

**Open Joint-Stock Company
Bank “Financial Corporation
Otkritie”**

**Condensed Interim Consolidated
Financial Statements (Unaudited)**
For the Three Months Ended 31 March 2014

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OPEN JOINT-STOCK COMPANY BANK “FINANCIAL CORPORATION OTKRITIE”

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of Open Joint-Stock Company Bank “Financial Corporation Otkritie” (the “Bank”) and its subsidiaries (the “Group”) as at 31 March 2014 and the results of its operations, cash flows and changes in shareholders’ equity for the three months then ended, in accordance with International Accounting Standard 34 (“IAS 34”), *Interim Financial Reporting*.

In preparing the condensed interim consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and financial performance;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the condensed interim consolidated financial statements; and
- Making an assessment of the Group’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with the Russian Federation (“RF”) legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed interim consolidated financial statements of the Group for the three months ended 31 March 2014 were authorized for issue by the Supervisory Board of the Bank on 20 June 2014.

On behalf of the Supervisory Board



President

20 June 2014
Moscow



Chief Accountant

20 June 2014
Moscow

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

We have reviewed the accompanying condensed interim consolidated financial statements of Open Joint-Stock Company Bank "Financial Corporation Otkritie" and its subsidiaries (the "Group"), which comprise the condensed interim consolidated statement of financial position as at 31 March 2014, the condensed interim consolidated income statement and the condensed interim consolidated statements of other comprehensive income, changes in equity and cash flows for the three months ended 31 March 2014, and selected significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the Federal Law "On Auditing", Federal Standard on Auditing № 33 "Review of Financial (Accounting) Statements" and International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Federal Standards on Auditing 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 condensed interim consolidated financial statements are not prepared in all material respects, in accordance with IAS 34.

Deloitte & Touche

20 June 2014
Moscow

Gu
Ploutalova Svetlana Evgenyevna, Partner
(certificate no. 100096 dated 19 March 2012)
ZAO "Deloitte and Touche CIS"

The Entity: OPEN JOINT-STOCK COMPANY BANK
"Financial Corporation Otkritie"

Certificate of state registration № 2209 dated 15.12.1992.

Certificate of registration in the Unified State Register for legal entities registered before 1 July 2002 № 1027739019208, of 26.07.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Address: Russia, 115114, Moscow, Letnikovskaya 2, bld. 4

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in «NP «Audit Chamber of Russia» (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014 (UNAUDITED)
(in million of Russian Roubles)

	Notes	31 March 2014	31 December 2013
ASSETS:			
Cash and balances with the Central Bank of the Russian Federation		76,788	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation		8,873	8,869
Precious metals		8,352	5,746
Financial assets at fair value through profit or loss	5,25	151,932	181,986
Loans and advances to banks and other financial institutions	6,25	133,726	133,661
Loans to customers	7,25	948,551	879,274
Investments available-for-sale	8,25	44,070	39,532
Investments held to maturity	9	37,042	-
Investment property		9,351	8,571
Property, plant and equipment		16,051	16,205
Intangible assets		3,244	3,509
Goodwill		1,999	1,999
Other assets	25	6,778	11,867
TOTAL ASSETS		<u>1,446,757</u>	<u>1,379,051</u>
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	25	8,489	2,866
Due to banks and the Central Bank of the Russian Federation	10	231,649	257,187
Customer accounts	11,25	833,661	781,471
Bonds and Eurobonds issued	12,25	65,622	63,959
Promissory notes issued	25	93,201	61,652
Deferred income tax liabilities		2,496	3,378
Other liabilities	25	5,779	5,722
Subordinated debt	13,25	68,956	63,459
TOTAL LIABILITIES		<u>1,309,853</u>	<u>1,239,694</u>
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	14	7,934	7,934
Treasury shares		(932)	(932)
Share premium	14	38,883	38,883
Available-for-sale deficit		(385)	(34)
Property, plant and equipment revaluation reserve		1,616	1,617
Retained earnings		60,372	58,806
Total equity attributable to equity holders of the parent		107,488	106,274
Non-controlling interest		29,416	33,083
TOTAL EQUITY		<u>136,904</u>	<u>139,357</u>
TOTAL LIABILITIES AND EQUITY		<u>1,446,757</u>	<u>1,379,051</u>

On behalf of the Supervisory Board



 President

20 June 2014
 Moscow



 Chief Accountant

20 June 2014
 Moscow

The selected notes on pages 9-57 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)
(in million of Russian Roubles)**

	Notes	Three months ended 31 March 2014	Three months ended 31 March 2013
Interest income	15,25	34,289	21,050
Interest expense	15,25	(18,668)	(12,251)
NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	15	15,621	8,799
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination		1	193
Provision for impairment losses on interest bearing assets	6,7,25	(4,385)	(1,111)
NET INTEREST INCOME		11,237	7,881
Trading (loss)/income	16,25	(3,356)	671
Securities		(3,174)	66
Foreign currency		501	613
Precious metals		(680)	7
Other derivatives		(3)	(15)
Net fee and commission income	17,25	3,622	1,945
Fee and commission income	17,25	4,606	2,652
Fee and commission expense	17	(984)	(707)
Net (loss)/gain on investments available-for-sale	25	(62)	19
Net (loss)/gain on disposal of loans	7	(224)	61
(Provision)/recovery of provision for impairment losses on other transactions		(389)	44
Impairment of investments available-for-sale		(1)	-
Loss from revaluation of investment property		(51)	-
Other income	25	542	436
NET NON-INTEREST INCOME		81	3,176
OPERATING INCOME		11,318	11,057
OPERATING EXPENSES	18,25	(8,470)	(5,469)
OPERATING PROFIT BEFORE INCOME TAX		2,848	5,588
Income tax expense		(714)	(1,207)
Realised net gain on discontinued operations	4	283	-
NET PROFIT		2,417	4,381
Attributable to:			
Equity holders of the parent		2,130	3,450
Non-controlling interest		287	931
EARNINGS PER SHARE attributable to equity holders of the parent, basic and diluted, in Roubles	19	18.61	37.33

On behalf of the Supervisory Board



President
20 June 2014
Moscow


Chief Accountant
20 June 2014
Moscow

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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)
(in million of Russian Roubles)**

	Notes	Three months ended 31 March 2014	Three months ended 31 March 2013
NET PROFIT		2,417	4,381
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of investments available-for-sale reserve:		(791)	183
Deferred income tax effect		158	(37)
Items that will not be reclassified subsequently to profit or loss:			
Write-off revaluation reserve in connection with disposal of property, plant and equipment		-	(1)
Deferred income tax effect		-	-
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX		(633)	145
TOTAL COMPREHENSIVE INCOME		1,784	4,526
Attributable to:			
Equity holders of the parent		1,779	3,592
Non-controlling interest		5	934

On behalf of the Supervisory Board



President
20 June 2014
Moscow


Chief Accountant
20 June 2014
Moscow

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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)
(in million of Russian Roubles)**

Note	Share capital	Treasury shares	Share premium	Investments available-for-sale deficit	Property, plant and equipment revaluation reserve	Retained earnings	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
31 December 2012	6,504	(605)	20,898	(230)	1,302	46,811	74,680	15,681	90,361
Net profit for the period (unaudited)	-	-	-	-	-	3,450	3,450	931	4,381
Total other comprehensive income for the period, net of tax (unaudited)	-	-	-	143	(1)	-	142	3	145
Effect of increase/(decrease) of the Group's shareholding in subsidiaries (unaudited)	-	-	-	(2)	1	57	56	(176)	(120)
31 March 2013 (unaudited)	6,504	(605)	20,898	(89)	1,302	50,318	78,328	16,439	94,767
31 December 2013	7,934	(932)	38,883	(34)	1,617	58,806	106,274	33,083	139,357
Net profit for the period (unaudited)	-	-	-	-	-	2,130	2,130	287	2,417
Total other comprehensive loss for the period, net of tax (unaudited)	-	-	-	(351)	-	-	(351)	(282)	(633)
Effect of increase/ (decrease) of the Group's shareholding in subsidiaries (unaudited)	4	-	-	-	(1)	(564)	(565)	(3,672)	(4,237)
31 March 2014 (unaudited)	7,934	(932)	38,883	(385)	1,616	60,372	107,488	29,416	136,904

On behalf of the Supervisory Board


President

20 June 2014
Moscow


Chief Accountant

20 June 2014
Moscow

The selected notes on pages 9-57 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)
(in million of Russian Roubles)**

	Note	Three months ended 31 March 2014	Three months ended 31 March 2013
Cash flows from operating activities:			
Interest received		31,959	19,018
Interest paid		(14,758)	(11,279)
Cash received from prepayment of loans acquired in business combination in excess of carrying value		-	12
Cash (paid)/received on dealing with securities		(3,037)	958
Cash received on dealing with precious metals		154	136
Cash received on dealing with foreign currencies		1,996	1,533
Cash paid on dealing with other derivatives		(3)	(7)
Fees and commissions received		4,614	2,597
Fees and commissions paid		(776)	(578)
Other operating income received		554	434
Operating expenses paid		(7,055)	(4,081)
Cash flows from operating activities before changes in operating assets and liabilities		13,648	8,743
Cash increase/(decrease) from operating assets and liabilities:			
Minimum reserve deposits with the Central Bank of the Russian Federation		(4)	(712)
Precious metals		(2,606)	(1,579)
Financial assets at fair value through profit or loss		(2,539)	(12,476)
Loans and advances to banks and other financial institutions		(11,737)	29,030
Loans to customers		(75,226)	(42,558)
Other assets		2,968	(876)
Due to banks and the Central Bank of the Russian Federation		(15,870)	(35,037)
Customer accounts		47,442	51,539
Bonds and Eurobonds, net		1,559	(83)
Promissory notes issued, net		31,854	3,814
Other liabilities		(347)	(631)
Net cash used in operating activities before income tax		(10,858)	(826)
Income taxes paid		(1,211)	(1,276)
Net cash used in operating activities		(12,069)	(2,102)
Cash flows from investing activities:			
Purchase of property, plant and equipment		(377)	(164)
Proceeds from sale of property, plant and equipment		156	88
Purchase of intangible assets		(113)	(44)
Purchase of investment available-for-sale		(15,135)	(131)
Proceeds from sale of investment available-for-sale		9,822	4,024
Disposal of subsidiaries		252	-
Net cash (used in)/from investing activities		(5,395)	3,773
Cash flows from financing activities:			
Purchase of investment property		(870)	-
Proceeds on sale of investment property		42	42
Subordinated debt issued		-	1,011
Effect of change of the Group's shareholding in subsidiaries	4	(4,237)	(120)
Net cash (used in)/from in financing activities		(5,065)	933
Effect of exchange rate changes on cash and cash equivalents		(29)	51
Net (decrease) / increase in cash and cash equivalents		(22,558)	2,655
Cash and cash equivalents, beginning of the period		197,124	70,861
Cash and cash equivalents, ending of the period		174,566	73,516

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)
(in million of Russian Roubles)

For the purpose of cash flow statement preparation condensed interim consolidated cash flows cash and cash equivalents comprise of the following components:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Cash and cash equivalents:		
Cash and balances with the Central Bank of the Russian Federation	76,788	34,388
Correspondent accounts with banks	60,153	39,128
Loans to banks with original maturity up to 90 days	31,092	-
Loans under reverse repurchase agreements with original maturity up to 90 days	6,225	-
Cash in trust operations and on broker accounts	308	-
Total cash and cash equivalents	<u>174,566</u>	<u>73,516</u>

From the third quarter 2013 the Group's treasury department changed the way it manages and monitors its liquidity. As a result as at 31 March 2014 the Group added to cash and cash equivalents loans to banks and loans under reverse repurchase agreements with original contractual maturity of less than 90 days.

Had the Group applied this approach in the first quarter 2013 the following changes would have been made to statement of cash flows for the year ended 31 March 2013:

	<u>As reported</u>	<u>Effect</u>	<u>As if prepared under new approach</u>
Operating activities:			
Loans and advances to banks and other financial institutions	29,030	(94,520)	(65,490)
Total cash (used in)/from operating activities	(826)	(94,520)	(95,346)
Net effect		(94,520)	

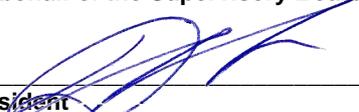
Line item presentations in cash flow as at 31 March 2013:

	<u>As reported</u>	<u>Effect</u>	<u>As if prepared under new approach</u>
Cash and cash equivalents, opening balance	70,861	110,527	181,388
Cash and cash equivalents, ending balance	73,516	16,007	89,523

During the three months ended 31 March 2014 and 2013 the Group obtained non-cash settlements for uncollectible loans to customers, previously originated. These non-cash settlements were excluded from the consolidated statement of cash flows and presented separately below:

	<u>Notes</u>	<u>Three months ended 31 March 2014</u>	<u>Three months ended 31 March 2013</u>
NON-CASH TRANSACTION:			
Loans to customers settled by means of collateral repossession:			
Investment property		(903)	(988)
Other assets (obtained through repossession of collateral on uncollectible loans to customers):			
Property received as a collateral repossession		903	988

On behalf of the Supervisory Board



President

20 June 2014
Moscow



Chief Accountant

20 June 2014
Moscow

The selected notes on pages 9-57 form an integral part of the condensed interim consolidated financial statements.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)**
(in million of Russian Roubles)

1. ORGANISATION

OJSC Bank “Financial Corporation Otkritie” (the “Bank”) is a joint-stock bank incorporated in the Russian Federation in 1992. The Bank is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under general license number 2209. OJSC Bank “Financial Corporation Otkritie” was formerly named as OJSC “NOMOS-BANK”, the name was changed in June 2014. The Bank’s primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, providing loans and guarantees.

The registered office of the Bank is located at 3, Verhnaya Radishevskaya st., Moscow, 109240, Russia.

As at 31 March 2014 the Bank had 22 branches operating in the Russian Federation and 1 representative office abroad.

The accompanying condensed interim consolidated financial statements comprise the accounts of the Bank and its subsidiaries (together the “Group”). The condensed interim consolidated financial statements include the following incorporated subsidiaries:

Name	Country of incorporation	The Bank’s ownership interest/control (*)		Type of activity
		31 March 2014 %	31 December 2013 %	
OJSC Bank “Financial Corporation Otkritie”	Russian Federation	Parent company	Parent company	Banking activity
OJSC “Khanty-Mansiysk Bank”	Russian Federation	51.29/51.29	51.29/51.29	Banking activity
JSC Bank “Otkritie”	Russian Federation	55.48/100**	41.17/85.69**	Banking activity
OJSC “Novosibirsk Municipal Bank”	Russian Federation	99.99/99.99 (contractual agreement)	99.99/99.99 (contractual agreement)	Banking activity
BKM Finance Limited	Ireland			Issue of securities
LLC “Group of Project Finance”	Russian Federation	51.29/100	51.29/100	Construction
LLC “NM-Expert”	Russian Federation	19.90/100	19.90/100	Consulting
LLC “Promgazkomplekt”	Russian Federation	100/100	100/100	Office building ownership
OJSC “Promestate”	Russian Federation	100/100	100/100	Office building ownership
CJSC “Sovfintrast”	Russian Federation	100/100	100/100	Investment management
CJSC “Upravlyaushaya kompania aktivami”	Russian Federation	99.9/99.9 (contractual agreement)	99.9/99.9 (contractual agreement)	Asset management
Nomos Capital Plc.	Ireland			Issue of Eurobonds
CJSC “Erada”	Russian Federation	100/100	100/100	Office building ownership
LLC “NM-Garant”	Russian Federation	100/100	100/100	Investment management
LLC “BFK-Invest”	Russian Federation	100/100	100/100	Office building ownership
LLC “Attenium”	Russian Federation	100/100	100/100	Investment management
LLC NKO “Payment System “Rapida”	Russian Federation	100/100	100/100	Payment system
LLC “Processing centre “Rapida”	Russian Federation	100/100	100/100	Processing centre
LLC “Gikor”	Russian Federation	100/100	100/100	Asset management
LLC “Upravlyaushaya kompania NOMOS BANK”	Russian Federation	100/100	100/100	Asset management
LLC “KN-Estate”	Russian Federation	100/100	100/100	Office building ownership
LLC “Nedvizhimost Primorya”	Russian Federation	100/100	100/100	Real estate rent activity
LLC “Invest-Trading”	Russian Federation	100/100	100/100	Investment management
LLC “Vostok-Capital”	Russian Federation	100/100	100/100	Investment management
LLC “NM-Activ”	Russian Federation	100/100	100/100	Investment management
CJSC “Mortgage Agent KhMB-1”	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed bonds
CJSC “Mortgage Agent Nomos”	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed bonds
CJSC “Mortgage Agent Otkritie 1”	Russian Federation	(contractual agreement)	(contractual agreement)	Issue of mortgage-backed bonds
LLC “NM-Kapital”	Russian Federation	100/100	100/100	Investment management

(*) The Ownership and control represent the following:

- Ownership represents the effective ownership interest in the subsidiary by the ultimate parent company – OJSC Bank “Financial Corporation Otkritie”;
- Control represents the total % of shares controlled, either directly or indirectly, by the entities of the Group.

(**) Control is gained due to the terms of the agreement concluded as at 27 December 2013 stating that LLC “Otkritie N” transfers voting rights, belonging to LLC “Otkritie N” over JSC Bank “Otkritie” to the Group, which amounted to 44.52% interest share.

Additionally, the Group consolidates the following investment funds, as the Group exercises control over them as contractually stipulated:

Name	31 March 2014 %	31 December 2013 %
ZPIF “KhMB-Capital”	100	100
ZPIF “Delovoy centr” (Centr (Olma))	100	100
ZPIFRE “Universal – Real estate fund”	100	100
ZPIF “Universal fund of mixed investments”	-	100

As at 31 March 2014 the Group also had holdings (50%) in ZAO PK HESCARD that does not conduct active operations and is insignificant in terms of the Group’s financial statements.

As at 31 March 2014 and 31 December 2013 the Group had 17,927 employees and 17,890 employees, respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within the Russian Federation. As at 31 March 2014 and 31 December 2013 the Group had respectively 860 and 809 points of sale including branches, supplementary offices and currency exchange offices.

The information about acquisitions and disposals of subsidiaries during the three months ended 31 March 2014 and 2013 is presented in Note 4.

As at 31 March 2014 and 31 December 2013 the following shareholders owned the issued shares of the Bank:

	31 March 2014, %	31 December 2013, %
Shareholders of the Bank		
OJSC “Otkritie Holding” (OJSC “Financial corporation “OTKRITIE”)	74.90(*)	74.90(*)
Non-Government pension funds	16.88	16.88
Other	8.22(*)	8.22(*)
Total	100.00	100.00

(*)GDRs are not included in the calculation of stake in the total voting shares since the information on the holders of GDRs is undisclosed and as such GDRs are recognized as not-voting. Holders of GDRs have the option to disclose their information at any time. On disclosure of their information the holders of GDRs have the right to participate in voting.

As at 31 March 2014 OJSC “Otkritie Holding” (hereinafter – the “Parent Company”) is a company that controls the Group.

As at 31 March 2014 and 31 December 2013 the following subsidiary companies owned treasury shares of the Bank (their shares in ordinary shares are indicated in the table below):

	31 March 2014, %	31 December 2013, %
Shareholders of treasury ordinary shares		
CJSC "Erada" (subsidiary company)	2.67	2.67
LLC "Promgazkomplekt" (subsidiary company)	1.71	1.71
CJSC "Sovfintrast" (subsidiary company)	0.96	0.96
Total	5.34	5.34

As at 31 March 2014 and 31 December 2013 the following company owned the outstanding preference shares of the Bank:

	31 March 2014, %	31 December 2013, %
Shareholder of treasury preference shares		
Shareholder of treasury preference shares of the Bank:		
LLC "KN-Estate" (subsidiary company)	100.00	100.00
Total	100.00	100.00

These condensed interim consolidated financial statements were authorized for issue by the Supervisory Board of the Bank on 20 June 2014.

2. BASIS OF PRESENTATION

Accounting basis

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Accordingly, it does not include all of the information required by International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013.

The interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2013 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for 2013 prepared in accordance with IFRS. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Group's annual consolidated financial statements for 2013 prepared in accordance with IFRS. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for investment property, property, plant and equipment, which are accounted at revalued cost and available-for-sale investments, derivative financial instruments, other financial assets and liabilities held-for-trading, financial assets and liabilities designated at fair value through profit or loss, which have all been measured at fair value.

These condensed interim consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy and based on historical experience that short-term obligations will be refinanced in the normal course of business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the condensed interim consolidated financial statements continue to be prepared on the going concern basis.

Exchange rates for the currencies in which the Group transacts were as follows:

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Closing exchange rates – RUR		
1 U.S. Dollar ("USD")	35.6871	32.7292
1 Euro	49.0519	44.9699

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim consolidated financial statements the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2013, except for the impact of the adoption of the Standards and Interpretations described below.

Taxation

Interim period income tax is accrued based on the estimated average annual effective income tax rate.

New standards, interpretations and amendments adopted by the Group

The Group adopted the following standards and interpretations effective as at 1 January 2014, which are relevant for interim financial reporting.

IAS 32 *Offsetting Financial Assets and Financial Liabilities* (Amendment)

These amendments have no impact on the Group.

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (Amendment)

These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Amendments to IAS 19 (2011) to clarify the accounting for contributions that are linked to service

The amendments to IAS 19 (2011) permit contributions that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Contributions linked to service are required to be attributed to periods of service either using the plan’s contribution formula or on a straight-line basis. The amendments are effective from 1 July 2014, with earlier application permitted.

IFRS 9 (2013) «Financial instruments» - Hedge accounting

In November 2013, the IASB issued a new phase of IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39. There have been significant changes to the types of transactions eligible for hedge accounting, specifically a broadening of the risks eligible for hedge accounting of non-financial items. Changes in the way forward contracts and derivative options are accounted for when they are in a hedge accounting relationship will reduce profit or loss volatility when compared with IAS 39. In addition, previously required effectiveness test has been replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is no longer required. Disclosure requirements about an entity’s risk management activities have been enhanced. The effective date of IFRS 9 is 1 January 2018.

The Group is evaluating the impacts of the new standards and interpretations described above.

Reclassifications

The Group has made reclassification of certain financial assets at fair value through profit or loss into held-to-maturity portfolio. For details please see Note 9.

4. ACQUISITIONS AND DISPOSALS

During the first quarter 2014 the Group decided to sell 100% share of LLC “Yugra-Leasing” and LLC “Leasing-Project” for the total consideration of RUB 462 million. Thus realised gain on discontinued operations net of tax amounted to RUB 283 million. The Group considers the effect from discontinued operations to be immaterial and does not expect considerable changes in its further activity related to loss of control over LLC “Yugra-Leasing” and LLC “Leasing-Project”.

In February 2014 the Parent Company has purchased from the International Finance Corporation (IFC) 14.3% stake of JSC Bank “Otkritie” and sold it to the Bank. The consideration paid by the Bank amounted to RUB 4,235 million.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are presented as follows:

	<u>31 March 2014</u>	<u>Interest rate to nominal</u>	<u>Maturity date</u>
Financial assets at fair value through profit or loss:			
Debt securities:			
Bonds and Eurobonds issued by banks	70,810	1.75-12.4%	April 2014-June 2035
Corporate bonds and Eurobonds	36,158	3.15-19.0%	April 2014-January 2044
OFZ bonds	28,070	6.2-12.0%	April 2014-February 2036
Municipal bonds	8,272	7.85-10.0%	April 2014-October 2020
Russian Federation ("RF") Government Eurobonds	<u>139</u>	7.5%	March 2030
Total debt securities	<u>143,449</u>		
Equity securities			
Corporate shares	<u>7</u>	-	-
Total equity securities	<u>7</u>		
Derivative financial instruments	<u>8,476</u>		
Total financial assets at fair value through profit or loss	<u>151,932</u>		

	<u>31 March 2014</u>	<u>Pledged as collateral with CBR</u>	<u>Pledged under repurchase agreements with banks and CBR</u>	<u>Pledged under repurchase agreements with customers</u>	<u>Total collateral</u>
Bonds and Eurobonds issued by banks	70,810	8,311	25,161	-	33,472
Corporate bonds and Eurobonds	36,158	148	13,729	-	13,877
OFZ bonds	28,070	-	22,491	474	22,965
Municipal bonds	8,272	3,885	2,803	-	6,688
Russian Federation ("RF") Government Eurobonds	139	-	-	-	-
Corporate shares	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial assets at fair value through profit or loss[†]	<u>143,456</u>	<u>12,344</u>	<u>64,184</u>	<u>474</u>	<u>77,002</u>

[†] Excluding derivative financial instruments

As at 31 December 2013 financial assets at fair value through profit or loss excluding derivative financial instruments comprise:

	31 December 2013	Interest rate to nominal	Maturity date
Financial assets at fair value through profit or loss:			
Debt securities:			
Corporate bonds and Eurobonds	75,657	3.15-19.0%	February 2014-February 2045
Bonds and Eurobonds issued by banks	61,715	14.0%	February 2014-June 2035
OFZ bonds	29,778	6.2-12.0%	March 2014-February 2036
Municipal bonds	10,664	7.85%-10.0%	April 2014-October 2020
Russian Federation ("RF") Government Eurobonds	<u>1,110</u>	7.5%	March 2030
Total debt securities	<u>178,924</u>		
Equity securities			
Corporate shares	<u>27</u>	-	-
Total equity securities	<u>27</u>		
Derivative financial instruments	<u>3,035</u>		
Total financial assets at fair value through profit or loss	<u>181,986</u>		

	31 December 2013	Pledged as collateral with CBR	Pledged under repurchase agreements with banks and CBR	Pledged under repurchase agreements with customers	Total collateral
Corporate bonds and Eurobonds	75,657	6,820	29,149	-	35,969
Bonds and Eurobonds issued by banks	61,715	10,682	29,931	1,141	41,754
OFZ bonds	29,778	-	22,405	2,634	25,039
Municipal bonds	10,664	2,654	3,858	-	6,512
RF Government Eurobonds	1,110	-	1,110	-	1,110
Corporate shares	<u>27</u>	-	-	-	-
Total financial assets at fair value through profit or loss[‡]	<u>178,951</u>	<u>20,156</u>	<u>86,453</u>	<u>3,775</u>	<u>110,384</u>

As at 31 March 2014 and 31 December 2013 financial assets at fair value through profit or loss are mainly represented by investments issued by the Government of Russian Federation, Ministry of Finance, local authorities, banks and companies of the Russian Federation.

[‡] Excluding derivative financial instruments

Details of the Group's information about the fair value hierarchy as at 31 March 2014 and 31 December 2013 are as follows:

31 March 2014				
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Bonds and Eurobonds issued by banks	70,810	-	-	70,810
Corporate bonds and Eurobonds	36,158	-	-	36,158
OFZ bonds	28,070	-	-	28,070
Municipal bonds	8,272	-	-	8,272
Russian Federation ("RF") Government Eurobonds	139	-	-	139
Corporate shares	7	-	-	7
Financial assets at fair value through profit or loss[§]	143,456	-	-	143,456
31 December 2013				
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Corporate bonds and Eurobonds	74,653	1,004	-	75,657
Bonds and Eurobonds issued by banks	61,715	-	-	61,715
OFZ bonds	29,778	-	-	29,778
Municipal bonds	10,664	-	-	10,664
RF Government Eurobonds	1,110	-	-	1,110
Shares	27	-	-	27
Financial assets at fair value through profit or loss^{**}	177,947	1,004	-	178,951

[§] Excluding derivative financial instruments

^{**} Excluding derivative financial instruments

6. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and advances to banks and other financial institutions comprise:

	31 March 2014	31 December 2013
Correspondent accounts with banks	60,153	47,246
Loans to banks	52,250	76,240
Loans under reverse repurchase agreements	21,334	10,177
Less: Allowance for impairment losses	(11)	(2)
Total loans and advances to banks and other financial institutions	133,726	133,661

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 March 2014 and 31 December 2013 are presented as follows:

	31 March 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate bonds and Eurobonds	7,979	8,055	1,243	1,501
Bonds and Eurobonds issued by banks	7,700	7,747	537	663
Shares	4,560	6,481	5,786	6,670
OFZ bonds	1,095	1,237	1,695	1,791
Municipal bonds	-	-	916	1,143
Total	21,334	23,520	10,177	11,768

As at 31 March 2014 and 31 December 2013 the loans under reverse repurchase agreements to banks have contractual maturities from April 2014 to May 2014 and from January 2014 to March 2014, respectively.

As at 31 March 2014 and 31 December 2013 included in loans and advances to banks and other financial institutions are guarantee deposits placed by the Group for its operations with plastic cards in the amount of RUB 1,261 million and RUB 1,156 million, respectively.

7. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 March 2014	31 December 2013
Loans to corporate and small business clients		
Corporate loans	617,783	563,599
Small business loans to corporates	46,056	51,040
Net investments in finance lease	86	8,558
Total loans to corporate and small business clients	663,925	623,197
Loans under reverse repurchase agreements		
Loans under reverse repurchase agreements to corporate clients	125,134	106,637
Loans under reverse repurchase agreements to individuals	38	78
Total loans under reverse repurchase agreements	125,172	106,715
Loans to retail business clients		
Consumer loans	120,251	111,260
Mortgage loans	55,452	54,728
Car loans	7,790	8,742
Credit cards	8,146	7,471
Total loans to retail business clients	191,639	182,201
Gross loans to customers	980,736	912,113
Less – Allowance for impairment losses	(32,185)	(32,839)
Total loans to customers	948,551	879,274

The credit quality of loans to customers can be defined based on the Group internal credit quality assessment system which reflects the probability of default of an obligor, i.e. the likelihood that counterparty fails to pay interest, principal and other financial obligations to the Group.

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 31 March 2014:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Standard loans	673,504	5,258	668,246	0.78%
Watch list loans	17,054	312	16,742	1.83%
Substandard loans	23,085	2,772	20,313	12.01%
Doubtful loans, including	29,398	11,009	18,389	37.45%
- not overdue	7,034	2,482	4,552	35.29%
- overdue less than 90 days	5,370	2,188	3,182	40.74%
- overdue more than 90 days and less than 1 year	10,847	3,797	7,050	35.01%
- overdue more than 1 year	6,147	2,542	3,605	41.35%
Total corporate loans	743,041	19,351	723,690	2.60%
Small business loans to corporates				
Standard loans	39,193	186	39,007	0.47%
Watch list loans	1,285	3	1,282	0.23%
Substandard loans	663	161	502	24.28%
Doubtful loans, including	4,915	2,537	2,378	51.62%
- not overdue	44	6	38	13.64%
- overdue less than 90 days	1,338	411	927	30.72%
- overdue more than 90 days and less than 1 year	2,090	1,300	790	62.20%
- overdue more than 1 year	1,443	820	623	56.83%
Total small business loans to corporates	46,056	2,887	43,169	6.27%
Total loans to corporate and small business clients	789,097	22,238	766,859	2.82%

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories, as at 31 December 2013:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
Corporate loans				
Standard loans	620,781	5,043	615,738	0.81%
Watch list loans	10,640	144	10,496	1.35%
Substandard loans	19,121	3,083	16,038	16.12%
Doubtful loans, including	28,330	12,693	15,637	44.80%
- not overdue	6,117	2,384	3,733	38.97%
- overdue less than 90 days	9,230	2,869	6,361	31.08%
- overdue more than 90 days and less than 1 year	7,520	4,491	3,029	59.72%
- overdue more than 1 year	5,463	2,949	2,514	53.98%
Total corporate loans	678,872	20,963	657,909	3.09%
Small business loans to corporates				
Standard loans	46,175	259	45,916	0.56%
Watch list loans	50	2	48	4.00%
Substandard loans	60	6	54	10.00%
Doubtful loans, including	4,755	2,464	2,291	51.82%
- not overdue	183	23	160	12.57%
- overdue less than 90 days	1,302	427	875	32.80%
- overdue more than 90 days and less than 1 year	1,958	1,192	766	60.88%
- overdue more than 1 year	1,312	822	490	62.65%
Total small business loans to corporates	51,040	2,731	48,309	5.35%
Total loans to corporate and small business clients	729,912	23,694	706,218	3.25%

The following table provides information on loans to individuals as at 31 March 2014:

	<u>Gross Loans</u>	<u>Impairment allowance</u>	<u>Net Loans</u>	<u>Impairment allowance to gross loans, %</u>
Consumer Loans				
- Not past due	103,843	621	103,222	0.60%
- Overdue less than 30 days	4,294	345	3,949	8.03%
- Overdue 30-90 days	3,902	1,706	2,196	43.72%
- Overdue 91-180 days	3,411	1,926	1,485	56.46%
- Overdue 181-365 days	4,167	2,439	1,728	58.53%
- Overdue more than 365 days	634	541	93	85.33%
Total consumer loans	120,251	7,578	112,673	6.30%
Mortgage Loans				
- Not past due	50,816	15	50,801	0.03%
- Overdue less than 30 days	2,613	26	2,587	1.00%
- Overdue 30-90 days	407	41	366	10.07%
- Overdue 91-180 days	333	125	208	37.54%
- Overdue 181-365 days	340	106	234	31.18%
- Overdue more than 365 days	943	535	408	56.73%
Total mortgage loans	55,452	848	54,604	1.53%
Credit cards				
- Not past due	6,395	73	6,322	1.14%
- Overdue less than 30 days	586	30	556	5.12%
- Overdue 30-90 days	346	180	166	52.02%
- Overdue 91-180 days	307	216	91	70.36%
- Overdue 181-365 days	439	310	129	70.62%
- Overdue more than 365 days	73	73	-	100.00%
Total credit cards	8,146	882	7,264	10.83%
Car Loans				
- Not past due	6,559	8	6,551	0.12%
- Overdue less than 30 days	177	7	170	3.95%
- Overdue 30-90 days	134	28	106	20.90%
- Overdue 91-180 days	95	42	53	44.21%
- Overdue 181-365 days	149	63	86	42.28%
- Overdue more than 365 days	676	491	185	72.63%
Total car loans	7,790	639	7,151	8.20%
Total loans to retail business clients	191,639	9,947	181,692	5.19%

The following table provides information on loans to individuals as at 31 December 2013:

	Gross Loans	Impairment allowance	Net Loans	Impairment allowance to gross loans, %
Consumer Loans				
- Not past due	98,422	467	97,955	0.47%
- Overdue less than 30 days	3,382	579	2,803	17.12%
- Overdue 30-90 days	2,454	1,148	1,306	46.78%
- Overdue 91-180 days	2,391	1,473	918	61.61%
- Overdue 181-365 days	3,576	2,232	1,344	62.42%
- Overdue more than 365 days	1,035	1,028	7	99.32%
Total consumer loans	111,260	6,927	104,333	6.23%
Mortgage Loans				
- Not past due	51,357	13	51,344	0.03%
- Overdue less than 30 days	1,766	34	1,732	1.93%
- Overdue 30-90 days	207	35	172	16.91%
- Overdue 91-180 days	209	61	148	29.19%
- Overdue 181-365 days	307	126	181	41.04%
- Overdue more than 365 days	882	515	367	58.39%
Total mortgage loans	54,728	784	53,944	1.43%
Car Loans				
- Not past due	7,558	4	7,554	0.05%
- Overdue less than 30 days	193	6	187	3.11%
- Overdue 30-90 days	101	15	86	14.85%
- Overdue 91-180 days	71	29	42	40.85%
- Overdue 181-365 days	186	97	89	52.15%
- Overdue more than 365 days	633	435	198	68.72%
Total car loans	8,742	586	8,156	6.70%
Credit card loans				
- Not past due	6,035	56	5,979	0.93%
- Overdue less than 30 days	382	56	326	14.66%
- Overdue 30-90 days	271	143	128	52.77%
- Overdue 91-180 days	251	176	75	70.12%
- Overdue 181-365 days	413	300	113	72.64%
- Overdue more than 365 days	119	117	2	98.32%
Total credit cards	7,471	848	6,623	11.35%
Total loans to retail business clients	182,201	9,145	173,056	5.02%

As at 31 March 2014 and 31 December 2013 the Group has entered into transaction to securitize mortgage loans in the amount of RUB 12,858 million and RUB 13,547 million that the Group has originated. Securitisation is a process whereby finance can be raised from external investors by enabling them to invest in parcels of specified financial assets. The Group accounted for the transaction as a collateralised borrowing and recorded the cash received as a financial liability. Although the Group sold the rights to 100% of the cash flows arising on a portfolio of mortgage loans, it provided guarantees of the performance of the loans. In accordance with the terms of the securitization agreement, if the asset becomes overdue more than 90 days, the Group is obliged to replace it.

The Group has determined that substantially all the risks and rewards of the portfolio were retained and, consequently, the loans were not derecognised.

The following table summarises the Group's holdings of asset-backed securities, showing the carrying value of the transferred assets, associated liabilities and net position as at:

	31 March 2014	31 December 2013
Carrying value of transferred assets	12,858	13,547
Carrying value of associated liabilities	9,917	10,708
Net position	2,941	2,839

Movements in allowances for impairment losses for the three months ended 31 March 2014 and 2013 were as follows.

	Corporate banking	Consumer loans	Mortgage loans	Credit card loans	Car loans	Total
31 December 2012	20,321	964	501	76	40	21,902
Provision charge	679	331	70	22	9	1,111
Recovery of bad debt written-off	91	5	-	-	-	96
Foreign currency revaluation effect	69	1	1	-	-	71
Disposal of loans	(45)	-	-	-	-	(45)
Bad debt written-off	(360)	(66)	-	-	-	(426)
31 March 2013	20,755	1,235	572	98	49	22,709
Individually impaired	15,592	-	-	-	-	15,592
Collectively impaired	5,163	1,235	572	98	49	7,117
Gross loans to customers, individually assessed for impairment	31,720	-	-	-	-	31,720
31 December 2013	23,694	6,927	784	848	586	32,839
Provision charge	1,777	2,193	89	230	87	4,376
Recovery of bad debt written-off	400	7	6	-	7	420
Foreign currency revaluation effect	318	-	4	-	-	322
Disposal of loans	(767)	(937)	-	(136)	(1)	(1,841)
Bad debt written-off	(2,569)	(612)	(35)	(60)	(40)	(3,316)
Disposal of subsidiaries	(615)	-	-	-	-	(615)
31 March 2014	22,238	7,578	848	882	639	32,185
Individually impaired	15,255	22	-	-	-	15,277
Collectively impaired	6,983	7,556	848	882	639	16,908
Gross loans to customers, individually assessed for impairment	54,561	-	-	-	-	54,561

Loans are made principally within Russia in the following industry sectors:

	31 March 2014	31 December 2013
Individuals*	193,057	183,877
Brokerage and dealing in securities	125,172	106,715
Services	98,454	95,651
Industrial manufacturing	80,416	80,754
Wholesale trade	75,833	81,847
Operations with real estate	72,849	59,114
Construction of industrial real estate	53,401	51,570
Leasing	45,129	36,242
Housing construction	39,927	38,439
Construction of commercial real estate	35,756	33,872
Mining and oil extraction	32,982	33,622
Retail trade	30,124	32,151
Transport and communication	24,947	27,853
Energy	5,518	4,500
Government finance	4,753	4,900
Agriculture	3,546	3,353
Precious metals extraction	2,414	1,455
Other	56,458	36,198
Gross loans to customers	980,736	912,113
Less – Allowance for impairment losses	(32,185)	(32,839)
Total loans to customers	948,551	879,274

(*) As at 31 March 2014 and 31 December 2013 loans to individuals include loans to retail business totaling RUB 191,639 million and RUB 182,201 million, respectively, and small business loans to individuals totaling RUB 1,418 and RUB 1,676 million, respectively.

The table below summarizes the amount of loans to corporate customers secured by collateral, rather than the fair value of the collateral itself:

	31 March 2014	31 December 2013
Loans collateralized by guarantees of enterprises and banks	214,000	205,426
Loans collateralized by pledge of securities	201,275	173,109
Loans collateralized by pledge of real estate	133,165	118,454
Loans collateralized by pledge of contract proceeds	58,716	51,912
Loans collateralized by pledge of property	37,855	45,090
Loans collateralized by pledge of the Bank’s own securities	141	105
Unsecured loans	143,945	135,816
Gross loans to corporate customers	789,097	729,912
Less – Allowance for impairment losses	(22,238)	(23,694)
Total loans to corporate customers	766,859	706,218

The table below summarizes the amount of loans to individuals secured by collateral, rather than the fair value of the collateral itself:

	31 March 2014	31 December 2013
Loans collateralized by pledge of real estate	43,352	41,565
Loans collateralized by pledge of vehicles and other property	8,601	5,924
Loans collateralized by guarantees of enterprises	7,199	8,311
Loans collateralized by pledge of contract proceeds	6,514	6,449
Loans collateralized by pledge of securities	723	684
Loans collateralized by pledge of the Bank’s own securities	1	1
Unsecured loans	125,249	119,267
Gross loans to individuals	191,639	182,201
Less – Allowance for impairment losses	(9,947)	(9,145)
Total loans to individuals	181,692	173,056

As at 31 March 2014 and 31 December 2013 the Group granted loans to four and five borrowers totalling RUB 67,929 million and RUB 47,348 million, respectively, which individually exceeded 10% of the Group’s equity. Borrowers individually exceeding 10% of the Group equity have good credit history and the loans provided to them are performing within standard loans.

As at 31 March 2014 and 31 December 2013 renegotiated loans amounted to RUB 7,125 million and RUB 5,590 million respectively, which would be past due or impaired if not renegotiated. Renegotiated loans mainly involve extending of the payment arrangements of the loan agreements, rather than interest rate modification or other enhancements in favour of the borrower.

As at 31 March 2014 and 31 December 2013 the loans under reverse repurchase agreements to customers have contractual maturities from April 2014 to January 2015 and January 2014 to May 2014, respectively.

Carrying value of loans under reverse repurchase agreements and fair value of assets received as pledge as at 31 March 2014 and 31 December 2013 are presented as follows:

	31 March 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Shares	99,855	132,610	66,276	82,896
Corporate bonds and Eurobonds	12,367	13,356	11,731	13,226
Units of investment funds	9,388	12,520	9,144	10,710
Bonds and Eurobonds issued by banks	2,986	3,237	18,975	19,799
OFZ	576	625	589	620
Municipal bonds	-	-	-	-
Total	125,172	162,348	106,715	127,251

The components of net investment in finance lease as at 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014	31 December 2013
Less than one year	42	3,890
From one year to five years	55	6,593
More than five years	-	1,526
Minimum lease payments	97	12,009
Less: unearned finance income	(11)	(3,451)
Net investment in finance lease	86	8,558
Current portion	35	2,713
Long-term portion	51	5,845
Net investment in finance lease	86	8,558

During the three months ended 31 March 2014 and 2013 the Group sold certain loans to third parties at a premium / discount to nominal value with no recourse and without any service obligations associated with the loans.

Net (loss) / gain on disposal of loans is represented by:

	Three months ended 31 March 2014	Three months ended 31 March 2013
Fair value of the consideration received	20,396	231
Carrying amount net of provisions	(20,620)	(170)
Net (loss) / gain on disposal of loans	(224)	61

8. INVESTMENTS AVAILABLE-FOR-SALE

As at 31 March 2014 investments available-for-sale comprise:

	31 March 2014	Interest rate to nominal	Maturity date
Debt securities:			
Corporate bonds and Eurobonds	20,046	3.42-12.0%	July 2014-January 2044
Bonds and Eurobonds issued by banks	12,956	4.22-10.4%	June 2014- April 2022
RF Government Eurobonds	8,475	5.0-12.75%	April 2020-March 2030
Municipal bonds	1,374	7.95-9.5%	November 2014-August 2020
OFZ bonds	1	7.35%	January 2016
Total debt securities	42,852		
Equity securities			
Shares	897	-	-
Units of investment funds	321	-	-
Total equity securities	1,218		
Total investments available-for-sale	44,070		

As at 31 March 2014 the Group has certain investments available-for-sale provided as collateral under repurchase agreements:

	31 March 2014	Pledged as collateral with CBR	Pledged under repurchase agreements with banks and CBR	Pledged under repurchase agreements with customers	Total collateral
Corporate bonds and Eurobonds	20,046	-	658	-	658
Bonds and Eurobonds issued by banks	12,956	-	1,243	-	1,243
RF Government Eurobonds	8,475	-	-	-	-
Municipal bonds	1,374	-	-	-	-
OFZ bonds	1	-	-	-	-
Total debt securities	42,852	-	1,901	-	1,901
Equity securities					
Shares	897	-	-	-	-
Units of investment funds	321	-	-	-	-
Total equity securities	1,218	-	-	-	-
Total investments available-for-sale	44,070	-	-	-	-

As at 31 December 2013 investments available-for-sale comprise:

	31 December 2013	Interest rate to nominal	Maturity date
Debt securities:			
Corporate bonds and Eurobonds	19,052	3.42-12.0%	January 2014-January 2044
Bonds and Eurobonds issued by banks	9,565	4.22-12.4%	February 2014 -April 2022
RF Government Eurobonds	8,262	5.0-12.75%	April 2020-March 2030
Municipal bonds	1,408	7.95-9.5%	November 2014-August2020
OFZ bonds	1	7.35%	January 2016
Total debt securities	38,288		
Equity securities			
Shares	928	-	-
Units of investment funds	315	-	-
Share participation in limited liability companies	1	-	-
Total equity securities	1,244		
Total investments available-for-sale	39,532		

	31 December 2013	Pledged as collateral with CBR	Pledged under repurchase agreements with banks and CBR	Pledged under repurchase agreements with customers	Total collateral
Corporate bonds and Eurobonds	19,052	-	749	-	749
Bonds and Eurobonds issued by banks	9,565	-	1,228	-	1,228
RF Government Eurobonds	8,262	-	-	-	-
Municipal bonds	1,408	-	-	-	-
OFZ bonds	1	-	-	-	-
Total debt securities	38,288	-	1,977	-	1,977
Equity securities					
Shares	928	-	-	-	-
Units of investment funds	315	-	-	-	-
Share participation in limited liability companies	1	-	-	-	-
Total equity securities	1,244	-	-	-	-
Total investments available-for-sale	39,532	-	-	-	-

Units of investment funds included in financial assets available-for-sale as at 31 March 2014 and 31 December 2013 are presented below:

	31 March 2014	31 December 2013
OPIF “OTKRITIE – obligatziy”	290	283
OPIF “OTKRITIE – Energetika”	11	12
OPIF “NOMOS – Fond obligatziy”	11	11
OPIF “NOMOS – Fond aktziy”	9	9
Total units of investment funds	321	315

As at 31 March 2014 and 31 December 2013 financial assets available-for-sale are mainly presented by investments issued by Ministry of Finance, local authorities, banks and companies of the Russian Federation.

Details of the Group's information about the fair value hierarchy as at 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014			Total
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	
Corporate bonds and Eurobonds	18,992	12	1,042	20,046
Bonds and Eurobonds issued by banks	11,056	1,900	-	12,956
RF Government Eurobonds	8,475	-	-	8,475
Municipal bonds	1,374	-	-	1,374
Corporate shares	472	10	10	492
Units of investment funds	-	321	-	321
OFZ bonds	1	-	-	1
Investments available-for-sale	40,370	2,243	1,052	43,665

31 December 2013				
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	Total
Corporate bonds and Eurobonds	17,808	12	1,232	19,052
Bonds and Eurobonds issued by banks	8,690	875	-	9,565
RF Government Eurobonds	8,262	-	-	8,262
Municipal bonds	1,408	-	-	1,408
Corporate shares	494	-	20	514
Units of investment funds	-	315	-	315
OFZ bonds	1	-	-	1
Investments available-for-sale	36,663	1,202	1,252	39,117

Excluded from the table above were investments in equity securities of unlisted entities classified as available-for-sale securities. The fair value of such securities is not readily measurable accordingly such investments are carried at the acquisition cost. As at 31 March 2014 and 31 December 2013 the value of such investments amounted RUB 405 million and RUB 415 million, respectively.

The Group invests in certain investment funds where as a result of general market conditions and illiquidity of the bond markets the valuation is based upon inputs other than those readily observable in the market place (Level 3). The following table provides details of the activity with respect to the fair value measurement during the three months ended 31 March 2014 and 2013.

	Three months ended 31 March 2014	Three months ended 31 March 2013
As at January	1,252	-
Transfer to Level 1	(10)	-
Disposal	(171)	-
(Loss)/gains recognized in other comprehensive income	(19)	-
As at 31 March	1,052	-

9. INVESTMENTS HELD TO MATURITY

The Management of the Group has made the decision to reclassify certain debt securities from financial assets at fair value through profit or loss to investments held to maturity starting from 1 March 2014. The Management has analyzed the current economic circumstances in Russia (for details please see Operating environment in Note 20) and concluded that they can be considered as circumstances qualifying for reclassification under IAS 39. The reclassified securities amounted to RUR 37,042 million as of 31 March 2014. The fair value of the reclassified securities as at the date of reclassification equaled RUR 38,204 million. If the reclassification had not been made, the Group's income statement for the period ended 31 March 2014 would have included unrealized fair value losses on the reclassified debt securities of RUR 456 million.

The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method. The average effective interest rate as at the date of reclassification amounted to 6.60% with expected recoverable cash flows of RUR 45,540 million.

Investments held to maturity are presented as follows:

	31 March 2014	Interest rate to nominal	Maturity date
Debt securities:			
Corporate bonds and Eurobonds			October 2015-December 2023
	32,409	3.15-9.95%	
Bonds and Eurobonds issued by banks	2,352	4.95-8.7%	April 2016-February 2017
Municipal bonds	2,281	8.15-8.75%	October 2017-August 2020
Total investments held to maturity	37,042		

As at 31 December 2013 the Group had no investments held to maturity.

As at 31 March 2014 the Group has certain investments held to maturity provided as collateral under repurchase agreements and loans from the CBR:

	31 March 2014	Pledged as collateral with CBR	Pledged under repurchase agreements with banks and CBR	Pledged under repurchase agreements with customers	Total collateral
Corporate bonds and Eurobonds	32,409	-	22,673	-	22,673
Bonds and Eurobonds issued by banks	2,352	-	-	-	-
Municipal bonds	2,281	1,506	498	-	2,004
Total investments held to maturity	37,042	1,506	23,171	-	24,677

As at 31 March 2014 investments held to maturity are mainly presented by investments issued by Ministry of Finance, banks and companies of the Russian Federation.

Details of the Group's information about the fair value hierarchy as at 31 March 2014 are as follows:

	31 March 2014			Total
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	
Corporate bonds and Eurobonds	32,083	-	-	32,083
Bonds and Eurobonds issued by banks	2,280	-	-	2,280
Municipal bonds	2,223	-	-	2,223
Investments held to maturity	36,586	-	-	36,586

10. DUE TO BANKS AND THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Due to banks and the Central Bank of the Russian Federation comprises:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Loans under repurchase agreements from the CBR	93,264	81,603
Deposits from banks	59,224	88,403
Loans under repurchase agreements from banks	43,317	45,233
Deposits from the CBR	20,538	24,890
Syndicated loan	8,523	7,795
Correspondent accounts of other banks	6,783	9,263
Total due to banks and the Central Bank of the Russian Federation	<u>231,649</u>	<u>257,187</u>

As at 31 March 2014 and 31 December 2013 the Group had deposits from two and three banks amounting to RUB 127,838 million and RUB 142,181 million, respectively, which individually and in aggregate exceeded 10% of the Group's equity.

As at 31 March 2014 carrying value of syndicated loan received by the Group comprised RUB 8,523 million from Russian, OECD and non-OECD banks. The contractual maturity of syndicated loan is November 2014, and the interest rate is tied to three-month LIBOR plus 1.75% margin.

As at 31 December 2013 carrying value of syndicated loan received by the Group comprised RUB 7,795 million from Russian, OECD and non-OECD banks. The contractual maturity of syndicated loan is November 2014, and the interest rate is tied to three-month LIBOR plus 1.75% margin.

As at 31 March 2014 and 31 December 2013 the Group had deposits from three and two banks amounting to RUB 6,529 million and RUB 4,361 million, respectively, which were collateralized with the rights of claim with respect to loans to customers totaling RUB 8,777 million and RUB 7,022 million, respectively.

As at 31 March 2014 and 31 December 2013 the loans under reverse repurchase agreements to banks have contractual maturities from April 2014 to May 2014 and January 2014 to September 2014, respectively.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 31 March 2014 and 31 December 2013 are presented as follows:

	<u>31 March 2014</u>		<u>31 December 2013</u>	
	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>
Financial assets at fair value through profit or loss:				
Bonds and Eurobonds issued by banks	21,492	25,161	24,704	29,931
OFZ bonds	21,677	22,491	21,781	22,405
Corporate bonds and Eurobonds	11,864	13,729	25,373	29,149
Municipal bonds	2,488	2,803	3,462	3,858
RF Government Eurobonds	-	-	1,053	1,110
Investments available-for-sale:				
Bonds and Eurobonds issued by banks	935	1,243	-	-
Corporate bonds and Eurobonds	514	658	1,496	1,977
Investments held to maturity:				
Corporate bonds and Eurobonds	20,410	22,673	-	-
Municipal bonds	438	498	-	-
Securities received under reverse repurchase agreements:				
Shares	54,099	89,801	39,251	63,698
Bonds and Eurobonds issued by banks	1,179	1,353	3,773	4,422
Corporate bonds and Eurobonds	616	709	2,844	3,198
OFZ bonds	869	884	2,069	2,145
Municipal bonds	-	-	1,030	1,140
Total	<u>136,581</u>	<u>182,003</u>	<u>126,836</u>	<u>163,033</u>

11. CUSTOMER ACCOUNTS

Customer accounts comprise:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Term deposits	639,814	586,102
Current accounts	188,594	187,151
Term deposits from Deposit Insurance Agency	4,108	6,810
Loans under repurchase agreements	1,145	1,408
Total customer accounts	<u>833,661</u>	<u>781,471</u>

As at 31 March 2014 and 31 December 2013 the Group received funds from five and five customers amounting to RUB 282,221 million and RUB 200,329 million, respectively, which individually exceeded 10% of the Group's equity.

As at 31 March 2014 and 31 December 2013 demand deposits denominated in units of precious metal which have the alternative to be settled in cash or in precious metals were included in customer accounts. The breakdown is presented below:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Gold	3,077	4,438
Silver	1,028	1,026
Platinum	91	44
Palladium	65	47
Total customer accounts denominated in precious metals	<u>4,261</u>	<u>5,555</u>

As at 31 March 2014 and 31 December 2013 customer accounts amounting to RUB 5,750 million and RUB 2,902 million, respectively, were held as security against contingent liabilities issued by the Group (see Note 20).

Analysis of customer accounts by economic sector is presented below:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Investment and asset management companies	273,057	262,678
Individuals	258,579	266,780
Mining and oil extraction	95,814	11,922
Services	39,416	33,349
Wholesale trade	26,900	29,989
Industrial manufacturing	24,464	27,109
Insurance	20,864	21,326
Operations with real estate	15,554	13,007
Construction of industrial real estate	13,998	17,510
Science	11,420	12,004
Regional and local budgets funds	10,637	13,415
Transport and communication	6,458	18,770
Construction of commercial real estate	5,652	8,564
Retail trade	4,832	5,097
Precious metals extraction	3,341	4,482
Leasing	2,529	1,439
Housing construction	1,981	4,342
Energy	1,437	4,241
Brokerage and dealing in securities	1,145	6,810
Agriculture	753	618
Other	14,830	18,019
Total customer accounts	<u>833,661</u>	<u>781,471</u>

As at 31 March 2014 and 31 December 2013 the loans under reverse repurchase agreements to customers have contractual maturities from April 2014 and January 2014, respectively.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 31 March 2014 and 31 December 2013 are presented as follows:

	31 March 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Financial assets at fair value through profit or loss:				
OFZ bonds	474	474	2,630	2,634
Bonds and Eurobonds issued by banks	-	-	1,026	1,141
Securities received under reverse repurchase agreements:				
Shares	602	926	3,011	5,099
Bonds and Eurobonds issued by banks	69	74	143	154
Total	1,145	1,474	6,810	9,028

12. BONDS AND EUROBONDS ISSUED

Bonds and Eurobonds comprise:

	31 March 2014	31 December 2013
Bonds issued in local market	47,347	47,703
Eurobonds due in 2018	18,275	16,256
Total Bonds and Eurobonds issued	65,622	63,959

Bonds and Eurobonds as at 31 March 2014 comprise:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 March 2014
Bonds issued					
NOMOS, BO-06	Roubles	2013	2016	8.60%	7,286
NOMOS, BO-05	Roubles	2013	2016	9.00%	6,149
NOMOS, BO-02	Roubles	2011	2014	9.20%	5,171
NOMOS, BO-03	Roubles	2012	2015	8.60%	5,059
NOMOS, 11th issue	Roubles	2009	2014	9.50%	4,823
NOMOS, BO-04	Roubles	2014	2017	9.30%	4,595
KHMB, Mortgage-Backed bonds	Roubles	2013	2045	9.20%	4,522
NOMOS, 12th issue	Roubles	2010	2017	8.70%	4,197
OTKRITIE, Mortgage-Backed bonds	Roubles	2013	2045	9.10%	2,828
NOMOS, Mortgage-Backed bonds	Roubles	2012	2045	8.75%	2,544
OTKRITIE, 1	Roubles	2012	2017	9.50%	173
Total bonds issued					47,347
Eurobonds					
NOMOS Eurobonds due in 2018	US Dollars	2013	2018	7.25%	18,275
Total Eurobonds issued					18,275
Total Bonds and Eurobonds issued					65,622

Bonds and Eurobonds as at 31 December 2013 comprise:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2013
Bonds issued					
NOMOS, BO-06	Roubles	2013	2016	8.60%	7,138
NOMOS, BO-05	Roubles	2013	2016	9.00%	6,288
NOMOS, BO-03	Roubles	2012	2015	8.60%	5,170
NOMOS, BO-02	Roubles	2011	2014	9.20%	5,058
NOMOS, 11th issue	Roubles	2009	2014	9.50%	4,936
KHMB, Mortgage-Backed bonds	Roubles	2013	2045	9.20%	4,804
NOMOS, 12th issue	Roubles	2010	2017	8.70%	4,289
NOMOS, BO-01	Roubles	2011	2014	9.10%	4,002
OTKRITIE, Mortgage-Backed bonds	Roubles	2013	2045	9.10%	3,125
OTKRITIE, 1	Roubles	2012	2017	9.50%	87
NOMOS, Mortgage-Backed bonds	Roubles	2012	2045	8.75%	2,806
Total bonds issued					47,703
Eurobonds					
NOMOS Eurobonds due in 2018	US Dollars	2013	2018	7.25%	16,256
Total Eurobonds issued					16,256
Total bonds and Eurobonds issued					63,959

The Group is obliged to comply with financial covenants in relation to Eurobonds due in 2018.

In accordance with the terms of the covenants the Group should not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (as at the date hereof) to fall below 10%. These recommendations were provided in Committee's paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended in November 1991, and together with any further amendments, guidelines or clarifications up to the date hereof. This calculation should be made by reference to the latest annual consolidated audited accounts of the Group prepared in accordance with IFRS. The Group should also comply with the minimum capital adequacy ratio established by the CBR. The Group has not breached any of these covenants at the end of each quarter in the periods ended 31 March 2014 and 31 December 2013.

13. SUBORDINATED DEBT

The following table provides information on subordinated debt as at 31 March 2014:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 March 2014
Subordinated bonds	US Dollars	2012	2019	10.00%	18,469
Subordinated bonds	US Dollars	2010	2015	8.75%	12,931
Subordinated bonds	US Dollars	2012	2019	10.00%	10,931
Subordinated bonds	US Dollars	2013	2023	9.15%	7,302
Subordinated loan	Roubles	2011	2021	12.00%	6,000
Subordinated loan	Roubles	2009	2019	6.50%	4,900
Subordinated loan	US Dollars	2013	2020	10.00%	3,630
Subordinated loan	Roubles	2009	2019	6.50%	1,674
Subordinated loan	Roubles	2009	2025	12.50%	1,203
Subordinated loan	Roubles	2013	2023	8.50%	1,160
Subordinated loan	Roubles	2007	2024	10.00%	200
Subordinated loan	Roubles	2008	2025	10.00%	190
Subordinated loan	Roubles	2008	2024	12.00%	171
Subordinated loan	Roubles	2007	2024	8.80%	95
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	40
Total subordinated debt					68,956

The following table provides information on subordinated debt as at 31 December 2013:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	31 December 2013
Subordinated bonds	US Dollars	2012	2019	10.00%	16,528
Subordinated bonds	US Dollars	2010	2015	8.75%	11,605
Subordinated bonds	US Dollars	2012	2019	10.00%	9,783
Subordinated bonds	US Dollars	2013	2023	9.15%	6,545
Subordinated loan	Roubles	2011	2021	12.00%	6,000
Subordinated loan	Roubles	2009	2019	6.50%	4,900
Subordinated loan	US Dollars	2013	2020	10.00%	3,416
Subordinated loan	Roubles	2009	2019	6.50%	1,660
Subordinated loan	Roubles	2009	2025	12.50%	1,203
Subordinated loan	Roubles	2013	2023	8.50%	1,064
Subordinated loan	Roubles	2007	2024	10.00%	200
Subordinated loan	Roubles	2008	2025	10.00%	190
Subordinated loan	Roubles	2008	2024	12.00%	170
Subordinated loan	Roubles	2007	2024	8.80%	95
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	40
Total subordinated debt					63,459

14. SHARE CAPITAL AND SHARE PREMIUM

The table below provides a breakdown of the Bank's issued and fully paid ordinary and preference shares:

	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
Issued and fully paid				
31 December 2012	92,422,370	4,621	-	-
31 March 2013	92,422,370	4,621	-	-
31 December 2013	114,468,290	5,724	-	-
31 March 2014	114,468,290	5,724	-	-

In accordance with the requirement of IAS 29 "Financial reporting in hyperinflationary economies" the effect of inflation adjustment applied to the share capital amounts to RUB 1,278 million.

There are no issued ordinary and preference shares that have not been fully paid. Par value per ordinary and preference share is RUB 50 each.

Each ordinary share entitles the holder to cast one vote on all matters within its competence stipulated by the Charter of the Bank, to receive non-fixed rate dividend income and to receive property belonging to the Bank in the event of liquidation. When shares are issued, each holder of shares shall have pre-emptive right, in proportion to the aggregate amount of their shares.

In the event of the dissolution and liquidation of the Bank, the assets remaining after payment of all debts will be distributed to the holders of ordinary shares on a pro-rata basis.

The table below provides a breakdown of the Bank's authorized ordinary and preference shares:

	Ordinary shares (Number)	Nominal amount	Preference shares (Number)	Nominal amount
Authorized				
31 December 2012	167,377,630	8,369	48,100,000	2,405
31 March 2013	167,377,630	8,369	48,100,000	2,405
31 December 2013	138,785,714	6,939	48,100,000	2,405
31 March 2014	138,785,714	6,939	48,100,000	2,405

Holders of preference shares with non-fixed rate dividend income are entitled to: participate in the General Meeting of shareholders with voting rights addressing issues of reorganization and liquidation of the Bank and addressing issues on introducing amendments and additions to the Charter restricting the rights of holders of preferred shares. Each preference share entitles the holder to receive dividends on an equal basis with holders of ordinary shares.

Dividends on ordinary shares and preference shares classified as equity are recognized, as a distribution of equity in the period in which they are approved by shareholders.

Share premium represents the excess of contributions received over the nominal value of shares issued or sold.

The Group's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

15. NET INTEREST INCOME

Net interest income comprises:

	Three months ended 31 March 2014	Three months ended 31 March 2013
Interest income:		
Interest income on assets recorded at amortized cost	30,447	18,987
Interest income on assets at fair value through profit or loss	3,322	1,998
Interest income on investments available-for-sale	520	65
	<u>34,289</u>	<u>21,050</u>
Total interest income		
Interest income on assets recorded at amortized cost:		
Interest income on loans to customers	26,329	17,489
Interest income on reverse repurchase transactions	3,148	960
Interest income on loans and advances to banks and other financial institutions	744	534
Interest on investments held to maturity	226	4
Total interest income on assets recorded at amortized cost	<u>30,447</u>	<u>18,987</u>
Interest expense:		
Interest expense on liabilities recorded at amortized cost	18,647	12,208
Interest expense on liabilities at fair value through profit or loss	21	43
	<u>18,668</u>	<u>12,251</u>
Total interest expense		
Interest expense on liabilities recorded at amortized cost comprise:		
Interest expense on customer accounts	11,436	7,577
Interest expense on repurchase transactions	1,814	661
Interest expense on subordinated debt	1,617	1,239
Interest expense on due to banks and the Central Bank of the Russian Federation	1,535	1,403
Interest expense on Bonds and Eurobonds issued	1,355	862
Interest expense on promissory notes issued	890	466
Total interest expense on financial liabilities recorded at amortized cost	<u>18,647</u>	<u>12,208</u>
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	<u><u>15,621</u></u>	<u><u>8,799</u></u>

16. TRADING (LOSS) / INCOME

Trading (loss) / income comprises:

	Three months ended 31 March 2014	Three months ended 31 March 2013
Financial assets at fair value through profit or loss	(3,174)	66
Securities	(3,174)	66
Derivatives on foreign currency contracts	2,949	258
Net (loss) / gain on foreign currency operations	(2,448)	355
Foreign currency	501	613
Derivatives on precious metals contracts	342	(11)
Net (loss) / gain on precious metals	(1,022)	18
Precious metals	(680)	7
Other derivatives contracts	(3)	(15)
Other derivatives	(3)	(15)
Total trading (loss) / income	(3,356)	671

The analysis of trading income is based on how the business is organised and the underlying risks managed. Trading income comprises gains and losses on financial instruments at fair value through profit or loss, both realized and unrealized.

The types of instruments include:

- Securities: operations with trading securities, trading security forward contracts and futures contracts;
- Foreign currency: foreign currency operations, foreign exchange forward contracts and currency options, impacts of the foreign exchange gains and losses on the allowance on loan losses on foreign currency denominated loans;
- Precious metals: precious metals operations and precious metals forward contracts;
- Other derivatives: interest rate swap contracts.

17. NET FEE AND COMMISSION INCOME

Net fee and commission income comprises:

	Three months ended 31 March 2014	Three months ended 31 March 2013
Fee and commission income:		
Settlements	2,099	1,474
Brokerage operations	79	16
Documentary operations	793	618
Insurance broker commission	1,060	172
Cash operations	319	255
Foreign currency conversion operations	119	41
Operations related to underwriting	59	8
Operations with precious metals	13	19
Depository services	2	1
Other	63	48
	4,606	2,652
Fee and commission expense:		
Settlements	740	592
Cash operations	95	46
Documentary operations	25	31
Securities operations	31	10
Depository services	11	6
Other	82	22
	984	707
Net fee and commission income	3,622	1,945

18. OPERATING EXPENSES

Operating expenses comprise:

	Three months ended 31 March 2014	Three months ended 31 March 2013
Payroll and bonuses	4,344	3,089
Unified social tax	1,092	764
Rent expenses	523	206
Amortization of intangible assets	381	225
Depreciation of property, plant and equipment	317	193
Taxes other than income tax	306	163
Payments to the Deposit Insurance Fund	261	152
Stationery and other office expenses	259	125
Property, plant and equipment maintenance	252	135
Professional services	165	137
Telecommunications	145	74
Advertising expenses	125	43
Security expenses	94	56
Charity expenses	40	2
Representation expenses	36	30
Insurance expenses	27	15
Other expenses	103	60
	8,470	5,469
Total operating expenses	8,470	5,469

19. EARNINGS PER SHARE AND EARNINGS PER GDR

Earnings per share are presented as follows:

	Three months ended 31 March 2014	Three months ended 31 March 2013
Earnings per share related to continuing operations:		
Profit:		
Net profit	2,417	4,381
Less:		
Non-controlling interest	(287)	(931)
Net earnings attributable to equity holders of the parent	<u>2,130</u>	<u>3,450</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	114,468,290	92,422,370
Earnings per share – basic and diluted (RUB)	<u>18.61</u>	<u>37.33</u>
GDR equivalent of weighted average number of shares^{††}	<u>228,936,580</u>	<u>184,844,740</u>
Earnings per GDR from continuing operations – basic and diluted	<u>9.30</u>	<u>18.66</u>

20. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 March 2014 and 31 December 2013 provision for guarantees and other off-balance sheet commitments were RUB 175 million and RUB 166 million, respectively. The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision (Basel I).

^{††} Two GDRs represent an interest in one ordinary share.

As at 31 March 2014 and 31 December 2013 the nominal or contract amounts and risk-weighted amounts were:

	31 March 2014		31 December 2013	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	191,147	137,732	226,064	174,081
Commitments on loans and unused credit lines	161,580	4,232	166,024	4,291
Letters of credit and other contingent commitments related to settlement operations	8,262	3,967	11,296	5,167
Less: provisions	(175)		(166)	
Total contingent liabilities and credit commitments (before deducting collateral)				
Less: promissory notes held as security against contingent liabilities	(3,066)		(2,599)	
Less: deposits held as security against contingent liabilities (Note 11)	(5,750)		(2,902)	
Total contingent liabilities and credit commitments	351,998		397,717	

Operating leases – The Group's future minimum rental payments under non-cancellable operating leases of office premises in effect as at 31 March 2014 and 31 December 2013 are presented in the table below.

	31 March 2014	31 December 2013
Not later than 1 year	1,930	1,729
Later than 1 year and not later than 5 years	3,567	3,239
Later than 5 years	409	617
Total operating lease	5,906	5,585

Fiduciary activities – The Group provides depositary services to its customers. As at 31 March 2014 and 31 December 2013 the Group had customers' securities of 16,827,980,227.47480 items, and 16,421,516,167.47480 items, respectively, in its nominal holder's accounts.

As at 31 March 2014 and 31 December 2013 the Group kept in its vault 4,216 kg of gold bullion, 1,331 kg of silver bullion, 96 kg of palladium bullion, 53 kg of platinum bullion, and 3,849 kg of gold bullion, 62 kg of silver bullion, 87 kg of palladium bullion, 40 kg of platinum bullion respectively, owned by the Group's customers.

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

The Group has outstanding litigation risks on guarantees issued. The Management has assessed the possible risk of such claims and is of the opinion that contingent liabilities in respect of such claims amount to RUB 250 million.

Taxation – The Russian laws and regulations affecting business continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and as a result, transactions and activities that have not been challenged in the past may be challenged in future tax audits. Fiscal periods remain open to tax audit by the authorities in respect of taxes for the three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued for all taxes that are applicable based on its interpretations of the tax legislation. However, the tax authorities may have differing interpretations, and the effects could be significant.

Russian transfer pricing legislation was amended starting from 1 January, 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the rules is unclear, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

Pensions and retirement plans – Employees receive pension benefits according to the laws and regulations of the Russian Federation. The Group provides its employees with post-employment benefits in the form of defined contribution plans. The Group makes monthly payments to a non-government pension fund for its employees, who in turn will receive a future benefit from the fund. The contributions to the defined contribution plan are included in staff costs on an accrual basis. In 2014 there were no payments made to the non-government pension funds. Once the payments to the pension fund are made the Group has no further obligations.

Operating Environment – Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

In March and April 2014, sanctions have been imposed by the U.S. and E.U. on certain Russian officials, businessmen and companies. In April 2014, an international credit agency Standard & Poor's downgraded Russia's long-term foreign currency sovereign rating from BBB to BBB- with a negative outlook. Fitch credit agency has also revised Russia's creditworthiness outlook from stable to negative. These developments, particularly if sanctions are further extended, may result in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the Ruble and other negative economic consequences. The impact of these developments on future operations and financial position of the Group is at this stage difficult to determine.

21. SEGMENT REPORTING

The reportable segments comprise of:

- Corporate banking – full range of banking services provided to large and medium-sized corporate customers, including, among others, direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and a variety of settlement and transactional services.
- Small business – banking services provided to small businesses and individual entrepreneurs, including direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities and settlement and transaction services.
- Investment banking – representing trading of fixed income and equity products, foreign exchange, precious metals and derivatives on such products, money market operations, repo, brokerage services and asset management and other investment banking services.
- Retail banking (including private banking) – full range of banking services to mass, affluent and wealthy individuals, including customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury and asset-liability unit – treasury, which lends and borrows funds of money market, undertakes the Group's funding through issue of debt securities and attraction of subordinated facilities and conducts foreign exchange operations for internal hedging purposes. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.
- Unallocated – balances and/or income and expense items not allocated to any of the Group's business segments in the internal management reporting systems, as they are not initiated by any of the business units and represent part of the Group's routine headquarter activities

The President of the Bank is the chief operating decision maker. Operating results are reviewed regularly by the entity's chief operating decision maker to consider the way resources to be allocated to the segment and assess its performance.

Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Three months ended 31 March 2014 Total
External interest income	16,835	1,611	7,694	7,807	342	-	34,289
External interest expense	(7,725)	(265)	(4,146)	(2,946)	(3,449)	(137)	(18,668)
Internal funding costs/revenues from Central treasury	(2,753)	(78)	1,554	(3,578)	4,886	(31)	-
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	6,357	1,268	5,102	1,283	1,779	(168)	15,621
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(1,355)	(422)	(2,607)	-	-	-	(4,384)
Net interest income	5,002	846	2,495	1,283	1,779	(168)	11,237
Fee and commission income	1,110	551	2,712	233	-	-	4,606
Fee and commission expense	(42)	(25)	(770)	(126)	(20)	(1)	(984)
Trading and foreign exchange results	120	11	189	(3,489)	(249)	-	(3,418)
Other operating income [*]	252	36	(104)	82	62	273	601
Net result from other segments [†]	(123)	(6)	520	9	(400)	-	-
Operating income before impairment losses of investments available-for-sale and investment property and provisions on other transactions	6,319	1,413	5,042	(2,008)	1,172	104	12,042
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	(275)	(19)	(74)	(55)	-	(18)	(441)
Operating expenses	(1,600)	(999)	(3,976)	(340)	(100)	(1,455)	(8,470)
Operating profit before income tax	4,444	395	992	(2,403)	1,072	(1,369)	3,131
Income tax expense	-	-	-	-	-	(714)	(714)
Net profit	4,444	395	992	(2,403)	1,072	(2,083)	2,417
Depreciation and amortization expense	(110)	(76)	(340)	(19)	(6)	(147)	(698)
Capital expenditures	60	56	258	10	3	103	490

* This line includes realized gain on discontinued operations

† Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 March 2014 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	6,949	3,516	28,286	3,409	34,628	-	76,788
Minimum reserve deposits with CBR	1,499	270	1,329	498	5,277	-	8,873
Precious metals	8,262	-	11	79	-	-	8,352
Financial assets at fair value through profit or loss	123	-	-	139,817	11,992	-	151,932
Loans and advances to banks and other financial institutions	3	2	3,855	97,159	32,707	-	133,726
Loans to customers	598,407	43,169	181,692	125,207	-	76	948,551
Investments available-for-sale	449	-	90	43,507	24	-	44,070
Investments held to maturity	-	-	-	37,042	-	-	37,042
Investment property	2,739	-	-	5,665	-	947	9,351
Property, plant and equipment	2,649	1,938	8,958	467	578	1,461	16,051
Intangible assets	159	166	1,416	22	7	1,474	3,244
Goodwill	24	59	1,107	-	-	809	1,999
Other assets	1,091	5	1,203	721	41	3,717	6,778
TOTAL ASSETS	622,354	49,125	227,947	453,593	85,254	8,484	1,446,757
LIABILITIES							
Financial liabilities at fair value through profit or loss	14	-	-	8,443	32	-	8,489
Due to banks and the Central Bank of the Russian Federation	11,457	1,318	4,425	157,744	56,703	2	231,649
Customer accounts	505,298	39,864	262,473	23,919	1,881	226	833,661
Bonds and Eurobonds	-	-	9,933	134	55,555	-	65,622
Promissory notes issued	74,983	1,044	12	9,569	7,593	-	93,201
Deferred income tax liabilities	-	-	-	-	-	2,496	2,496
Other liabilities	360	107	894	653	22	3,743	5,779
Subordinated debt	-	-	-	-	63,468	5,488	68,956
TOTAL LIABILITIES	592,112	42,333	277,737	200,462	185,254	11,955	1,309,853

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Three months ended 31 March 2013 Total
External interest income	12,568	1,552	3,447	3,374	109	-	21,050
External interest expense	(5,053)	(172)	(2,616)	(2,815)	(1,595)	-	(12,251)
Internal funding costs/revenues from Central treasury	(3,305)	(423)	1,672	564	1,492	-	-
Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets	4,210	957	2,503	1,123	6	-	8,799
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(486)	(16)	(398)	-	-	(18)	(918)
Net interest income	3,724	941	2,105	1,123	6	(18)	7,881
Fee and commission income	846	319	1,442	40	5	-	2,652
Fee and commission expense	(41)	(13)	(605)	(27)	(21)	-	(707)
Trading and foreign exchange results	43	4	46	457	140	-	690
Other operating income	221	26	83	152	(5)	20	497
Net result from other segments *	(29)	(13)	30	30	(18)	-	-
Operating income before impairment losses of investments available-for-sale and investment property and provisions on other transactions	4,764	1,264	3,101	1,775	107	2	11,013
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	61	(14)	(10)	-	-	7	44
Operating expenses	(1,413)	(777)	(2,341)	(238)	(82)	(618)	(5,469)
Operating profit before income tax	3,412	473	750	1,537	25	(609)	5,588
Income tax expense	-	-	-	-	-	(1,207)	(1,207)
Net profit	3,412	473	750	1,537	25	(1,816)	4,381
Depreciation and amortization expense	(97)	(59)	(201)	(16)	(5)	(40)	(418)
Capital expenditures	50	30	98	8	3	20	209

* Represents results from revenue sharing agreements between segments used to allocate certain external revenues between business segments jointly participating in revenue generating activities

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	31 December 2013 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	4,501	3,379	32,905	24,263	22,784	-	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	1,321	336	1,513	419	5,280	-	8,869
Precious metals	5,671	-	10	65	-	-	5,746
Financial assets at fair value through profit or loss	11	-	-	170,133	11,842	-	181,986
Loans and advances to banks and other financial institutions	55	-	4,762	82,206	46,638	-	133,661
Loans to customers	551,169	48,309	173,055	104,174	2,492	75	879,274
Investments available-for-sale	512	-	85	38,911	20	4	39,532
Investment property	2,780	-	-	4,823	-	968	8,571
Property, plant and equipment	2,929	2,045	8,638	561	610	1,422	16,205
Intangible assets	190	164	1,543	28	8	1,576	3,509
Goodwill	24	59	1,107	-	-	809	1,999
Other assets	1,936	66	3,092	1,472	25	5,276	11,867
TOTAL ASSETS	571,099	54,358	226,710	427,055	89,699	10,130	1,379,051
LIABILITIES							
Financial liabilities at fair value through profit or loss	48	-	-	2,761	57	-	2,866
Due to banks and the Central Bank of the Russian Federation	12,506	3,607	5,365	219,644	16,065	-	257,187
Customer accounts	428,689	49,358	274,264	25,891	3,269	-	781,471
Bonds and Eurobonds	-	-	10,736	36,967	16,256	-	63,959
Promissory notes issued	46,026	1,287	330	13,719	290	-	61,652
Deferred income tax liabilities	-	-	-	-	-	3,378	3,378
Other liabilities	1,214	203	1,011	726	32	2,536	5,722
Subordinated debt	-	-	-	-	58,185	5,274	63,459
TOTAL LIABILITIES	488,483	54,455	291,706	299,708	94,154	11,188	1,239,694

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Valuation techniques

The Group uses a number of methodologies to determine the fair values of financial instruments for which observable prices in active markets for identical instruments are not available. These techniques include: relative value methodologies based on observable prices for similar instruments; present value approaches where future cash flows from the asset or liability are estimated and then discounted using a risk-adjusted interest rate.

The principal inputs to these valuation techniques are listed below. Values between and beyond available data points are obtained by interpolation and extrapolation. When utilising valuation techniques, the fair value can be significantly affected by the choice of valuation model and by underlying assumptions concerning factors such as the amounts and timing of cash flows, discount rates and credit risk.

Bond prices – quoted prices are generally available for government bonds, certain corporate securities and some mortgage-related products.

Interest rates – these are principally benchmark interest rates or internal Bank rates effective as at reporting date and quoted interest rates in the swap, bond and futures markets.

Foreign currency exchange rates – there are observable markets both for spot and forward contracts and futures in the world's major currencies.

Equity and equity index prices – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares.

Commodity prices – many commodities are actively traded in spot and forward contracts and futures on exchanges in London, New York and other commercial centres.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information gathered from the above sources. Furthermore, on an ongoing basis, the Group assesses the appropriateness of any model used.

Financial assets and liabilities

The following methods and significant assumptions have been applied to estimate the fair values of following financial instruments:

- Cash and balances with the CBR and minimum reserve deposits with the CBR, due to the short-term environment of these types of assets, the carrying amount is assumed to be reasonable estimate of their fair value.
- The estimated fair value of quoted trading securities and derivative financial instruments, comprising financial assets at fair value through profit or loss category, is determined based on quoted active market prices at the reporting date.
- The estimated fair value of loans to banks and to customers for provided during the last quarter to the reporting date is assumed to be reasonable estimate of fair value amount for them. The fair value of loans originated earlier is estimated by application of market interest rates effective on the reporting date using discounted cash flows method with the deduction of the allowances for credit losses from the calculated fair value amounts.
- The estimated fair value of promissory notes and bonds comprising investments available-for-sale category is determined based on the quoted market prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities whose market rates are quoted.
- The fair value of units of investment funds, which have quoted prices on the active market, is determined based on the quoted market prices. For shares in investment funds, which have no quoted prices on the active market the Group uses an independent appraiser's valuation for determining the fair value of such shares in the investment funds. The fair value of the assets of the investment funds is determined by the use of different approaches (income approach, comparative approach and cost approach) and methods (income capitalization method, company-analogue method, discounted cash flows method, liquidation value method).

- The fair value of investments held to maturity is determined based on quoted active market prices at the reporting date.
- Other financial assets and liabilities are mainly represented by short-term receivables and payables, therefore the carrying amount is assumed to be reasonable estimate of their fair value.
- The fair value of term deposits (included in customer accounts and deposits from banks) for term deposits placed during the period of one month to the reporting date is assumed to be fair value amount for them. The fair value of the other term deposits is estimated based on expected cash flows discounted using market interest rates for similar funds. The carrying amount of current customer accounts is assumed to be reasonable estimate of their fair value due to the short-term environment and availability requirements of these types of liability.
- The fair value of issued bonds, Eurobonds, promissory notes and subordinated liabilities is based on quoted prices. Where these are not available, fair value is based on expected cash flows discounted using market interest rates for similar securities or funds whose market rates are quoted.

The valuation techniques have been consistently applied by the Group across the years.

The following table compares the carrying amount of financial assets and liabilities to their estimated fair values as at 31 March 2014 and 31 December 2013:

	31 March 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and balances with the Central Bank of the Russian Federation	76,788	76,788	87,832	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	8,873	8,873	8,869	8,869
Financial assets at fair value through profit or loss	151,932	151,932	181,986	181,986
Loans and advances to banks and other financial institutions	133,726	133,889	133,661	133,896
Loans to customers	948,551	950,849	879,274	890,420
Investments available-for-sale	44,070	43,665	39,532	39,117
Investments held to maturity	37,042	36,586	-	-
Financial liabilities				
Financial liabilities at fair value through profit or loss	8,489	8,489	2,866	2,866
Due to banks and the Central Bank of the Russian Federation	231,649	232,148	257,187	257,671
Customer accounts	833,661	843,403	781,471	789,313
Bonds and Eurobonds	65,622	67,505	63,959	66,275
Promissory notes issued	93,201	93,197	61,652	61,528
Subordinated debt	68,956	70,799	63,459	65,982

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as at 31 March 2014 and 31 December 2013.

	Level 1	Level 2	Level 3	31 March 2014 Total
Financial assets				
Cash and balances with the Central Bank of the Russian Federation	76,788	-	-	76,788
Minimum reserve deposits with the Central Bank of the Russian Federation	8,873	-	-	8,873
Financial assets at fair value through profit or loss	143,456	8,476	-	151,932
Loans and advances to banks and other financial institutions	-	133,889	-	133,889
Loans to customers	-	950,849	-	950,849
Investments available-for-sale	40,370	2,243	1,052	43,665
Investments held to maturity	36,586	-	-	36,586
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	8,489	-	8,489
Due to banks and the Central Bank of the Russian Federation	-	232,148	-	232,148
Customer accounts	-	843,403	-	843,403
Bonds and Eurobonds	67,505	-	-	67,505
Promissory notes issued	10,733	82,464	-	93,197
Subordinated debt	50,617	20,182	-	70,799
31 December 2013				
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and balances with the Central Bank of the Russian Federation	87,832	-	-	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	8,869	-	-	8,869
Financial assets at fair value through profit or loss	177,947	4,039	-	181,986
Loans and advances to banks and other financial institutions	-	133,896	-	133,896
Loans to customers	-	890,420	-	890,420
Investments available-for-sale	36,663	1,202	1,252	39,117
Investments held to maturity	-	-	-	-
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	2,866	-	2,866
Due to banks and the Central Bank of the Russian Federation	-	257,671	-	257,671
Customer accounts	-	789,313	-	789,313
Bonds and Eurobonds	66,275	-	-	66,275
Promissory notes issued	5,953	55,575	-	61,528
Subordinated debt	46,102	19,880	-	65,982

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. There were no transfers between the levels during the year.

The following table shows the impact of possible alternative assumptions to estimate the fair value of Level 3 instruments.

	<u>Carrying value</u>	<u>Impact of possible alternative assumptions</u>	<u>Total</u>
Corporate bonds	1,042	(21)	1,021
Shares	10	-	10
Investments available-for-sale	<u>1,052</u>	<u>(21)</u>	<u>1,031</u>

The following table provides quantitative information about significant unobservable inputs used to measure financial instruments Level 3 fair value hierarchy as at 31 March 2014 and 31 December 2013:

	<u>Carrying value</u>	<u>Assessment methodology</u>	<u>Unobservable inputs</u>	<u>Range (weighted average value)</u>
Corporate bonds	1,042	Discounted cash flows	Credit risk rate	14.16-17.84%
Shares	10	Net assets value	Value of underlying assets	Not applicable
Investments available-for-sale	<u>1,052</u>			

	<u>Carrying value</u>	<u>Assessment methodology</u>	<u>Unobservable inputs</u>	<u>Range (weighted average value)</u>
Corporate bonds	1,232	Discounted cash flows	Credit risk rate	10.57-12.57%
Shares	20	Net assets value	Value of underlying assets	Not applicable
Investments available-for-sale	<u>1,252</u>			

23. CAPITAL MANAGEMENT

For Basel I ratio calculation purposes, two tiers of capital are distinguished:

Tier I capital is "core" bank capital and includes paid share capital (less the carrying value of treasury shares), non-controlling interests in the equity of subsidiaries and retained earnings (including their allocations to reserves), less certain deductions, such as goodwill.

Tier II capital is "supplementary" bank capital that includes subordinated debt, hybrid instruments with characteristics of both capital and certain revaluation reserves, such as unrealized gains on the revaluation of investments available-for-sale and property, plant and equipment revaluation reserve.

The table below presents the composition of capital complying with 1988 Basel Capital Accord and discloses the capital – adequacy ratio as at 31 March 2014 and 31 December 2013:

	31 March 2014	31 December 2013
Tier 1 capital	133,675	135,775
Tier 2 capital	59,375	56,421
Total regulatory capital	193,050	192,196
Risk-weighted assets:		
Credit risks	1,129,012	1,129,120
Market risks	191,185	208,274
Total risk-weighted assets	1,320,197	1,337,394
Basel ratio	14.62%	14.37%
Tier 1	10.13%	10.15%

As at 31 March 2014 and 31 December 2013 the Group included the subordinated debt received in the computation of total capital, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of these loans is subordinate to the repayment of the Group's liabilities to all other creditors.

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the 1988 Basel Capital Accord 1988. As at 31 March 2014 and 31 December 2013, the Group complied with Basel capital requirements.

The Bank's overall capital management policy is aimed at the dynamic optimization of capital required for the Bank's expansion and maintenance of sufficient capital adequacy to protect the Bank from unfavorable changes in market conditions and minimize liquidity risk. The capital management policy supports the shareholders' vision and strategy of long-term Bank development.

24. RISK MANAGEMENT POLICY

Foreign currency and precious metals risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange and precious metals exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

Market price of precious metals is denominated in USD on London Stock Exchange and therefore is exposed to currency risk.

The Group's exposure to foreign currency exchange rate risk as at 31 March 2014 is presented in the table below:

	RUB	USD 1 USD = RUB 35.6871	Euro 1 EUR = RUB 49.0519	Gold 1 ounce = RUB 46,098.81	Other	31 March 2014 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	59,805	10,025	6,467	-	491	76,788
Minimum reserve deposits with the Central Bank of the Russian Federation	8,873	-	-	-	-	8,873
Financial assets at fair value through profit or loss	100,560	50,469	509	299	95	151,932
Loans and advances to banks and other financial institutions	51,198	61,690	9,867	203	10,768	133,726
Loans to customers	818,724	118,064	11,759	-	4	948,551
Investments available-for-sale	12,191	31,873	6	-	-	44,070
Investments held to maturity	27,120	9,922	-	-	-	37,042
Other financial assets	1,994	237	19	-	188	2,438
TOTAL FINANCIAL ASSETS	1,080,465	282,280	28,627	502	11,546	1,403,420
Precious metals	-	-	-	7,945	407	8,352
Property, plant and equipment	16,051	-	-	-	-	16,051
Goodwill	1,999	-	-	-	-	1,999
Intangible assets	3,244	-	-	-	-	3,244
Investment property	9,351	-	-	-	-	9,351
Other non-financial assets	4,165	44	7	28	96	4,340
TOTAL NON-FINANCIAL ASSETS	34,810	44	7	7,973	503	43,337
TOTAL ASSETS	1,115,275	282,324	28,634	8,475	12,049	1,446,757
LIABILITIES						
Financial liabilities at fair value through profit or loss	1,517	6,018	946	-	8	8,489
Due to banks and the Central Bank of the Russian Federation	159,509	48,089	14,432	7,616	2,003	231,649
Customer accounts	660,785	144,854	22,786	3,077	2,159	833,661
Bonds and Eurobonds	47,347	18,275	-	-	-	65,622
Promissory notes issued	24,947	66,683	1,559	-	12	93,201
Other financial liabilities	4,074	248	33	3	23	4,381
Subordinated debt	14,532	54,424	-	-	-	68,956
TOTAL FINANCIAL LIABILITIES	912,711	338,591	39,756	10,696	4,205	1,305,959
Deferred income tax liabilities	2,496	-	-	-	-	2,496
Other non-financial liabilities	1,229	167	2	-	-	1,398
TOTAL NON-FINANCIAL LIABILITIES	3,725	167	2	-	-	3,894
TOTAL LIABILITIES	916,436	338,758	39,758	10,696	4,205	1,309,853
OPEN BALANCE SHEET POSITION	198,839	(56,434)	(11,124)	(2,221)	7,844	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(194,733)	(153,926)	(37,869)	(5,388)	(15,858)	(407,774)
Receivables under forward deals	136,718	205,497	45,582	11,572	8,405	407,774
Payables under spot deals	(19,729)	(39,337)	(18,512)	(4,010)	(6,360)	(87,948)
Receivables under spot deals	12,466	47,082	22,934	-	5,466	87,948
Payables under currency-interest swaps	(9,616)	(9,630)	-	-	-	(19,246)
Receivables under currency-interest swaps	9,630	9,616	-	-	-	19,246
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	(65,264)	59,302	12,135	2,174	(8,347)	
TOTAL OPEN POSITION	133,575	2,868	1,011	(47)	(503)	
CREDIT CONTINGENT LIABILITIES	331,988	20,645	8,294	-	61	

The Group's exposure to foreign currency exchange rate risk as at 31 December 2013 is presented in the table below:

	RUB	USD 1 USD = RUB 32.7292	Euro 1 EUR = RUB 44.9699	Gold 1 ounce = RUB 39,324.13	Other	31 December 2013 Total
ASSETS						
Cash and balances with the Central Bank of the Russian Federation	81,232	2,914	3,398	261	27	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	8,869	-	-	-	-	8,869
Financial assets at fair value through profit or loss	140,445	41,376	62	4	99	181,986
Loans and advances to banks and other financial institutions	65,244	54,247	11,861	199	2,110	133,661
Loans to customers	758,102	107,817	13,293	-	62	879,274
Investments available-for-sale	9,522	30,004	6	-	-	39,532
Other financial assets	5,280	307	6	-	1,223	6,816
TOTAL FINANCIAL ASSETS	1,068,694	236,665	28,626	464	3,521	1,337,970
Precious metals	-	-	-	4,939	807	5,746
Investment property	8,571	-	-	-	-	8,571
Property, plant and equipment	16,205	-	-	-	-	16,205
Intangible assets	3,509	-	-	-	-	3,509
Goodwill	1,999	-	-	-	-	1,999
Other non-financial assets	4,928	5	6	27	85	5,051
TOTAL NON-FINANCIAL ASSETS	35,212	5	6	4,966	892	41,081
TOTAL ASSETS	1,103,906	236,670	28,632	5,430	4,413	1,379,051
LIABILITIES						
Financial liabilities at fair value through profit or loss	886	1,777	135	41	27	2,866
Due to banks and the Central Bank of the Russian Federation	197,078	41,390	11,899	6,641	179	257,187
Customer accounts	683,180	72,104	19,824	4,438	1,925	781,471
Bonds and Eurobonds	47,703	16,256	-	-	-	63,959
Promissory notes issued	20,312	39,047	2,282	-	11	61,652
Other financial liabilities	3,998	247	1	-	4	4,250
Subordinated debt	14,518	48,941	-	-	-	63,459
TOTAL FINANCIAL LIABILITIES	967,675	219,762	34,141	11,120	2,146	1,234,844
Deferred income tax liabilities	3,378	-	-	-	-	3,378
Other non-financial liabilities	1,465	5	2	-	-	1,472
TOTAL NON-FINANCIAL LIABILITIES	4,843	5	2	-	-	4,850
TOTAL LIABILITIES	972,518	219,767	34,143	11,120	2,146	1,239,694
OPEN BALANCE SHEET POSITION	131,388	16,903	(5,511)	(5,690)	2,267	
Fair value of derivative financial instruments and spot deals						
Payables under forward deals	(78,214)	(97,076)	(21,819)	(1,364)	(13,663)	(212,136)
Receivables under forward deals	98,552	82,542	16,418	7,850	6,774	212,136
Payables under spot deals	(577)	(1,929)	(7)	(1,486)	(1,213)	(5,212)
Receivables under spot deals	2,134	1,679	1,399	-	-	5,212
Payables under currency-interest swaps	(16,067)	(12,196)	-	-	-	(28,263)
Receivables under currency-interest swaps	12,196	16,067	-	-	-	28,263
NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS	18,024	(10,913)	(4,009)	5,000	(8,102)	
TOTAL OPEN POSITION	149,412	5,990	(9,520)	(690)	(5,835)	
CREDIT CONTINGENT LIABILITIES	345,352	49,518	8,445	-	68	

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. The liquidity and cash flow risks arise in the case of maturity gap.

The liquidity risk is defined as a mismatch of asset and liability maturity periods. The liquidity risk is managed by the Financial Committee of the Group.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched due to the variety of Group's lending and funding operations. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates. Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that these deposits are a relatively stable and long-term source of finance for the Group.

The below data on term deposits of individuals are based on the terms of contracts. However, individuals may withdraw deposits at any time.

Long-term credits and overdraft facilities are generally not available in Russian Federation. However, in the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented below.

While financial assets at fair value through profit or loss are mainly shown as less than one month, realizing such assets upon demand is dependent upon financial market conditions.

Substantially all of the Group's interest bearing assets and interest bearing liabilities are at fixed rates of interest.

Interest bearing assets and liabilities generally have relatively short maturities and interest rates are re-priced only at maturity.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Finance Committee of the Bank sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 31 March 2014:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 March 2014 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	76,788	-	-	-	-	-	76,788
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	8,873	8,873
Precious metals	8,352	-	-	-	-	-	8,352
Financial assets at fair value through profit or loss	144,261	385	2,014	5,012	253	7	151,932
Loans and advances to banks and other financial institutions	104,951	15,400	12,475	-	900	-	133,726
Loans to customers	136,236	124,515	258,211	306,818	122,016	755	948,551
Investments available-for-sale	-	1,723	6,081	25,561	10,012	693	44,070
Investments held to maturity	-	-	-	35,580	1,462	-	37,042
Investment property	-	-	-	-	-	9,351	9,351
Property, plant and equipment	-	-	-	-	-	16,051	16,051
Intangible assets	-	-	-	3,244	-	-	3,244
Goodwill	-	-	-	-	-	1,999	1,999
Other assets	3,371	1,193	2,072	66	15	61	6,778
TOTAL ASSETS	473,959	143,216	280,853	376,281	134,658	37,790	1,446,757
LIABILITIES							
Financial liabilities at fair value through profit or loss	1,450	120	2,202	4,490	227	-	8,489
Due to banks and the Central Bank of the Russian Federation	153,593	19,324	47,796	10,235	701	-	231,649
Customer accounts	291,982	86,017	296,366	159,139	157	-	833,661
Bonds and Eurobonds	493	38	10,661	44,575	7,311	2,544	65,622
Promissory notes issued	3,039	7,353	81,138	1,671	-	-	93,201
Deferred income tax liabilities	-	-	-	-	-	2,496	2,496
Other liabilities	3,601	1,805	80	272	21	-	5,779
Subordinated debt	1,363	498	-	12,465	54,630	-	68,956
TOTAL LIABILITIES	455,521	115,155	438,243	232,847	63,047	5,040	1,309,853
Liquidity gap	18,438	28,061	(157,390)	143,434	71,611	-	-
Stable sources of funding (1)	136,513	18,125	44,399	(199,037)	-	-	-
Adjusted liquidity gap (1)	154,951	46,186	(112,991)	(55,603)	71,611	-	-

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 31 December 2013:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
ASSETS							
Cash and balances with the Central Bank of the Russian Federation	87,832	-	-	-	-	-	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	8,869	8,869
Precious metals	5,746	-	-	-	-	-	5,746
Financial assets at fair value through profit or loss	179,319	311	254	2,016	77	9	181,986
Loans and advances to banks and other financial institutions	104,228	16,860	12,305	-	268	-	133,661
Loans to customers	110,919	114,185	248,715	288,267	117,188	-	879,274
Investments available-for-sale	102	170	4,905	19,384	13,960	1,011	39,532
Investments held to maturity	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	8,571	8,571
Property, plant and equipment	-	-	-	-	-	16,205	16,205
Intangible assets	-	-	-	3,509	-	-	3,509
Goodwill	-	-	-	-	-	1,999	1,999
Other assets	4,110	1,719	5,463	117	294	164	11,867
TOTAL ASSETS	492,256	133,245	271,642	313,293	131,787	36,828	1,379,051
LIABILITIES							
Financial liabilities at fair value through profit or loss	431	748	138	1,549	-	-	2,866
Due to banks and the Central Bank of the Russian Federation	156,108	38,539	49,849	11,894	797	-	257,187
Customer accounts	291,689	94,950	229,966	164,472	394	-	781,471
Bonds and Eurobonds	492	4,374	10,140	38,332	10,621	-	63,959
Promissory notes issued	2,761	14,427	42,127	2,337	-	-	61,652
Deferred income tax liabilities	-	-	-	-	-	3,378	3,378
Other liabilities	3,062	1,194	1,367	29	70	-	5,722
Subordinated debt	140	-	651	11,440	51,228	-	63,459
TOTAL LIABILITIES	454,683	154,232	334,238	230,053	63,110	3,378	1,239,694
Liquidity gap	37,573	(20,987)	(62,596)	83,240	68,677	-	-
Stable sources of funding (1)	131,196	21,284	47,890	(200,370)	-	-	-
Adjusted liquidity gap (1)	168,769	297	(14,706)	(117,130)	68,677	-	-

- (1) For liability risk management purposes, the Group monitors the mismatch between asset and liability contractual maturities. In addition, the Group identifies certain financial instruments which represent a relatively stable source of funds, despite its contractually short maturities. These instruments are correspondent accounts of banks included within Due to banks and the Central Bank of the Russian Federation and customer accounts.

These financial instruments are split into homogeneous groups with similar statistical characteristics so that management can estimate the portion of these balances which are not subject to significant risk of reduction in outstanding balances. Large customers with the highest volatility are separated from the groups and pooled together so that management can use a stochastic model that better describes these large customers behaviour on a pool basis. The stable portion is estimated with a preset level of reliability and revised regularly, at least once a quarter.

Although management believes that these components of the correspondent and customer accounts are a stable source of funding, the Group considers that customer accounts related to small, homogeneous deposits will mature in three years while all other stable sources of funding will mature in one year from the balance sheet dates.

25. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Group and other related parties are disclosed below:

	31 March 2014			31 December 2013		
	Related party transactions	Average effective interest %	Total category as per consolidated financial statements caption	Related party transactions	Average effective interest %	Total category as per consolidated financial statements caption
Financial assets at fair value through profit or loss	1,327		151,932	24		181,986
Debt securities						
- <i>shareholders of the Group</i>	13	7.15%		24	7.72%	
Equity securities and derivative financial instruments						
- <i>companies controlled by shareholders</i>	1,314			-		
Loans and advances to banks and other financial institutions, net	162		133,726	14		133,661
Correspondent accounts with banks						
- <i>companies controlled by shareholders</i>	162			14		
Loans to customers, gross	57,745		980,736	17,933		912,113
- <i>shareholders of the Group</i>	10,000	9.82%		14,753	7.37%	
- <i>key management personnel</i>	259	8.56%		244	8.26%	
- <i>companies controlled by shareholders</i>	47,486	8.69%		2,936	7.30%	
Allowance for impairment of loans to customers	(220)		(32,185)	(6)		(32,839)
- <i>shareholders of the Group</i>	(12)			(6)		
- <i>companies controlled by shareholders</i>	(208)			-		
Investments available-for-sale	303		44,070	297		39,532
Debt securities						
- <i>shareholders of the Group</i>	2	10.11%		2	10.11%	
- <i>companies controlled by shareholders</i>	-			-		
Equity securities						
- <i>companies controlled by shareholders</i>	301			295		
Other assets	715		6,778	956		11,867
- <i>shareholders of the Group</i>	-			2		
- <i>key management personnel</i>	1			-		
- <i>companies controlled by shareholders</i>	714			954		
Financial liabilities at fair value through profit or loss	142		8,489	162		2,866
- <i>shareholders of the Group</i>	4					
- <i>companies controlled by shareholders</i>	138			162		
Customer accounts	31,534		833,661	15,659		781,471
Term deposits						
- <i>shareholders of the Group</i>	1,797	6.85%		65	8.81%	
- <i>key management personnel</i>	1,190	6.04%		1,202	6.32%	
- <i>companies controlled by shareholders</i>	10,243	7.96%		6,487	5.53%	
Current accounts						
- <i>shareholders of the Group</i>	255			663		
- <i>key management personnel</i>	154			120		
- <i>entities under common control</i>	78			-		
- <i>companies controlled by shareholders</i>	17,817			7,122		
Promissory notes issued	162		93,201			61,652
- <i>companies controlled by shareholders</i>	162	8.68%		-	-	

	31 March 2014			31 December 2013		
	Related party transactions	Average effective interest %	Total category as per consolidated financial statements caption	Related party transactions	Average effective interest %	Total category as per consolidated financial statements caption
Other liabilities	419		5,779	704		5,722
- shareholders of the Group	13			10		
- key management personnel	253			453		
- companies controlled by shareholders	153			241		
Subordinated debt	11,393		68,956	11,179		63,459
- shareholders of the Group	7,763	7.84%		7,763	7.84%	
- companies controlled by shareholders	3,630	7.74%		3,416	7.87%	
Commitments on loans and unused credit lines	22,110		161,580	21,529		166,024
- shareholders of the Group	21,807			21,500		
- key management personnel	32			22		
- companies controlled by shareholders	271			7		
Guarantees issued and similar commitments	12,071		191,147	3,813		226,064
- shareholders of the Group	12,064			3,652		
- companies controlled by shareholders	7			161		

	Three months ended 31 March 2014		Three months ended 31 March 2013	
	Key management personnel	Total for the Group	Key management personnel	Total for the Group
Key management personnel compensation:				
- salary	108		75	
- bonuses	108		36	
- representation and travel expenses	2		11	
- contribution to non-government pension fund	-		2	
		4,344	124	3,089

	Three months ended 31 March 2014		Three months ended 31 March 2013	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
Interest income		34,289		21,050
- shareholders of the Group	139		-	
- companies controlled by shareholders	337		1,153	
- key management personnel	7		16	
Interest expense		(18,668)		(12,251)
- shareholders of the Group	(506)		(12)	
- companies controlled by shareholders	(200)		(211)	
- key management personnel	(19)		(16)	
Provision for impairment losses on interest bearing assets		(4,385)		(1,111)
- shareholders of the Group	(6)		-	
- companies controlled by shareholders	(208)		(37)	
- key management personnel	-		-	
Trading income		(3,356)		671
- shareholders of the Group	(819)		1	
- companies controlled by shareholders	982		(3)	
- entities under common control	(2)		-	
- key management personnel	(11)		(1)	
Fee and commission income		4,606		2,652
- shareholders of the Group	1		-	
- companies controlled by shareholders	855		22	
Fee and commission expense		(984)		(707)
- companies controlled by shareholders	(3)		-	
Net gain\loss) in investments available-for-sale		(62)		19
- companies controlled by shareholders	-		19	
(Provision) / recovery of provision for impairment losses on other transactions		(389)		44
- shareholders of the Group	(2)		-	
Other income		542		436
- shareholders of the Group	10		-	
- companies controlled by shareholders	1		-	
- key management personnel	37		-	
Operating expenses		(8,470)		(5,469)
- key management personnel	(221)		(130)	
- companies controlled by shareholders	(111)		(2)	

26. SUBSEQUENT EVENTS

In May 2014 OJSC “Financial Corporation “OTKRITIE” announced the reorganisation of its integrated banking business and the introduction of a unified brand platform for all its businesses. These changes are being implemented as part of the process to create Russia’s largest full-service private financial group. In June 2014, OJSC “Financial corporation “OTKRITIE”, the Group’s parent company, was renamed to OJSC “Otkritie Holding” with logo will remaining unchanged.

OJSC “Otkritie Holding” banking business, will develop through the Bank “Financial Corporation Otkritie” and OJSC “Khanty-Mansiysk Bank”, each will focus on specific business lines. The corporate and investment banking business will be developed by Bank “Financial Corporation Otkritie”. Furthermore the Bank “Financial Corporation Otkritie” will incorporate Bank Petrocommerce by the end of 2015.

In March 2014 the Supervisory Board made a decision to increase the share capital by issuing additional ordinary registered uncertificated shares in the amount of 30,200 thousand pieces at par value of 50 rubles per share, shares planned to be placed by open subscription. In May 2014 OJSC Bank “Financial Corporation Otkritie” received permission from the Central Bank of the Russian Federation to register the issue.