

# **Sovcombank Group**

Interim condensed consolidated financial statements

*for the nine-month period ended 30 September 2012*

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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 30 September 2012, comprising of the interim condensed consolidated statement of financial position as at 30 September 2012 and the related interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statements of changes in net assets attributable to participants and of cash flows for the nine-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.


15 November 2012

**Interim condensed consolidated statement of comprehensive income**  
**for the nine-month period ended 30 September 2012**

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2012	2011	2012	2011
		RUR'000 (unaudited)	RUR'000 (unaudited)	RUR'000 (unaudited)	RUR'000 (unaudited)
Interest income		3,377,955	2,392,999	8,938,266	6,849,087
Interest expense		(1,361,898)	(956,335)	(3,644,707)	(2,564,997)
<b>Net interest income</b>		<b>2,016,057</b>	<b>1,436,664</b>	<b>5,293,559</b>	<b>4,284,090</b>
Allowances for loan impairment	4	(1,202,343)	(205,049)	(2,577,859)	(1,363,759)
<b>Net interest income after allowances for loan impairment</b>		<b>813,714</b>	<b>1,231,615</b>	<b>2,715,700</b>	<b>2,920,331</b>
Fee and commission income	5	1,736,606	1,207,593	4,652,438	3,041,291
Fee and commission expense		(41,659)	(29,838)	(115,394)	(129,099)
<b>Net fee and commission income</b>		<b>1,694,947</b>	<b>1,177,755</b>	<b>4,537,044</b>	<b>2,912,192</b>
Net gain (loss) on financial instruments at fair value through profit or loss		27,330	(185,618)	42,956	(68,522)
Net foreign exchange gain		3,741	23,796	56,658	47,391
Other impairment and provisions		(13,647)	(31,454)	(39,397)	(97,952)
Other operating income		32,281	51,665	88,941	87,040
<b>Operating income</b>		<b>2,558,366</b>	<b>2,267,759</b>	<b>7,401,902</b>	<b>5,800,480</b>
Personnel expenses	6	(708,993)	(514,764)	(1,981,820)	(1,455,976)
Other general administrative expenses	7	(861,157)	(608,054)	(2,345,332)	(1,427,355)
<b>Income before taxes</b>		<b>988,216</b>	<b>1,144,941</b>	<b>3,074,750</b>	<b>2,917,149</b>
Income tax expense	8	(199,310)	(221,366)	(634,310)	(600,591)
<b>Income</b>		<b>788,906</b>	<b>923,575</b>	<b>2,440,440</b>	<b>2,316,558</b>
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>788,906</b>	<b>923,575</b>	<b>2,440,440</b>	<b>2,316,558</b>

The notes to, and forming part of, the interim condensed consolidated financial statements as set out on pages 5 to 18 were approved by the Board of Directors on 15 November 2012.

  
 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 the 30 September 2012**

		<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>Notes</b>	<b>RUR'000 (unaudited)</b>	<b>RUR'000</b>
<b>Assets</b>			
Cash and cash equivalents	9	12,887,348	4,338,044
Mandatory cash balances with the Central Bank of the Russian Federation		681,152	523,088
Placements with banks		26,516	75,014
Financial instruments at fair value through profit or loss	10		
- Held by the Group		5,109,088	9,954,669
- Pledged under sale and repurchase agreements		14,547,829	4,392,817
Loans to customers	11	46,710,280	34,782,936
Investment in associates		5,880	5,880
Investment property		101,965	110,765
Property, equipment and intangible assets	12	3,083,441	2,094,734
Goodwill		450,587	450,587
Deferred tax asset		57,970	73,232
Other assets		409,136	509,778
<b>Total assets</b>		<b>84,071,192</b>	<b>57,311,544</b>
<b>Liabilities</b>			
Amounts due to the CBR	14	12,573,073	3,055,507
Deposits and balances from banks	15	1,808,525	1,242,465
Current accounts and deposits from customers	13	57,466,204	42,618,037
Promissory notes		1,332,824	1,647,496
Subordinated debt	16	1,847,198	868,567
Deferred tax liabilities		180,753	207,030
Other liabilities		779,400	498,957
<b>Total liabilities</b>		<b>75,987,977</b>	<b>50,138,059</b>
<b>Net assets attributable to participants</b>			
Charter capital	17	1,906,004	2,242,358
Other capital contributions		2,736,614	2,428,960
Revaluation reserve for buildings		14,570	14,570
Retained earnings		3,426,027	2,487,597
<b>Total net assets attributable to participants</b>		<b>8,083,215</b>	<b>7,173,485</b>
<b>Total net assets attributable to participants and liabilities</b>		<b>84,071,192</b>	<b>57,311,544</b>

*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 nine-month period ended 30 September 2012**

	<i>Attributable to participants</i>				
	<i>Charter capital RUR'000</i>	<i>Other capital contributions RUR'000</i>	<i>Revaluation reserve for buildings RUR'000</i>	<i>Retained earnings RUR'000</i>	<i>Total net assets RUR'000</i>
<b>Balance as at 1 January 2011</b>	<b>1,097,561</b>	<b>2,428,960</b>	<b>24,334</b>	<b>896,096</b>	<b>4,446,951</b>
Total comprehensive income	–	–	–	2,316,558	<b>2,316,558</b>
Distributions to participants	–	–	–	(585,065)	<b>(585,065)</b>
Transfer from retained earnings to charter capital	1,144,797	–	–	(1,144,797)	–
<b>Balance as at 30 September 2011 (unaudited)</b>	<b>2,242,358</b>	<b>2,428,960</b>	<b>24,334</b>	<b>1,482,792</b>	<b>6,178,444</b>
<b>Balance as at 1 January 2012</b>	<b>2,242,358</b>	<b>2,428,960</b>	<b>14,570</b>	<b>2,487,597</b>	<b>7,173,485</b>
Total comprehensive income	–	–	–	2,440,440	<b>2,440,440</b>
Distributions to participants (note 17)	–	–	–	(876,746)	<b>(876,746)</b>
Extinguishment of participant's share (note 17)	(336,354)	–	–	(625,264)	<b>(961,618)</b>
Contributions by participants (note 17)	–	307,654	–	–	<b>307,654</b>
<b>Balance as at 30 September 2012</b>	<b>1,906,004</b>	<b>2,736,614</b>	<b>14,570</b>	<b>3,426,027</b>	<b>8,083,215</b>

*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 nine-month period ended 30 September 2012**

	<b>30 September 2012</b>	<b>30 September 2011</b>
	<b>RUR'000</b>	<b>RUR'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>Notes</b>	
Cash flows from operating activities	6,397,939	5,353,844
Increase in operating assets	(19,635,184)	(12,101,497)
Increase/(decrease) in operating liabilities	24,230,902	7,197,386
<b>Net cash provided by operating activities before taxes paid</b>	<b>10,993,657</b>	<b>449,733</b>
Taxes paid	(485,823)	(367,647)
<b>Cash flows from operating activities</b>	<b>10,507,834</b>	<b>82,086</b>
<b>Cash flows from investing activities</b>	<b>(892,700)</b>	<b>(1,334,974)</b>
<b>Cash flows from financing activities</b>	<b>(893,555)</b>	<b>(646,528)</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,721,579</b>	<b>(1,899,416)</b>
Effect of changes in exchange rates on cash and cash equivalents	(172,275)	58,206
Cash and cash equivalents at the beginning of the period	4,338,044	5,318,321
<b>Cash and cash equivalents at the end of the period</b>	<b>9 12,887,348</b>	<b>3,477,111</b>

*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 as of the Sovcombank Group is disclosed in Note 19.

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 5,015 employees as at 30 September 2012 (31 December 2011: 3,916).

### Shareholders

As at 30 September 2012 and 31 December 2011, the Group's ownership was as follows:

	<u>Ownership %</u> <u>30 September 2012</u>	<u>Ownership %</u> <u>31 December 2011</u>
TBIF Financial Services B.V.	0.0000%	50.0000%
SovCo Capital Partners B.V.	100.0000%	50.0000%

There is no single ultimate entity or individual that exercises control over the Group as at 30 September 2012 and as at 31 December 2011 (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 nine months ended 30 September 2012 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 2011.



## 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 2011, except for the adoption of new Standards and Interpretations as of 1 January 2012, noted below:

#### *Amendments to IFRS 7 Financial Instruments: Disclosures*

The Amendments were issued in October 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

#### *Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets*

In December 2010 the IASB issued amendments to IAS 12 effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. These amendments had no impact on the Group's financial position.

## 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 2011, except for classification of certain loans to customers between loan products, noted below.

### Changes in judgments

In 2012 the Group amended the methodology for classification of loans to customers between loan products. The new methodology for classification of loans is based on the definition of purpose of the loan.

### 3. Significant accounting judgments and estimates (continued)

#### Changes in judgments (continued)

There is no effect on overdue grouping due to changes in segmentation.

	<b>30 September 2012</b>				<b>30 September 2012</b>	
	<b>Before applying new methodology</b>		<b>Effect on loan products</b>		<b>After applying new methodology</b>	
	<b>Gross loans RUR'000</b>	<b>Impairment RUR'000</b>	<b>Gross loans RUR'000</b>	<b>Impairment RUR'000</b>	<b>Gross loans RUR'000</b>	<b>Impairment RUR'000</b>
Small and medium size companies	132,787	(9,165)	(132,787)	9,165	–	–
Mortgage loans	31,944	(765)	(31,944)	765	–	–
Car loans	528	(8)	(528)	8	–	–
Other loans to individuals	–	–	–	–	101,405	(9,172)
Corporate	–	–	–	–	63,854	(766)
<b>Total</b>	<b>165,259</b>	<b>(9,938)</b>	<b>(165,259)</b>	<b>9,938</b>	<b>165,259</b>	<b>(9,938)</b>

### 4. Allowances for loan impairment

	<b>For the three months period ended 30 September</b>		<b>For the nine months period ended 30 September</b>	
	<b>2012 RUR'000 (unaudited)</b>	<b>2011 RUR'000 (unaudited)</b>	<b>2012 RUR'000 (unaudited)</b>	<b>2011 RUR'000 (unaudited)</b>
	Loans to individuals (Note 11)	(1,220,339)	216,086	(2,566,785)
Loans to corporate entities, small and medium size companies and finance lease receivables (Note 11)	17,996	(421,135)	(11,074)	(787,068)
	<b>(1,202,343)</b>	<b>(205,049)</b>	<b>(2,577,859)</b>	<b>(1,363,759)</b>

### 5. Fee and commission income

	<b>For the three months period ended 30 September</b>		<b>For the nine months period ended 30 September</b>	
	<b>2012 RUR'000 (unaudited)</b>	<b>2011 RUR'000 (unaudited)</b>	<b>2012 RUR'000 (unaudited)</b>	<b>2011 RUR'000 (unaudited)</b>
	Insurance agencies fees	1,556,606	1,107,482	4,155,830
Plastic cards	124,432	47,687	336,917	91,636
Settlement operations	23,813	21,311	66,479	61,442
Cash withdrawal	12,158	7,857	28,886	22,385
Guarantee issuance	8,562	5,536	24,135	16,712
Foreign exchange operations	3,138	6,465	19,354	18,725
Security operations	3,465	7,453	11,192	20,657
Cash transfer	1,533	2,014	3,346	5,154
Other	2,899	1,788	6,299	5,005
	<b>1,736,606</b>	<b>1,207,593</b>	<b>4,652,438</b>	<b>3,041,291</b>

**6. Personnel expenses**

	<i>For the three months period ended 30 September</i>		<i>For the nine months period ended 30 September</i>	
	<i>2012 RUR'000 (unaudited)</i>	<i>2011 RUR'000 (unaudited)</i>	<i>2012 RUR'000 (unaudited)</i>	<i>2011 RUR'000 (unaudited)</i>
Employee compensation, including bonuses	(564,330)	(415,635)	(1,552,471)	(1,148,596)
Payroll related taxes	(144,663)	(99,129)	(429,349)	(307,380)
	<b>(708,993)</b>	<b>(514,764)</b>	<b>(1,981,820)</b>	<b>(1,455,976)</b>

**7. Other general administrative expenses**

	<i>For the three months period ended 30 September</i>		<i>For the nine months period ended 30 September</i>	
	<i>2012 RUR'000 (unaudited)</i>	<i>2011 RUR'000 (unaudited)</i>	<i>2012 RUR'000 (unaudited)</i>	<i>2011 RUR'000 (unaudited)</i>
Advertising and marketing	(259,247)	(186,541)	(644,861)	(369,197)
Occupancy	(152,508)	(87,426)	(417,495)	(219,492)
Professional services	(63,686)	(22,235)	(186,629)	(93,358)
Depreciation and amortization	(64,026)	(53,477)	(180,223)	(146,909)
Office stationery	(57,349)	(66,026)	(156,294)	(99,728)
Communications and information services	(46,688)	(30,651)	(134,087)	(89,366)
Obligatory deposits insurance	(45,156)	(29,103)	(124,066)	(78,926)
Maintenance	(32,470)	(10,412)	(104,584)	(57,902)
Security	(35,029)	(24,496)	(96,436)	(70,055)
Transport	(24,985)	(20,843)	(68,892)	(42,861)
IT support	(20,355)	(24,954)	(54,762)	(46,757)
Taxes other than on income	(16,439)	(9,291)	(44,808)	(26,912)
Premises insurance	(11,208)	(3,221)	(28,153)	(8,763)
Debt collecting	(4,105)	(7,024)	(14,863)	(22,593)
Other	(27,906)	(32,354)	(89,179)	(54,536)
	<b>(861,157)</b>	<b>(608,054)</b>	<b>(2,345,332)</b>	<b>(1,427,355)</b>

**8. Income tax expense**

	<i>For the three months period ended 30 September</i>		<i>For the nine months period ended 30 September</i>	
	<i>2012 RUR'000 (unaudited)</i>	<i>2011 RUR'000 (unaudited)</i>	<i>2012 RUR'000 (unaudited)</i>	<i>2011 RUR'000 (unaudited)</i>
<b>Current tax expense</b>				
Current tax expense	(208,600)	(236,929)	(645,324)	(359,571)
	<b>(208,600)</b>	<b>(236,929)</b>	<b>(645,324)</b>	<b>(359,571)</b>
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	9,290	15,563	11,014	(241,020)
<b>Total income tax expense</b>	<b>(199,310)</b>	<b>(221,366)</b>	<b>(634,310)</b>	<b>(600,591)</b>

The applicable tax rate for current tax is 20%.

**9. Cash and cash equivalents**

	<b>30 September 2012</b> <b>RUR'000</b> <b>(unaudited)</b>	<b>31 December 2011</b> <b>RUR'000</b>
Cash on hand	2,999,292	2,703,387
Nostro accounts with OECD banks	6,745,424	204,359
Current accounts with CBRF	555,907	537,128
Short-term placements with banks and other financial institutions	2,295,996	502,460
Nostro accounts with Russian banks	290,729	390,710
	<b>12,887,348</b>	<b>4,338,044</b>

**10. Financial instruments at fair value through profit or loss**

	<b>30 September 2012</b> <b>RUR'000</b> <b>(unaudited)</b>	<b>31 December 2011</b> <b>RUR'000</b>
<b>Held by the Group</b>		
Corporate bonds	4,668,015	8,095,332
Promissory notes	93,843	1,281,355
Government and municipal bonds	347,230	577,982
<b>Total financial instruments at fair value through profit or loss held by the Group</b>	<b>5,109,088</b>	<b>9,954,669</b>
<b>Pledged under sale and repurchase agreements</b>		
Corporate bonds	14,254,621	4,018,356
Government and municipal bonds	293,208	374,461
<b>Total financial instruments at fair value through profit or loss pledged under sale and repurchase agreements</b>	<b>14,547,829</b>	<b>4,392,817</b>
<b>Total financial instruments at fair value through profit or loss</b>	<b>19,656,917</b>	<b>14,347,486</b>

**11. Loans to customers**

	<b>30 September 2012</b> <i>RUR'000</i> <i>(unaudited)</i>	<b>31 December 2011</b> <i>RUR'000</i>
<b>Loans to individuals</b>		
Consumer loans	36,848,050	22,851,390
Credit cards	3,121,915	827,975
Mortgage loans	238,197	425,286
Car loans	5,754	23,518
Other	188,277	50,526
<b>Total loans to individuals</b>	<b>40,402,193</b>	<b>24,178,695</b>
<b>Loans to corporate entities and finance lease receivables</b>		
Corporate	7,763,872	9,763,253
Small and medium size companies	766,788	1,365,604
Finance lease receivables	1,114,505	882,544
<b>Total loans to corporate entities and finance lease receivables</b>	<b>9,645,165</b>	<b>12,011,401</b>
<b>Gross loans to customers</b>	<b>50,047,358</b>	<b>36,190,096</b>
Less: provision for loan impairment	(3,337,078)	(1,407,160)
<b>Net loans to customers</b>	<b>46,710,280</b>	<b>34,782,936</b>

Movements in the loan impairment provision for nine-month periods ended 30 September 2012 and 30 September 2011 are as follows:

	<i>Corporate</i>	<i>Small and medium size companies</i>	<i>Finance lease receivables</i>	<i>Consumer lending</i>	<i>Credit cards</i>	<i>Mortgage</i>	<i>Car</i>	<i>Other loans to individuals</i>	<i>Total</i>
At 1 January 2012	(355,483)	(92,030)	(82,465)	(831,131)	(16,541)	(16,845)	(9,652)	(3,013)	<b>(1,407,160)</b>
Charge for the period	(23,449)	(18,378)	30,753	(2,216,395)	(346,872)	6,933	(2,099)	(8,352)	<b>(2,577,859)</b>
Recoveries	–	(34,185)	–	(82,724)	–	(10,444)	(6,000)	(1,780)	<b>(135,133)</b>
Loans written off as uncollectable	62,165	91,040	9,024	593,675	1,776	10,047	13,300	2,047	<b>783,074</b>
<b>At 30 September 2012</b>	<b>(316,767)</b>	<b>(53,553)</b>	<b>(42,688)</b>	<b>(2,536,575)</b>	<b>(361,637)</b>	<b>(10,309)</b>	<b>(4,451)</b>	<b>(11,098)</b>	<b>(3,337,078)</b>
	<i>Corporate</i>	<i>Small and medium size companies</i>	<i>Finance lease receivables</i>	<i>Consumer lending</i>	<i>Credit cards</i>	<i>Mortgage</i>	<i>Car</i>	<i>Other loans to individuals</i>	<i>Total</i>
At 1 January 2011	(167,083)	(311,525)	(82,603)	(649,002)	–	(29,657)	(5,975)	(5,482)	<b>(1,251,327)</b>
Charge for the period	(670,355)	(78,545)	(38,168)	(544,607)	(1,828)	(41,443)	6,036	5,151	<b>(1,363,759)</b>
Recoveries	–	(37,601)	–	(14,859)	–	(4,888)	(7,446)	(2,051)	<b>(66,845)</b>
Loans written off as uncollectable	468,155	308,482	41,693	473,227	–	55,286	(5,374)	(1,355)	<b>1,340,114</b>
<b>At 30 September 2011</b>	<b>(369,283)</b>	<b>(119,189)</b>	<b>(79,078)</b>	<b>(735,241)</b>	<b>(1,828)</b>	<b>(20,702)</b>	<b>(12,759)</b>	<b>(3,737)</b>	<b>(1,341,817)</b>

**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 30 September 2012:

	<b>Gross loans RUR'000</b>	<b>Impairment RUR'000</b>	<b>Net loans RUR'000</b>	<b>Impairment to gross loans %</b>
<b>Consumer loans</b>				
- Not past due	32,000,006	(232,334)	31,767,672	0.73%
- Overdue less than 30 days	1,524,986	(191,948)	1,333,038	12.59%
- Overdue 30-89 days	985,954	(434,022)	551,932	44.02%
- Overdue 90-179 days	1,096,486	(699,702)	396,784	63.81%
- Overdue 180-360 days	1,240,618	(978,569)	262,049	78.88%
<b>Total consumer loans</b>	<b>36,848,050</b>	<b>(2,536,575)</b>	<b>34,311,475</b>	<b>6.88%</b>
<b>Credit cards</b>				
- Not past due	2,386,755	(19,443)	2,367,312	0.81%
- Overdue less than 30 days	276,171	(41,145)	235,026	14.90%
- Overdue 30-89 days	170,489	(85,246)	85,243	50.00%
- Overdue 90-179 days	177,166	(124,309)	52,857	70.17%
- Overdue 180-360 days	111,334	(91,494)	19,840	82.18%
<b>Total credit cards</b>	<b>3,121,915</b>	<b>(361,637)</b>	<b>2,760,278</b>	<b>11.58%</b>
<b>Mortgage loans</b>				
- Not past due	193,272	(1,931)	191,341	1.00%
- Overdue less than 30 days	24,809	(1,240)	23,569	5.00%
- Overdue 30-89 days	679	(68)	611	10.01%
- Overdue 90-179 days	4,327	(865)	3,462	19.99%
- Overdue 180-360 days	6,736	(2,018)	4,718	29.96%
- Overdue more than 360 days	8,374	(4,187)	4,187	50.00%
<b>Total mortgage loans</b>	<b>238,197</b>	<b>(10,309)</b>	<b>227,888</b>	<b>4.33%</b>
<b>Car loans</b>				
- Not past due	718	(7)	711	0.97%
- Overdue less than 30 days	543	(81)	462	14.92%
- Overdue 30-89 days	133	(53)	80	39.85%
- Overdue 90-179 days	126	(76)	50	60.32%
- Overdue 180-360 days	4,234	(4,234)	-	100.00%
<b>Total car loans</b>	<b>5,754</b>	<b>(4,451)</b>	<b>1,303</b>	<b>77.36%</b>
<b>Other loans to individuals</b>				
- Not past due	144,696	(2,738)	141,958	1.89%
- Overdue less than 30 days	29,746	(1,597)	28,149	5.37%
- Overdue 30-89 days	1,088	(54)	1,034	4.96%
- Overdue 180-360 days	12,121	(6,143)	5,978	50.68%
- Overdue more than 360 days	626	(566)	60	90.42%
<b>Total other loans to individuals</b>	<b>188,277</b>	<b>(11,098)</b>	<b>177,179</b>	<b>5.89%</b>
<b>Total loans to individuals</b>	<b>40,402,193</b>	<b>(2,924,070)</b>	<b>37,478,124</b>	<b>7.24%</b>

**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 2011:

	<b>Gross loans RUR'000</b>	<b>Impairment RUR'000</b>	<b>Net loans RUR'000</b>	<b>Impairment to gross loans %</b>
<b>Consumer loans</b>				
- Not past due	21,000,319	(85,727)	20,914,592	0.41%
- Overdue less than 30 days	666,272	(46,568)	619,704	6.99%
- Overdue 30-89 days	353,669	(117,709)	235,960	33.28%
- Overdue 90-179 days	344,699	(184,043)	160,656	53.39%
- Overdue 180-360 days	486,431	(397,084)	89,347	81.63%
<b>Total consumer loans</b>	<b>22,851,390</b>	<b>(831,131)</b>	<b>22,020,259</b>	<b>3.64%</b>
<b>Credit cards</b>				
- Not past due	762,164	(3,459)	758,705	0.45%
- Overdue less than 30 days	44,967	(4,567)	40,400	10.16%
- Overdue 30-89 days	19,059	(7,465)	11,594	39.17%
- Overdue 90-179 days	1,785	(1,050)	734	58.88%
<b>Total credit cards</b>	<b>827,975</b>	<b>(16,541)</b>	<b>811,433</b>	<b>2.00%</b>
<b>Mortgage loans</b>				
- Not past due	367,122	(3,660)	363,462	1.00%
- Overdue less than 30 days	21,649	(1,082)	20,567	5.00%
- Overdue 30-89 days	4,381	(435)	3,946	9.93%
- Overdue 90-179 days	5,610	(1,122)	4,488	20.00%
- Overdue 180-360 days	13,541	(4,056)	9,485	29.95%
- Overdue more than 360 days	12,983	(6,490)	6,493	49.99%
<b>Total mortgage loans</b>	<b>425,286</b>	<b>(16,845)</b>	<b>408,441</b>	<b>3.96%</b>
<b>Car loans</b>				
- Not past due	10,745	(107)	10,638	1.00%
- Overdue less than 30 days	2,775	(416)	2,359	14.99%
- Overdue 30-89 days	798	(319)	479	39.97%
- Overdue 90-179 days	978	(587)	391	60.02%
- Overdue 180-360 days	8,222	(8,223)	-	100.00%
<b>Total car loans</b>	<b>23,518</b>	<b>(9,652)</b>	<b>13,867</b>	<b>41.03%</b>
<b>Other loans to individuals</b>				
- Not past due	47,620	(1,665)	45,955	3.50%
- Overdue less than 30 days	1,154	(115)	1,039	9.97%
- Overdue 30-89 days	188	(75)	113	39.89%
- Overdue 90-179 days	472	(283)	189	59.96%
- Overdue 180-360 days	1,092	(875)	218	80.04%
<b>Total other loans to individuals</b>	<b>50,526</b>	<b>(3,013)</b>	<b>47,514</b>	<b>5.96%</b>
<b>Total loans to individuals</b>	<b>24,178,695</b>	<b>(877,182)</b>	<b>23,301,514</b>	<b>3.63%</b>

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 30 September 2012:

	<i>Gross loans RUR'000</i>	<i>Impairment RUR'000</i>	<i>Net loans RUR'000</i>	<i>Impairment to gross loans %</i>
<b>Loans to corporate entities and finance lease receivables</b>				
Unimpaired loans and finance lease receivables	8,713,988	(93,249)	8,620,739	1.07%
Impaired loans and finance lease receivables:				
- Not past due	23,062	(807)	22,255	3.50%
- Overdue less than 90 days	455,764	(73,812)	381,952	16.20%
- Overdue more than 90 days and less than 1 year	198,774	(123,279)	75,495	62.02%
- Overdue more than 1 year	253,577	(121,861)	131,716	48.06%
<b>Total impaired loans and finance lease receivables</b>	<b>931,177</b>	<b>(319,759)</b>	<b>611,418</b>	<b>34.34%</b>
Individual impairment	479,582	(242,140)	237,442	50.49%
Collective impairment	451,595	(77,619)	373,976	17.19%
<b>Total loans to corporate entities and finance lease receivables</b>	<b>9,645,165</b>	<b>(413,008)</b>	<b>9,232,157</b>	<b>4.28%</b>

The following table provides information on the credit quality of the loans to corporate entities and finance lease receivables as at 31 December 2011

	<i>Gross loans RUR'000</i>	<i>Impairment RUR'000</i>	<i>Net loans RUR'000</i>	<i>Impairment to gross loans %</i>
<b>Loans to corporate entities and finance lease receivables</b>				
Unimpaired loans and finance lease receivables	10,705,982	(119,146)	10,586,836	1.11%
Impaired loans and finance lease receivables:				
- Not past due	107,307	(59,722)	47,585	55.66%
- Overdue less than 90 days	419,865	(144,481)	275,384	34.41%
- Overdue more than 90 days and less than 1 year	515,658	(92,388)	423,270	17.92%
- Overdue more than 1 year	262,589	(114,242)	148,347	43.51%
<b>Total impaired loans and finance lease receivables</b>	<b>1,305,419</b>	<b>(410,833)</b>	<b>894,586</b>	<b>31.47%</b>
Individual impairment	961,662	(299,507)	662,155	31.14%
Collective impairment	343,757	(111,326)	232,431	32.39%
<b>Total loans to corporate entities and finance lease receivables</b>	<b>12,011,401</b>	<b>(529,979)</b>	<b>11,481,422</b>	<b>4.41%</b>



**12. Property, equipment and intangible assets**

Change in property, equipment and intangible assets for the nine-month period ended 30 September 2012 mostly related to the fact that the Group made additional investments in construction of an office building in Moscow in the total amount of RUR 773,903 thousand.

**13. Current accounts and deposits from customers**

	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RUR'000</b>	<b>RUR'000</b>
	<b>(unaudited)</b>	
<b>Individuals</b>		
Current accounts and demand deposits	946,516	959,854
Term deposits	49,964,269	34,854,228
<b>Corporates</b>		
Current accounts and demand deposits	3,137,454	4,660,194
Amounts payable under repurchase agreements	1,329,659	317,759
Term deposits	2,088,306	1,826,002
	<b>57,466,204</b>	<b>42,618,037</b>

**14. Amounts due to the CBR**

	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RUR'000</b>	<b>RUR'000</b>
	<b>(unaudited)</b>	
Lombard loans received from the CBR	–	1,000,450
Repurchase agreements	12,573,073	2,055,057
	<b>12,573,073</b>	<b>3,055,507</b>

**15. Deposits and balances from banks**

	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RUR'000</b>	<b>RUR'000</b>
	<b>(unaudited)</b>	
Deposits from banks	585,666	285,691
Loro accounts of banks	22,082	630,768
Repurchase agreements with other banks	1,195,398	318,623
Other borrowed funds	5,379	7,383
	<b>1,808,525</b>	<b>1,242,465</b>

## 16. Subordinated debt

During nine-months period ended 30 September 2012, the Group received four subordinated loans of USD 33,000 thousand from a related party to the Group. One of these subordinated loans of USD 16,000 thousand bears interest rate of 6.4% p.a. before 1 January 2013 and 15% p.a. after 1 January 2013.

Principal' 000	Currency	Counterparty	Interest rate	Issue date	Maturity date	30 September	31 December
						2012	2011
						RUR'000	RUR'000
						(unaudited)	
		Nederlandse Financierings- Maatschappij voor Ontwikkelingslanden N.V.(FMO)	Libor 3m+ 4.5%	24.10.2008 22.01.2009	15.10.2018	815,918	868,567
25,000	USD						
16,000	USD	Sovco Capital Partners B. V.	6.4%	29.05.2012	29.05.2022	498,188	–
5,000	USD	Sovco Capital Partners B. V.	15.0%	26.07.2012	26.07.2022	156,792	–
5,000	USD	Sovco Capital Partners B. V.	15.0%	04.07.2012	04.07.2022	156,792	–
7,000	USD	Sovco Capital Partners B. V.	15.0%	15.08.2012	15.08.2022	219,508	–
						<b>1,847,198</b>	<b>868,567</b>

As of 30 September 2012, the Group accrued additional fees in the amount of RUR 40,015 thousand (as of 30 September 2011 – RUR 54,200 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.

## 17. Charter capital and other capital contributions

As of 30 September 2012 and 31 December 2011 charter capital totalled RUR 1,906,004 thousand and RUR 2,242,358 thousand, respectively.

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 876,746 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 for the controlling stake in subsidiary 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. Refer to Note 18.

## 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).

	<b>30 September 2012 RUR'000</b>	<b>30 September 2011 RUR'000</b>
Members of the Board of Directors	36,118	45,961
Other key management personnel	31,949	60,498
	<b>68,067</b>	<b>106,459</b>

The outstanding balances as at 30 September 2012 (unaudited) with related parties are as follows:

	<b>Participants of Parent Group RUR'000</b>	<b>Key management personnel RUR'000</b>	<b>Other RUR'000</b>	<b>Total RUR'000</b>
<b>Loans outstanding at 30 September, gross</b>	–	101,784	752,962	854,746
Less: allowance for impairment at 30 September	–	(1,005)	(7,582)	(8,857)
<b>Loans outstanding at 30 September, net</b>	–	100,779	745,110	845,889
<b>Deposits at 30 September</b>	54,224	75,774	5,482	135,480
<b>Current accounts at 30 September</b>	6,457	4,007	67,236	77,700
<b>Subordinated debt at 30 September</b>	1,031,280	–	–	1,031,280
<b>Guarantees received</b>	–	1,054,725	805,739	1,860,464

The outstanding balances as at 31 December 2011 with related parties are as follows:

	<b>Participants of Parent Group RUR'000</b>	<b>Key management personnel RUR'000</b>	<b>Other RUR'000</b>	<b>Total RUR'000</b>
<b>Loans outstanding at 31 December, gross</b>	500,057	61,791	400,222	962,070
Less: allowance for impairment at 31 December	–	(1,490)	(3,061)	(4,551)
<b>Loans outstanding at 31 December, net</b>	500,057	60,301	397,161	957,519
<b>Deposits at 31 December</b>	316,894	45,239	247,019	609,152
<b>Current accounts at 31 December</b>	136	12,363	27,719	40,218
<b>Guarantees received</b>	–	659,612	2,433,024	3,092,636

**18 Related party transactions (continued)**

Amounts included in the interim condensed consolidated income statement for for the nine-month period ended 30 September 2012 (unaudited) in relation to transactions with the related parties are as follows:

	<i>Participants RUR'000</i>	<i>Key management personnel RUR'000</i>	<i>Other RUR'000</i>	<i>Total RUR'000</i>
Interest income	17,895	6,618	67,609	<b>92,122</b>
Interest expense	(22,729)	(2,550)	(30,376)	<b>(55,655)</b>
Interest expense – Subordinated loans	(21,118)	–	–	<b>(21,118)</b>
Provision for loan impairment	–	485	(4,791)	<b>(4,306)</b>
Fee and commission income	55	498	448	<b>1,001</b>
Other income	4,518	–	1,642	<b>6,160</b>
Other general administrative expenses	(6,464)	(212)	(2,559)	<b>(9,235)</b>

Amounts included in the consolidated income statement for for the nine-month period ended 30 September 2011 (unaudited) in relation to transactions with the related parties are as follows:

	<i>Participants RUR'000</i>	<i>Key management personnel RUR'000</i>	<i>Other RUR'000</i>	<i>Total RUR'000</i>
Interest income	26,512	3,375	14,729	<b>44,616</b>
Interest expense	(21,800)	(1,537)	(16,732)	<b>(40,069)</b>
Provision for loan impairment	–	164	(307)	<b>(143)</b>
Fee and commission income	36	568	377	<b>981</b>
Other general administrative expenses	–	(405)	(68)	<b>(473)</b>

In April and May 2012 the Group sold a controlling stake in one of its 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 its subsidiary and continued its consolidation. Refer to Note 3.

**19. Principal subsidiaries**

Included in the table below is the list of the principal consolidated subsidiaries, joint ventures and associate of the Group as at 30 September 2012 and 31 December 2011:

	<i>Relationship</i>	<i>Voting rights</i>	
		<i>30 September 2012</i>	<i>31 December 2011</i>
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 "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%