450)**	**126,747**	**3.39%**
Total loans to individuals	**83,188,760**	**(7,502,352)**	**75,686,408**	**9.02%**

13. Loans to customers (continued)

Credit quality of loans to individuals (continued)

As at 31 March 2014 gross loans to individuals includes fair value of loans acquired in business combination with GEMB.

As at 31 March 2014, the gross amount of NPL (Non-Performing Loans – overdue more than 90 days) the respective total impairment and the NPL coverage ratio of consumer loans and credit cards were as follows:

	NPL gross amount	***Total impairment***	***NPL ratio***
Consumer loans	6,636,654	(6,592,395)	99.3%
Credit cards	1,194,205	(898,171)	75.2%

Had the Group not applied IFRS 3 as at 31 March 2014, the gross amount of NPL, total impairment and the NPL coverage ratio of consumer loans and credit cards would have been as follows:

	NPL gross amount	***Total impairment***	***NPL ratio***
Consumer loans	6,966,003	(9,899,418)	142.1%
Credit cards	1,256,558	(1,461,691)	116.3%

As at 31 December 2013:

	Gross loans RUR'000	***Impairment RUR'000***	***Net loans RUR'000***	***Impairment to gross loans %***
Consumer loans				
- Not past due	47,463,967	(467,049)	46,996,918	0.98%
- Overdue less than 30 days	2,647,498	(422,708)	2,224,790	15.97%
- Overdue 30-89 days	1,666,728	(849,659)	817,069	50.98%
- Overdue 90-179 days	1,778,849	(1,311,124)	467,725	73.71%
- Overdue 180-360 days	2,941,866	(2,521,641)	420,225	85.72%
Total consumer loans	**56,498,908**	**(5,572,181)**	**50,926,727**	**9.86%**
Credit cards				
- Not past due	3,785,863	(50,657)	3,735,206	1.34%
- Overdue less than 30 days	269,036	(46,809)	222,227	17.40%
- Overdue 30-89 days	203,729	(109,042)	94,687	53.52%
- Overdue 90-179 days	205,211	(156,507)	48,704	76.27%
- Overdue 180-360 days	340,300	(296,107)	44,193	87.01%
Total credit cards	**4,804,139**	**(659,122)**	**4,145,017**	**13.72%**
Mortgage loans				
- Not past due	144,184	(1,442)	142,742	1.00%
- Overdue less than 30 days	10,590	(529)	10,061	5.00%
- Overdue 30-89 days	1,272	(127)	1,145	9.98%
- Overdue 90-179 days	4,672	(934)	3,738	19.99%
- Overdue 180-360 days	3,651	(1,095)	2,556	29.99%
- Overdue more than 360 days	251	(126)	125	50.20%
Total mortgage loans	**164,620**	**(4,253)**	**160,367**	**2.58%**
Other loans to individuals				
- Not past due	207,439	(2,699)	204,740	1.30%
- Overdue less than 30 days	551	(55)	496	9.98%
- Overdue 30-89 days	939	(94)	845	10.01%
- Overdue 180-360 days	1,736	(1,227)	509	70.68%
- Overdue more than 360 days	1,561	(1,231)	330	78.86%
Total other loans to individuals	**212,226**	**(5,306)**	**206,920**	**2.50%**
Total loans to individuals	**61,679,893**	**(6,240,862)**	**55,439,031**	**10.12%**

13. Loans to customers (continued)

Credit quality of loans to corporate entities

The following table provides information on the credit quality of the loans to legal entities and finance lease receivables as at 31 March 2014:

	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	4,471,384	(49,652)	4,421,732	1.11%
Impaired loans and finance lease receivables				
- Overdue less than 90 days	734,335	(24,173)	710,162	3.29%
- Overdue more than 90 days and less than 1 year	248,985	(37,932)	211,053	15.23%
- Overdue more than 1 year	51,956	(36,812)	15,144	70.85%
Total impaired loans and finance lease receivables	**1,035,276**	**(98,917)**	**936,359**	**9.55%**
Individual impairment	910,991	(52,815)	858,176	5.80%
Collective impairment	124,285	(46,102)	78,183	37.09%
Total loans to corporate entities and finance lease receivables	**5,506,660**	**(148,569)**	**5,358,091**	**2.70%**

The following table provides information on the credit quality of the loans to legal entities and finance lease receivables as at 31 December 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	4,180,554	(50,625)	4,129,929	1.21%
Impaired loans and finance lease receivables				
- Overdue less than 90 days	891,982	(39,290)	852,692	4.40%
- Overdue more than 90 days and less than 1 year	44,461	(21,329)	23,132	47.97%
- Overdue more than 1 year	56,941	(36,210)	20,731	63.59%
Total impaired loans and finance lease receivables	**993,384**	**(96,829)**	**896,555**	**9.75%**
Individual impairment	315,526	(31,829)	283,697	10.09%
Collective impairment	677,858	(65,000)	612,858	9.59%
Total loans to corporate entities and finance lease receivables	**5,173,938**	**(147,454)**	**5,026,484**	**2.85%**

14. Current accounts and deposits from customers

	30 March 2014 RUR'000 (unaudited)	*31 December 2013 RUR'000*
Individuals		
Current accounts and demand deposits	2,336,818	1,663,078
Term deposits	84,312,856	72,433,317
Corporates		
Current accounts and demand deposits	3,406,046	4,112,173
Term deposits	3,931,244	2,537,624
Liabilities under sale and repurchase agreements	748,893	28,912
	94,735,857	**80,775,104**

15. Amounts due to the CBR

	30 March 2014 RUR'000 (unaudited)	*31 December 2013 RUR'000*
Sale and repurchase agreements	29,617,251	22,446,018
Loans secured by guarantee	1,281,181	973,212
Lombard loans received from the CBR	–	605,554
	30,898,432	**24,024,784**

16. Deposits and balances from banks

	30 March 2014 RUR'000 (unaudited)	*31 December 2013 RUR'000*
Loro accounts	247,936	107,442
Deposits	59,357	138,783
	307,293	**246,225**

17. Debt securities issued

	30 March 2014 RUR'000 (unaudited)	*31 December 2013 RUR'000*
Domestic bonds issued	4,072,052	1,995,695
Promissory notes	1,234,254	2,082,087
	5,306,306	**4,077,782**

On 13 February 2014, the Group issued non-convertible bonds of RUR 2,000,000 thousand with the nominal coupon rate of 12% and effective coupon rate of 12.36% maturing in February 2019.

18. Subordinated debt

During January 2014, the Group received two subordinated loans of USD 31,170 thousand with an annual interest rate of 14% from SovCo Capital Partners B.V.

Principal '000	*Currency*	*Counterparty*	*Interest rate*	*Issue date*	*Maturity date*	*31 March 2014 RUR'000*	*31 December 2013 RUR'000*
25,000	USD	FMO*	3m Libor + 6.5%**	24.10.2008 22.01.2009	15.10.2018	977,016	881,615
53,470	USD	SovCo Capital Partners B.V.	14.0%	16.12.2013	16.12.2063	1,926,741	734,119
						2,903,757	**1,615,734**

* Nederlandse Financierings-Maatschappijvoor Ontwikkelingslanden N.V. ("FMO").

** According to the Subordinated term facility agreement with FMO the interest rate was 3 Month LIBOR + 4.5 per cent. per annum until and including 31 December 2013 and 3 Month LIBOR + 6.5 per cent. per annum thereafter.

According to the terms of the Subordinated term facility agreement with Nederlandse Financierings-Maatschappijvoor Ontwikkelingslanden N.V. ("FMO"), FMO is additionally entitled to additional fees of two per cent of the profit before income tax expense. As at 31 March 2014, the Group accrued additional fees of RUR 75,873 thousand (RUR 59,470 thousand as at 31 December 2013) payable to FMO in accordance with terms of the Subordinated term facility agreement with FMO. Additional fees were accounted for as a part of subordinated debt effective interest rate.

In 2013, the Group repaid prior to maturity four subordinated loans of USD 33,000 thousand, borrowed from SovCo Capital Partners B. V.

19. 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 realise 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.

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

	Recurring fair value measurement			
At 31 March 2014 (unaudited)	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Financial assets				
Financial instruments at fair value through profit or loss	32,851,600	17,541,613	–	**50,393,213**

	Recurring fair value measurement			
At 31 December 2013	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Financial assets				
Financial instruments at fair value through profit or loss	38,660,408	5,671,048	–	**44,331,456**

19. Fair value of financial instruments (continued)

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.

Transfers between level 1 and 2

The following tables show transfers between level 2 and level 1 of the fair value hierarchy for financial assets measured at fair value on a recurring basis during the three-months periods ended 31 March 2014:

	Transfers from level 2 to level 1 RUR'000
Financial instruments at fair value through profit or loss	
Bonds of companies with state participation	1,310,265
Corporate bonds	372,881

The above financial instruments were transferred from level 2 to level 1 as they became actively traded during the reporting period and fair values were consequently determined using quoted prices in an active market. There have been no transfers from level 2 to level 1 in 2013.

	Transfers from level 1 to level 2 RUR'000
Financial instruments at fair value through profit or loss	
Bonds of companies with state participation	2,125,179
Corporate bonds	1,424,119
Government and municipal bonds	3,981,043

The above financial instruments were transferred from level 1 to level 2 as they ceased to be actively traded during the period and fair values were consequently obtained using valuation techniques using observable market inputs. There have been no transfers from level 1 to level 2 in 2013.

19. Fair value of financial instruments (continued)

Financial assets at fair value through profit or loss (continued)

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 2014 RUR'000	*31 March 2014 RUR'000*	*31 March 2014 RUR'000*	*31 December 2013 RUR'000*	*31 December 2013 RUR'000*	*31 December 2013 RUR'000*
	Carrying value	***Fair value***	***Unrecognised gain/(loss)***	***Carrying value***	***Fair value***	***Unrecognised gain/(loss)***
Assets						
Cash and cash equivalents	10,945,032	10,945,032	–	10,687,670	10,687,670	–
Mandatory reserves with the Central Bank of the Russian Federation	955,750	955,750	–	772,536	772,536	–
Placements with banks and other financial institutions	137,238	137,238	–	2,592,719	2,592,719	–
Loans to customers	81,044,499	80,680,013	(364,486)	60,465,515	60,345,030	(120,485)
Other assets	1,215,713	1,215,713	–	489,847	489,847	–
Liabilities						
Amounts due to the CBR	30,898,432	30,898,432	–	24,024,784	24,024,784	–
Deposits and balances from banks	307,293	307,293	–	246,225	246,225	–
Current accounts and deposits from customers	94,735,857	92,418,824	2,317,033	80,775,104	78,573,796	2,201,308
Debt securities issued	5,306,306	5,214,254	92,052	4,077,782	4,082,087	(4,305)
Subordinated debt	2,903,757	2,903,757	–	1,615,734	1,615,734	–
Other liabilities	1,721,692	1,721,692	–	740,358	740,358	–
			2,044,599			**2,076,518**

20. Charter capital and other capital contributions

As at 31 March 2014 and 31 December 2013, the charter capital was RUR 1,906,004 thousand.

21. Related party transactions

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 8).

	31 March 2014 RUR'000	***31 March 2013 RUR'000***
Members of the Board of Directors	3,310	11,505
Other key management personnel	61,975	17,100
	65,285	**28,605**

21. Related party transactions (continued)

The outstanding balances with related parties as at 31 March 2014 (unaudited) were as follows:

	Participants of Parent Group RUR'000	*Joint venture* RUR'000*	*Key management personnel RUR'000*	*Other RUR'000*	*Total RUR'000*
Loans outstanding at 31 March, gross	**–**	**66,387**	**200,108**	**699,296**	**965,791**
Less: allowance for impairment at 31 March	–	(797)	(2,430)	(8,486)	**(11,713)**
Loans outstanding at 31 March, net	**–**	**65,590**	**197,678**	**690,810**	**954,078**
Deposits at 31 March	–	**–**	**11,155**	**226,911**	**238,066**
Financial instruments at fair value through profit or loss at 31 March	**294,814**	–	–	–	**294,814**
Current accounts at 31 March	**4,354**	**5,627**	**32,925**	**143,789**	**186,695**
Subordinated debt at 31 March	**1,926,741**	–	–	–	**1,926,741**
Guarantees received	–	–	41,723	1,537,619	**1,579,342**

* Joint venture is a contractual arrangement whereby the Group and the LLC "Sollers" undertake an economic activity that is subject to joint control for LLC "Sollers-Finance" (Note 22).

** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group; the Group's key management personnel are the members of Management and the Board of Directors.

The outstanding balances as at 31 December 2013 with related parties are as follows:

	Participants of Parent Group RUR'000	*Joint venture* RUR'000*	*Key management personnel RUR'000*	*Other RUR'000*	*Total RUR'000*
Loans outstanding at 31 December, gross	**–**	**13,856**	**65,896**	**725,234**	**804,986**
Less: allowance for impairment at 31 December	–	(159)	(813)	(9,644)	**(10,616)**
Loans outstanding at 31 December, net	**–**	**13,697**	**65,083**	**715,590**	**794,370**
Deposits at 31 December	**–**	**–**	**257,342**	**385,402**	**642,744**
Financial instruments at fair value through profit or loss at 31 December	**8,264**	**–**	**–**	**–**	**8,264**
Current accounts at 31 December	**82,770**	**1,693**	**81,277**	**369,811**	**535,551**
Subordinated debt at 31 December	**734,119**	**–**	**–**	**–**	**734,119**
Guarantees received	–	–	–	388	**388**

* Joint venture is a contractual arrangement whereby the Group and the LLC "Sollers" undertake an economic activity that is subject to joint control for LLC "Sollers-Finance" (Note 22).

** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group; the Group's key management personnel are the members of Management and the Board of Directors.

21. Related party transactions (continued)

Amounts included in the consolidated income statement for the three-month period ended 31 March 2014 (unaudited) in relation to related party transactions were as follows:

	Participants of Parent Group RUR'000	*Joint venture* RUR'000*	*Key management personnel RUR'000*	*Other RUR'000*	*Total RUR'000*
Interest income	–	302	2,431	22,478	**25,211**
Interest expense on deposits	(53,851)	–	(4,354)	(5,879)	**(64,084)**
Interest expense on subordinated loans	–	–	–	–	**–**
Provision for loans impairment	–	–	(1,300)	3,689	**2,389**
Fee and commission income	42	19	449	126	**636**
Other income	1,980	–	83	68	**2,131**
General administrative expenses	–	–	(450)	–	**(450)**

* Joint venture is a contractual arrangement whereby the Group and the LLC "Sollers" undertake an economic activity that is subject to joint control for LLC "Sollers-Finance" (Note 22).

** Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group; the Group's key management personnel are the members of Management and the Board of Directors.

Amounts included in the consolidated income statement for the three-month period ended 31 March 2013 (unaudited) in relation to related party transactions were as follows:

	Participants of Parent Group 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 on deposits	(29,463)	(1,413)	(2,862)	**(33,738)**
Interest expense on subordinated loans				
Provision for loans impairment	–	18,883	34,734	**53,617**
Fee and commission income	38	126	78	**242**
Other income	(226)	–	140	**(86)**
General administrative expenses	–	(662)	–	**(662)**

22. Share of investments in a joint venture

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 summarised financial information of Sollers Finance LLC is presented below:

	As at 31 March 2014 RUR'000	*As at 31 December 2013 RUR'000*
Cash and cash equivalents	12,420	3,790
Loans to customers	1,942,699	2,133,605
Property and equipment	49,931	47,876
Other assets	138,519	143,165
Total assets	**2,143,569**	**2,328,436**
Due to credit institutions	1,326,583	1,439,026
Amounts due to customers	–	116
Other liabilities	123,780	134,009
Total liabilities	**1,450,363**	**1,573,151**
Net assets	**693,206**	**755,285**
Group's share in net assets	346,603	377,643
Goodwill included in the carrying amount of the investment	43,109	43,109
Carrying value of the investment in car leasing joint venture	**389,712**	**420,752**

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

	For the three months period ended 31 March	
	2014 RUR'000	***2013 RUR'000***
Interest income	142,493	133,101
Interest expense	(37,188)	(37,705)
Allowance for loan impairment	(54,436)	(38,319)
Non-interest income	15,304	13,614
Non-interest expense	(59,380)	(55,718)
Profit for the year	**6,793**	**14,973**
Dividends received from the car leasing joint venture during the period	37,833	20,020

23. Principal 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 2014 and 31 December 2013:

		Voting rights	
	Relationship	***31 March 2014***	***31 December 2013***
LLC "Regionalnaya Lisingovaya Compania"	Subsidiary	100.00%	100.00%
CJSC "GE Money Bank"	Subsidiary	100.00%	–
LLC "Miria"	Subsidiary	100.00%	–
LLC "Investicii v nedvizhimost"	Subsidiary	100.00%	100.00%
LLC "Sollers-Finance"	Joint venture	50.00%	50.00%
LLC "Avtozaim"	Subsidiary	100.00%	100.00%

24. Events subsequent to the balance sheet date

In May 2014, the Group sold 100% of the voting shares of LLC "Investicii v nedvizhimost" to the third party.

Mr. Sergey Khotimskiy
Chief Executive Officer

Mr. Andrei Osnos
Chief Financial Officer