

BANK VOZROZHDENIE

**International Financial Reporting Standards
Interim Summarized Consolidated Financial
Statements**

(unaudited)

March 31, 2014

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Bank Vozrozhdenie
Interim Consolidated Statement of Financial Position as at March 31, 2014

<i>In millions of Russian Roubles</i>	Note	March 31, 2014 (unaudited)	December 31, 2013
ASSETS			
Cash and cash equivalents	3	25 682	29 331
Mandatory cash balances with the Central Bank of the Russian Federation		1 718	1 780
Trading securities	4	4 840	4 647
Due from other banks	5	968	644
Loans and advances to customers	6	158 393	155 828
Investment securities available for sale	7	2 300	7 510
Investment securities pledged under repurchase agreements	8	6 363	-
Premises and equipment		3 111	3 124
Other financial assets		807	1 010
Non-current assets classified as held for sale	9	183	325
Differed tax asset		1 211	1 217
Other assets	9	5 260	5 590
TOTAL ASSETS		210 836	211 006
LIABILITIES			
Due to other banks	10	15 895	8 996
Customer accounts	11	153 095	161 540
Debt securities in issue	12	14 008	10 154
Other borrowed funds		-	3 004
Other financial liabilities		277	335
Other liabilities		615	587
Subordinated loans	13	4 153	4 024
TOTAL LIABILITIES		188 043	188 640
EQUITY			
Share capital		250	250
Share premium		7 306	7 306
Retained earnings		15 030	14 602
Revaluation reserve for investment securities available for sale		207	208
TOTAL EQUITY		22 793	22 366
TOTAL LIABILITIES AND EQUITY		210 836	211 006

Approved for issue and signed on May 26, 2014.

Mr. Alexander V. Dolgopolov
Chairman of the Management Board

Mrs. Elena V. Volik
Chief Accountant

Bank Vozrozhdenie
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
as at March 31, 2014

<i>In millions of Russian Roubles</i>	Note	3M ended March 31, 2014 (unaudited)	3M ended March 31, 2013 (unaudited)
Interest income	14	5 063	4 451
Interest expense	14	(2 472)	(2 271)
Net interest income		2 591	2 180
Provision for loan impairment	6	(893)	(985)
Net interest income after provision for loan impairment		1 698	1 195
Fee and commission income	15	1 101	1 222
Fee and commission expense	15	(185)	(115)
Gains less losses from trading securities		(67)	5
Gains less losses from trading in foreign currencies		92	(41)
Foreign exchange translation gains less losses		(19)	179
Dividend income received		1	-
Other operating income		131	60
Administrative and other operating expenses	16	(2 187)	(2 091)
Provision for impairment of other assets	9	(9)	21
Profit before tax		556	435
Income tax expense		(128)	(102)
PROFIT FOR THE REPORTING PERIOD		428	333
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale investments:			
- Change in revaluation reserve		5	30
- Income tax recorded directly in other comprehensive income		(6)	(8)
Other comprehensive income for the reporting period		(1)	22
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD		427	355
Earnings per share for profit attributable to the equity holders of the Bank, basic and diluted (expressed in RR per share)			
Ordinary shares		17	14

Bank Vozrozhdenie
Interim Summarized Consolidated Statement of Changes in Equity as at March 31, 2014

<i>In millions of Russian Roubles</i>	Share capital	Share premium	Revaluation reserve for available for sale securities	Retained earnings	Total
Balance at December 31, 2013	250	7 306	208	14 602	22 366
Profit for the three months ended March 31, 2014	-	-	-	428	428
Other comprehensive income	-	-	(1)	-	(1)
Total comprehensive income for 2014	-	-	(1)	428	427
Dividends declared	-	-	-	-	-
Balance at March 31, 2014	250	7 306	207	15 030	22 793

<i>In millions of Russian Roubles</i>	Share capital	Share premium	Revaluation reserve for available for sale securities	Retained earnings	Total
Balance at December 31, 2012	250	7 306	127	13 124	20 807
Profit for the three months ended March 31, 2013	-	-	-	333	333
Other comprehensive income	-	-	22	-	22
Total comprehensive income for 2013	-	-	22	333	355
Dividends declared	-	-	-	-	-
Balance at March 31, 2013	250	7 306	149	13 457	21 162

Bank Vozrozhdenie
Interim Summarized Consolidated Statement of Cash Flows as at March 31, 2014

<i>In millions of Russian Roubles</i>	3M ended March 31, 2014 (unaudited)	3M ended March 31, 2013 (unaudited)
Cash flows from operating activities		
Interest received	5 012	4 221
Interest paid	(2 579)	(2 126)
Fees and commissions received	1 087	1 264
Fees and commissions paid	(185)	(115)
Net income received/(losses paid) from trading in trading securities	-	4
Net income received/(losses paid) from trading in foreign currencies	92	(41)
Other operating income received	96	59
Administrative and other operating expenses paid	(2 036)	(1 881)
Income tax paid	(32)	(141)
Cash flows from operating activities before changes in operating assets and liabilities	1 455	1 244
Changes in operating assets and liabilities		
Net decrease/(increase) in mandatory cash balances with the Central Bank of the Russian Federation	62	(152)
Net increase in trading securities	(2 167)	(2 001)
Net (increase)/decrease in due from other banks	(275)	4 792
Net increase in loans and advances to customers	(2 082)	(7 710)
Net decrease in other financial assets	233	412
Net decrease in other assets	256	43
Net increase in due to other banks	6 584	446
Net decrease in customer accounts	(11 050)	(977)
Net increase in debt securities in issue	3 842	97
Net decrease in other financial liabilities	(62)	(109)
Net decrease in other liabilities	(34)	(36)
Net decrease in other borrowed funds	(3 000)	(222)
Net cash used in operating activities	(6 238)	(4 173)
Cash flows from investing activities		
Acquisition of investment securities available for sale	(1 600)	(1 104)
Proceeds from disposal of investment securities available for sale	2 763	154
Acquisition of premises and equipment	(101)	(53)
Proceeds from disposal of premises and equipment	57	1
Proceeds from disposal of investment properties	12	2
Proceeds from disposal of non-current assets held for sale	188	30
Dividend income received	1	-
Net cash received from/(used in) investing activities	1 320	(970)
Cash flows from financing activities		
Receipt of subordinated loans	248	1 000
Subordinated loans repayment	(183)	-
Net cash from financing activities	65	1 000
Effect of exchange rate changes on cash and cash equivalents	1 204	317
Net decrease in cash and cash equivalents	(3 649)	(3 826)
Cash and cash equivalents at the beginning of the year	29 331	40 885
Cash and cash equivalents at the end of the reporting period	25 682	37 059

1 Introduction

These interim summarised consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the three months ended on March 31, 2014 for Bank Vozrozhdenie (the “Bank”) and its securitisation structured entities, closed joint stock company “Mortgage Agent Vozrozhdeniye 1”, closed joint stock company “Mortgage Agent Vozrozhdeniye 2”, and closed joint stock company “Mortgage Agent Vozrozhdeniye 3” (together referred to as the “Group”).

Presentation currency. These interim summarised consolidated financial statements are presented in millions of Russian Roubles (“RR millions”).

CBRF principal rates of exchange used for translating foreign currency balances were USD 1 = RR 35.6871 as at March 31, 2014, USD 1 = RR 32.7292 as at December 31, 2013, USD 1 = RR 30.9962 as at March 29, 2013, and EUR 1 = RR 49.0519, 44.9699 and 39.6627 respectively.

2 Critical Accounting Estimates and Judgements in Applying Accounting Policies

These interim summarized consolidated financial statements are to be considered along with the Group’s annual financial statements for the year ended December 31, 2013.

These interim summarized consolidated financial statements do not contain all notes which are obligatory to disclosure in a full version of financial statements.

Principles and methods of accounting policy applied in these interim summarized consolidated financial statements comply with the principles and methods applied and described in the Group’s annual Financial Statements for the year ended December 31, 2013.

Judgments made by the Group’s management while applying accounting policy comply with the judgments described in the Bank’s annual Financial Statements for 2013. The Group’s Management did not apply any new estimates and judgments. As a result of applying estimates and judgments described in the Group’s financial statements for the year ended December 31, 2013, the Group’s assets, revenues and income for the three months ended March 31, 2014 did not change materially.

3 Cash and Cash Equivalents

<i>In millions of Russian Roubles</i>	March 31, 2013 (unaudited)	December 31, 2013
Cash on hand	7 652	11 954
Correspondent accounts and overnight placements with banks of		
- Russian Federation	830	601
- Other countries	12 458	10 047
Cash balances with the CBRF (other than mandatory cash balances)	4 742	6 729
Total cash and cash equivalents	25 682	29 331

Cash and cash equivalents are not impaired and are not collateralized.

4 Trading Securities

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)	December 31, 2013
Corporate Eurobonds	4 551	4 529
Russian Federation Eurobonds	287	-
Corporate bonds	1	118
Municipal bonds	1	-
Total trading securities	4 840	4 647

All the securities included into trading securities portfolio have market quotations.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Group does not analyse or monitor impairment indicators. Trading securities are used by the Group basically for managing liquidity risk.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

5 Due from Other Banks

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)	December 31, 2013
Insurance deposits with non-resident banks	587	520
Short-term placements with other banks	381	124
Total due from other banks	968	644

6 Loans and Advances to Customers

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)	December 31, 2013
Corporate loans - large	51 573	51 352
Corporate loans - medium	47 817	47 834
Corporate loans - small	28 361	26 373
Mortgage loans	30 622	29 540
Other loans to individuals	13 233	13 102
Total gross loans and advances to customers (before provision for loan impairment)	171 606	168 201
Less: Provision for loan impairment	(13 213)	(12 373)
Total loans and advances to customers	158 393	155 828

In accordance with the Credit policy loans are divided into corporate and retail.

Corporate loans are divided on the basis of total amount owed by the customer to the Bank into the following categories: large – in excess of RR 750 million, medium – RR 100 million and more, small – less than RR 100 million.

Retail loans are divided into categories by product: mortgage loans and other loans to individuals including consumer loans, car loans and bank card loans.

Mortgage loans include securitised mortgage loans in amount of RR 6,794 million. As at March 31, 2014, mortgage loans include mortgage portfolio of RR 8,612 million securitized in 2011-2013 (less provision for impairment), as at December 31, 2013 – RR 9,042 million (less provision for impairment). Management of the Bank defined that the Group has not transferred main risks related to transferred assets and, therefore, the mentioned transfer was not a basis for their derecognition.

6 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during the three months of 2014 are as follows:

<i>In millions of Russian Roubles</i>	Corporate loans - large	Corporate loans - medium	Corporate loans - small	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at January 1, 2014	7 602	2 582	1 381	261	547	12 373
Provision for impairment during the year	697	23	93	23	56	892
Amounts written off during the reporting period as uncollectible	-	-	(40)	-	-	(40)
Result from disposal of loans under cession agreements	-	-	(12)	-	-	(12)
Provision for loan impairment at March 31, 2014	8 299	2 605	1 422	284	603	13 213

Movements in the provision for loan impairment during 2013 were as follows:

<i>In millions of Russian Roubles</i>	Corporate loans - large	Corporate loans - medium	Corporate loans - small	Mortgage loans	Other loans to individuals	Total
Provision for loan impairment at January 1, 2013	5 291	5 426	2 831	611	544	14 703
Provision for impairment during the year	3 080	311	734	(348)	62	3 839
Amounts written off during the year as uncollectible	(769)	(3 155)	(2 159)	(2)	(2)	(6 087)
Result from disposal of loans under cession agreements	-	-	(25)	-	(57)	(82)
Provision for loan impairment at December 31, 2013	7 602	2 582	1 381	261	547	12 373

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)		December 31, 2013	
	Amount	%	Amount	%
Manufacturing	47 023	27	46 732	28
Individuals	43 855	26	42 642	25
Trade	31 077	19	30 867	19
Construction	13 856	8	13 367	8
Real estate	10 575	6	10 449	6
Agriculture	7 153	4	7 294	4
Transport and communication	4 870	3	3 402	2
Finance	1 836	1	1 875	1
State and public organisations	530	-	929	1
Other	10 831	6	10 644	6
Total gross loans and advances to customers	171 606	100	168 201	100

State and public organisations exclude government owned profit orientated businesses.

As at March 31, 2014, the Group had 34 borrowers with aggregated loan amounts above RR 750 million. The total aggregate amount of these loans was RR 51,573 million or 30% of the gross loans and advanced to customers.

As at December 31, 2013, the Group had 35 borrowers with aggregated loan amounts above RR 750 million. The total aggregate amount of these loans was RR 51,352 million or 31% of the gross loan portfolio.

6 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding as at March 31, 2014 is as follows:

	Corporate loans - large	Corporate loans - medium	Corporate loans - small	Mortgage loans	Other loans to indi- viduals	Total
<i>In millions of Russian Roubles</i>						
<i>Neither past due nor impaired</i>						
- Borrowers with credit history over two years	41 807	-	-	-	-	41 807
- New large borrowers	2 249	-	-	-	-	2 249
- Corporate loans assessed on a portfolio basis issued in 2014	-	9 600	7 611	-	-	17 211
- Corporate loans assessed on a portfolio basis issued before 2014	-	35 745	19 340	-	-	55 085
Loans to individuals assessed on a portfolio basis:						
- Mortgage loans issued in 2014	-	-	-	2 438	-	2 438
- Mortgage loans issued before 2014	-	-	-	27 258	-	27 258
- consumer loans	-	-	-	-	10 307	10 307
- credit cards	-	-	-	-	1 851	1 851
- car loans	-	-	-	-	271	271
Total gross neither past due nor impaired	44 056	45 345	26 951	29 696	12 429	158 477
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	-	104	681	216	1 001
- 30 to 90 days overdue	-	-	-	28	4	32
- 91 to 180 days overdue	-	-	-	21	12	33
- 181 to 360 days overdue	-	127	-	8	3	138
Total gross past due but not impaired	-	127	104	738	235	1 204
<i>Loans collectively determined to be impaired</i>						
- less than 30 days overdue	-	5	8	-	-	13
- 30 to 90 days overdue	-	431	188	-	17	636
- 91 to 180 days overdue	-	13	55	-	15	83
- 181 to 360 days overdue	-	104	332	-	24	460
- over 360 days overdue	-	855	723	-	125	1 703
Total gross collectively impaired loans	-	1 408	1 306	-	181	2 895
<i>Loans individually determined to be impaired</i>						
- 30 to 90 days overdue	-	-	-	28	52	80
- 91 to 180 days overdue	-	-	-	11	43	54
- 181 to 360 days overdue	2 670	460	-	22	49	3 201
- over 360 days overdue	4 847	477	-	127	244	5 695
Total gross individually impaired loans	7 517	937	-	188	388	9 030
Less: Provision for impairment	(8 299)	(2 605)	(1 422)	(284)	(603)	(13 213)
Total loans and advances to customers less provision for impairment	43 274	45 212	26 939	30 338	12 630	158 393

6 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at December 31, 2013 is as follows:

	Corporate loans - large	Corporate loans - medium	Corporate loans - small	Mortgage loans	Other loans to individu- als	Total
<i>In millions of Russian Roubles</i>						
<i>Neither past due nor impaired</i>						
- Borrowers with credit history over two years	41 689	-	-	-	-	41 689
- New borrowers	2 146	-	-	-	-	2 146
- Corporate loans assessed on a portfolio basis issued in 2013	-	31 829	21 531	-	-	53 360
- Corporate loans assessed on a portfolio basis issued before 2013	-	13 738	3 591	-	-	17 329
Loans to individuals assessed on a portfolio basis:						
- Mortgage loans issued in 2013	-	-	-	12 096	-	12 096
- Mortgage loans issued before 2013	-	-	-	16 769	-	16 769
- consumer loans	-	-	-	-	10 228	10 228
- credit cards	-	-	-	-	1 889	1 889
- car loans	-	-	-	-	310	310
Total gross neither past due nor impaired	43 835	45 567	25 122	28 865	12 427	155 816
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	13	22	457	147	639
- 30 to 90 days overdue	-	-	-	7	5	12
- 91 to 180 days overdue	-	127	-	31	1	159
- 181 to 360 days overdue	-	-	-	20	17	37
Total gross past due but not impaired	-	140	22	515	170	847
<i>Loans collectively determined to be impaired</i>						
- 30 to 90 days overdue	-	131	49	-	16	196
- 91 to 180 days overdue	-	104	188	-	17	309
- 181 to 360 days overdue	-	50	235	-	23	308
- over 360 days overdue	-	905	757	-	119	1 781
Total gross collectively impaired loans	-	1 190	1 229	-	175	2 594
<i>Loans individually determined to be impaired</i>						
- 30 to 90 days overdue	-	-	-	1	38	39
- 91 to 180 days overdue	-	460	-	13	34	507
- 181 to 360 days overdue	2 670	-	-	10	45	2 725
- over 360 days overdue	4 847	477	-	136	213	5 673
Total gross individually impaired loans	7 517	937	-	160	330	8 944
Less: Provision for impairment	(7 602)	(2 582)	(1 381)	(261)	(547)	(12 373)
Total loans and advances to customers less provision for impairment	43 750	45 252	24 992	29 279	12 555	155 828

The Group believes that the borrowers with long credit history have a less degree of credit risk. The primary factors that the Group considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any.

6 Loans and Advances to Customers (Continued)

The Group applied the portfolio provisioning methodology prescribed by IAS 39 Financial Instruments: Recognition and Measurement, and set up portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the reporting date.

The Group's policy is to classify each loan as "neither past due nor impaired" until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology. Loans collectively determined to be impaired are represented by corporate small and medium loans, and loans to individuals except for mortgage loans, which have an overdue status as an impairment trigger event.

Past due but not impaired loans represent collateralised loans where the fair value of collateral together with consideration of discounting covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

Information about collateral at March 31, 2014 is as follows:

<i>In millions of Russian Roubles</i>	Corporate loans - large	Corporate loans - medium	Corporate loans - small	Mortgage loans	Other loans to individuals	Total
Unsecured loans	2 948	3 354	2 997	1 487	9 969	20 755
Loans collateralised by:						
residential real estate	-	-	-	27 400	2	27 402
other real estate	21 937	22 103	11 701	27	1 089	56 857
equipment, inventories, motor vehicles	9 380	10 433	7 378	-	338	27 529
securities (promissory notes, shares)	1 876	165	55	12	8	2 116
cash deposits	-	-	11	15	8	34
state guarantees and guarantees of the RF constituents	815	1 200	567	-	-	2 582
other guarantees and third parties' guarantees	12 588	9 096	5 438	32	1 769	28 923
other assets (other types of property, rights)	2 029	1 466	214	1 649	50	5 408
Total gross loans and advances to customers before provision for loan impairment	51 573	47 817	28 361	30 622	13 233	171 606

6 Loans and Advances to Customers (Continued)

Information about collateral at December 31, 2013 is as follows:

<i>In millions of Russian Roubles</i>	Corporate loans - large	Corporate loans - medium	Corporate loans - small	Mortgage loans	Other loans to individuals	Total
Unsecured loans	2 612	2 902	2 499	1 639	9 668	19 320
Loans collateralised by:						
residential real estate	-	-	-	25 858	5	25 863
other real estate	22 268	23 562	10 271	38	993	57 132
equipment, inventories, motor vehicles	10 534	9 689	7 197	-	397	27 817
securities (promissory notes, shares)	1 875	165	58	12	9	2 119
cash deposits	-	-	1	14	26	41
state guarantees and guarantees of RF constituents	814	1 402	505	-	-	2 721
other guarantees and third parties' guarantees	11 169	8 685	5 486	34	1 954	27 328
other assets (other types of property, rights)	2 080	1 429	356	1 945	50	5 860
Total loans and advances to customers before provision for loan impairment	51 352	47 834	26 373	29 540	13 102	168 201

7 Investment Securities Available for Sale

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)	December 31, 2013
Corporate bonds	1 707	6 194
Municipal bonds	3	752
Total debt securities	1 710	6 946
Corporate shares	590	564
Total investment securities available for sale	2 300	7 510

8 Securities pledged under repurchase agreements

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)	December 31, 2013
Trading securities pledged under repurchase agreements		
Corporate Eurobonds	1 298	-
Corporate bonds	612	-
Bonds of credit institutions	412	-
Investment securities pledged under repurchase agreements, available for sale		
Corporate bonds	3 800	-
Bonds of credit institutions	241	-
Total securities pledged under repurchase agreements	6 363	-

9 Other Assets

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)	December 31, 2013
Inventory	4 368	4 401
Investment properties	1 272	1 281
Prepayments	282	245
Non-current assets classified as held for sale	204	350
Income tax overpayment	63	163
Precious metals	20	91
Other	125	266
Total other assets (before provision for impairment of other assets)	6 334	6 797
Less: Provision for impairment of other assets	(891)	(882)
Total other assets	5 443	5 915

10 Due to Other Banks

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)	December 31, 2013
Placements of other banks	10 360	8 966
The borrowed funds on a stock exchange REPO's transaction with Bank of Russia	5 500	-
Correspondent accounts of other banks	35	30
Total due to other banks	15 895	8 996

11 Customer Accounts

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)	December 31, 2013
State and public organisations		
- Current/settlement accounts	156	99
- Term deposits	-	1 821
Other legal entities		
- Current/settlement accounts	28 645	31 053
- Term deposits	19 843	22 491
Individuals		
- Current/demand accounts	15 682	18 837
- Term deposits	88 769	87 239
Total customer accounts	153 095	161 540

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)		December 31, 2013	
	Amount	%	Amount	%
Individuals	104 450	68	106 076	66
Trade	19 756	13	21 696	13
Finance	11 217	7	11 010	7
Manufacturing	8 032	5	8 465	5
Construction	4 661	4	6 910	4
Transport and communication	2 138	1	2 511	2
Agriculture	1 334	1	1 533	1
State and public organisations	331	-	1 972	1
Other	1 176	1	1 367	1
Total customer accounts	153 095	100	161 540	100

12 Debt Securities in Issue

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)	December 31, 2013
Promissory notes	7 540	6 280
Mortgage backed bonds in issue	6 346	3 729
Deposit certificates	122	145
Total debt securities in issue	14 008	10 154

In March, in the course of the third deal of mortgage loans securitisation, the Group issued bonds for the amount of RR 3,450 million of face value. These bonds were issued by the SPV company CJSC “MAV 3”. Class “A” bonds for the total amount of Rub 3,000 million were placed via CJSC SE MICEX Stock Exchange by public offering, class “B” bonds for the total amount of Rub 450 million were placed by private offering to bank Vozrozhdenie and, therefore, were not reflected in these Consolidated Financial Statements. International rating agency Moody’s Investors Service assigned class “A” bonds with credit rating ‘Baa2’. Class “A” bonds have a coupon rate of 9.00%. Maturity date of class “A” bonds with book value of RR 3,000 million is October 26, 2046.

13 Subordinated Loans

Subordinated loans represent long-term deposits of the Group’s customers. The subordinated debt ranks after all other creditors in case of the Group’s liquidation. The details of subordinated loans attracted by the Group are disclosed in the table below:

	Start date	Maturity	Currency	March 31, 2014 (unaudited)		December 31, 2013	
				Contractual interest rate, %	Value, RR million	Contractual interest rate, %	Value, RR million
Subordinated loan 1	March 2006	March 2014	USD	-	-	6.50	164
Subordinated loan 2	May 2006	May 2014	USD	6.50	107	6.50	98
Subordinated loan 3	June 2006	June 2014	USD	6.50	179	6.50	164
Subordinated loan 4	April 2007	April 2014	RR	8.25	510	8.25	500
Subordinated loan 5	August 2010	August 2018	USD	8.00	107	8.00	98
Subordinated loan 6	July 2012	July 2020	RR	9.25	1 000	9.25	1 000
Subordinated loan 7	December 2012	July 2020	RR	9.25	1 000	9.25	1 000
Subordinated loan 8	February 2013	July 2020	RR	9.25	1 000	9.25	1 000
Subordinated loan 9	January 2014	January 2022	USD	8.50	250	-	-
Total subordinated loans					4 153		4 024

Subordinated loans No. 5, 9 were received by the Group from a related party.

14 Interest Income and Expense

<i>In millions of Russian Roubles</i>	3M ended March 31, 2014 (unaudited)	3M ended March 31, 2013 (unaudited)
Interest income		
Loans and advances to customers - legal entities	3 269	2 999
Loans and advances to customers - individuals	1 632	1 195
Investment securities available for sale	119	39
Trading securities	34	83
Correspondent accounts and due from other banks	9	135
Total interest income	5 063	4 451
Interest expense		
Term deposits of individuals	1 532	1 325
Term deposits of legal entities	405	482
Debt securities in issue	192	142
Due to other banks	182	90
Subordinated loans	90	135
Other borrowed funds	63	59
Current/settlement accounts of legal entities	8	38
Total interest expense	2 472	2 271
Net interest income	2 591	2 180

15 Fee and Commission Income and Expense

<i>In millions of Russian Roubles</i>	3M ended March 31, 2014 (unaudited)	3M ended March 31, 2013 (unaudited)
Fee and commission income		
Credit/debit cards and cheques settlements		
Settlement operations	333	322
Cash transactions	253	317
Guarantees issued	223	250
Payroll projects	91	77
Cash collection	77	105
Other	50	54
Total fee and commission income	1 101	1 222
Fee and commission expense		
Credit/debit cards and cheques settlements	136	93
Settlement operations	15	14
Settlements with currency and stock exchanges	12	4
Cash transactions	4	2
Other	18	2
Total fee and commission expense	185	115
Net fee and commission income	916	1 107

16 Administrative and Other Operating Expenses*In millions of Russian Roubles*

	3M ended March 31, 2014 (unaudited)	3M ended March 31, 2013 (unaudited)
Staff costs	1 300	1 299
Administrative expenses	185	162
Contributions to the State Deposit Insurance Agency	106	100
Other expenses related to premises and equipment	94	111
Rent expenses	87	80
Depreciation of premises and equipment	86	95
Taxes other than on income	64	61
Advertising and marketing services	15	16
Repairs of premises and equipment	14	19
Other	236	148
Total administrative and other operating expenses	2 187	2 091

Included in staff costs are statutory contributions to non-budget funds of RR 285 million (2013: RR 277 million).

17 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of chief operating decision maker (CODM) are performed by the Management Board of the Group.

Transactions between the operating segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between operating segments, resulting in funding cost transfers disclosed in interest income and expense. Interest rates for these funds are differentiated depending on the attraction terms and are based on market indicators.

Segment assets and liabilities include operating assets and liabilities representing a major part of the Bank's assets and liabilities, as well as funds reallocated between operating segments, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each operating segment. Segment performance is based on profitability and cost-effectiveness of operating assets.

The CODM evaluates performance of each segment based on profit before tax.

The table below represents the segment information of interest-bearing assets and interest-bearing liabilities per reportable segments for the three months ended March 31, 2014 and December 31, 2013.

The Bank does not disclose geographical information in its segment analysis as the majority of transactions and revenues of the reportable segments are concentrated basically in Russia. The analysis of the reportable segments is based on the banking products and services but not on the geographical factors.

17 Segment Analysis (Continued)

<i>(in millions of Russian Roubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
March 31, 2014							
Total assets of reportable segments	120 035	35 152	4 774	30 231	-	13 494	203 686
Total liabilities of reportable segments	65 198	88 135	16 450	10 335	-	1 212	181 330
December 31, 2013							
Total assets of reportable segments	119 510	33 174	7 027	28 466	-	15 079	203 256
Total liabilities of reportable	71 584	86 629	19 601	3 578	-	219	181 611

The table below represents the information of income and expenses per reportable segments for the three months ended March 31, 2014. The Group's management considers operating income before provision for loan impairment as a key measurement of reportable segments results.

<i>(in millions of Russian Roubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
March 31, 2014							
- Interest income	3 184	1 238	94	92	-	-	4 608
- Non-interest income	732	298	429	27	-	(23)	1 463
- Transfer income	1 011	1 858	137	135	718	-	3 859
Total revenues	4 927	3 394	660	254	718	(23)	9 930
- Interest expense	(705)	(1 495)	(38)	(91)	-	-	(2 329)
- Non-interest expense	(28)	(7)	(131)	(13)	-	(68)	(247)
- Transfer expense	(2 747)	(944)	(61)	(94)	-	(13)	(3 859)
Total expenses	(3 480)	(2 446)	(230)	(198)	-	(81)	(6 435)
Operating income before provision for loan impairment	1 447	948	430	56	718	(104)	3 495
Provision for loan impairment	(1 238)	(60)	(5)	-	-	-	(1 303)
Operating income	209	888	425	56	718	(104)	2 192
Administrative and other operating expenses	(764)	(661)	(355)	(22)	-	(23)	(1 825)
Depreciation of premises and equipment	(38)	(27)	(19)	(1)	-	-	(85)
Financial result from cession	58	-	-	-	-	-	58
Profit/(loss) before tax (Segment result)	(535)	200	51	33	718	(127)	340

17 Segment Analysis (Continued)

The table below represents segment information on the major reportable business lines of the Group for the three months ended March 31, 2013:

<i>(in millions of Russian Roubles)</i>	Corporate business	Retail business	Bank cards transactions	Financial business	Liquidity	Other	Total
March 31, 2013							
- Interest income	2 870	934	96	255	-	-	4 155
- Non-interest income	798	212	434	90	-	5	1 539
- Transfer income	1 099	1 739	146	74	489	(44)	3 503
Total revenues	4 767	2 885	676	419	489	(39)	9 197
- Interest expense	(756)	(1 291)	(34)	(88)	-	-	(2 169)
- Non-interest expense	(18)	-	(96)	(4)	-	(1)	(119)
- Transfer expense	(2 659)	(653)	(39)	(152)	-	-	(3 503)
Total expenses	(3 433)	(1 944)	(169)	(244)	-	(1)	(5 791)
Operating income before provision for loan impairment	1 334	941	507	175	489	(40)	3 406
Provision for loan impairment	(1 145)	(65)	(4)	-	-	-	(1 214)
Operating income	189	876	503	175	489	(40)	2 192
Administrative and other operating expenses	(828)	(565)	(342)	(22)	-	(7)	(1 764)
Depreciation of premises and equipment	(45)	(31)	(18)	(1)	-	-	(95)
Financial result from cession	3	-	-	-	-	-	3
Profit/(loss) before tax (Segment result)	(681)	280	143	152	489	(47)	336

17 Segment Analysis (Continued)

The reconciliation of assets, liabilities, income and expenses of the Group's reportable segments for the three months ended March 31, 2014.

Reconciliation of reportable segment assets as at March 31, 2014

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)
Total reportable segment assets	203 686
Adjustment of provision for loan impairment	481
Adjustment of provision for impairment of other assets	169
Recognition of financial instruments using the effective interest method	(269)
Adjustment of depreciation and cost or revalued amounts of premises and equipment	(557)
Deferred tax asset recognition	1 211
Consolidation	6 214
Other	(99)
Total assets under IFRS	210 836

Reconciliation of reportable segment assets as at December 31, 2013

<i>In millions of Russian Roubles</i>	2013
Total reportable segment assets	203 256
Differences in fair valuation of securities	259
Adjustment of provision for loan impairment	393
Adjustment of provision for impairment of other assets	(133)
Recognition of financial instruments using the effective interest method	(257)
Adjustment of depreciation and cost or revalued amounts of premises and equipment	(292)
Deferred tax asset recognition	1 217
Events after the end of the reporting period	39
Consolidation	6 523
Other	1
Total assets under IFRS	211 006

Reconciliation of reportable segment liabilities as at March 31, 2014

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)
Total reportable segment liabilities	181 330
Accrued expenses	406
Recognition of fee and commission income temporary based	163
Consolidation	6 144
Total liabilities under IFRS	188 043

17 Segment Analysis (Continued)

Reconciliation of reportable segment liabilities as at December 31, 2013*In millions of Russian Roubles***2013**

Total reportable segment liabilities	181 611
Accrued expenses	205
Recognition of fee and commission income temporary based	177
Events after the end of the reporting period	162
Consolidation	6 485
Total liabilities under IFRS	188 640

Reconciliation of income or expense before tax of the reportable segments

Reconciliation of profit before tax and other material income or expenses (interest income and expense, non-interest income or expense, provision for loan impairment, administrative and other operating expenses) for the reportable segments with the consolidated statement of profit or loss and other comprehensive income under IFRS for the three months ended March 31, 2014 is as follows:

<i>(in millions of Russian Roubles)</i>	Before tax profit	Interest income	Non-interest income	Interest expense	Non-interest income	Provision for loan impairment	Administrative and other operating expenses
Total reportable segment result	340	4 608	1 463	(2 329)	(247)	(1 245)	(1 910)
Recognition of commission income from lending using the effective interest method	(20)	(20)	-	-	-	-	-
Recognition of other fees and commissions by reference to completion of the specific transaction	14	-	14	-	-	-	-
Adjustment of provisions for loan impairment of other assets	13	-	-	-	-	13	-
Accrued Bank's expenses of reportable period	(201)	-	-	-	-	-	(201)
Differences in depreciation charge on premises and equipment	(1)	-	-	-	-	-	(1)
Adjustment of provisions for loan impairment based on the incurred loss model	82	-	-	-	(17)	99	-
Provision for impairment of non-core assets	302	-	-	-	-	302	-
Recognition of financial instruments using the effective interest method	8	8	-	-	-	-	-
Reclassification of management accounts items	-	281	(134)	-	(13)	(71)	(63)
Provision for impairment of other assets	-	-	-	-	-	-	-
Consolidation	31	186	-	(143)	-	-	(12)
Other	(12)	-	(4)	-	(8)	-	-
Total under IFRS	556	5 063	1 339	(2 472)	(285)	(902)	(2 187)

17 Segment Analysis (Continued)

Reconciliation of profit before tax and other material income or expenses (interest income and expense, non-interest income or expense, provision for loan impairment, administrative and other operating expenses) for the reportable segments with the consolidated statement of profit or loss and other comprehensive income under IFRS for the three months ended March 31, 2013 is as follows:

<i>(in millions of Russian Roubles)</i>	Before tax profit	Interest income	Non- interest income	Interest expense	Non- interest income	Provision for loan impairment	Administ rative and other operating expenses
Total reportable segment result	336	4 155	1 539	(2 169)	(119)	(1 211)	(1 859)
Recognition of interest income from lending using the effective interest method	9	31	(22)	-	-	-	-
Recognition of commission income from lending depending on by reference to completion of the specific transaction	(16)	-	(16)	-	-	-	-
Adjustment of provisions for loan impairment based on the incurred loss model	246	-	11	-	-	235	-
Accrued Bank's expenses of reportable period	(217)	-	-	-	-	-	(217)
Recognition of financial instruments using the effective interest method	10	10	-	-	-	-	-
Reclassification of management accounts items	-	105	(270)	-	183	(9)	(9)
Provision for impairment of other assets	21	-	-	-	-	21	-
Consolidation	41	150	-	(102)	-	-	(7)
Other	5	-	4	-	-	-	1
Total under IFRS	435	4 451	1 246	(2 271)	64	(964)	(2 091)

18 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Policy and methods of financial risk management accepted by the Bank comply with the policy and methods described and applied in the Group's annual financial report for the year ended December 31, 2013.

The tables below summarize the Group's exposure to currency risk and Bank's liquidity position taking into account expected contractual time left before redemption of assets and liabilities.

Currency risk. The Group is exposed to currency risk due to the fact that its assets and liabilities are denominated in different currencies as well as due to existence of open currency positions resulting from foreign currency transactions. The Group manages currency risk by ensuring maximum possible consistency between the currency of its assets and the currency of its liabilities by currency within established limits. The Assets and Liabilities Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Group's exposure to foreign currency exchange rate risk at March 31, 2014:

	RR	USD	Euro	Other	Total
<i>In millions of Russian Roubles</i>					
Monetary financial assets					
Cash and cash equivalents	11 350	10 064	4 242	26	25 682
Mandatory cash balances with CBRF	1 257	331	130	-	1 718
Trading securities	-	3 064	1 776	-	4 840
Due from other banks	377	591	-	-	968
Loans and advances to customers	141 400	11 795	5 198	-	158 393
Investment securities available for sale	1 710	-	-	-	1 710
Investment securities pledged under repurchase agreements	5 065	663	635	-	6 363
Other financial assets	479	309	17	2	807
Total monetary financial assets	161 638	26 817	11 998	28	200 481
Monetary financial liabilities					
Due to other banks	12 211	811	2 873	-	15 895
Customer accounts	120 045	23 706	9 314	30	153 095
Debt securities in issue	14 008	-	-	-	14 008
Other financial liabilities	232	29	16	-	277
Subordinated loans	3 510	643	-	-	4 153
Total monetary financial liabilities	150 006	25 189	12 203	30	187 428
Net balance sheet position	11 632	1 628	(205)	(2)	13 053
Credit related commitments	24 559	492	419	-	25 470

18 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at December 31, 2013:

	RR	USD	Euro	Other	Total
<i>In millions of Russian Roubles</i>					
Monetary financial assets					
Cash and cash equivalents	18 135	7 842	3 324	30	29 331
Mandatory cash balances with CBRF	1 342	316	122	-	1 780
Trading securities	118	2 416	2 113	-	4 647
Due from other banks	124	520	-	-	644
Loans and advances to customers	139 953	10 795	5 080	-	155 828
Investment securities available for sale	6 946	-	-	-	6 946
Other financial assets	587	328	95	-	1 010
Total monetary financial assets	167 205	22 217	10 734	30	200 186
Monetary financial liabilities					
Due to other banks	5 421	735	2 840	-	8 996
Customer accounts	132 351	21 070	8 099	20	161 540
Debt securities in issue	10 154	-	-	-	10 154
Other borrowed funds	3 004	-	-	-	3 004
Other financial liabilities	302	21	12	-	335
Subordinated loans	3 500	524	-	-	4 024
Total monetary financial liabilities	154 732	22 350	10 951	20	188 053
Net balance sheet position	12 473	(133)	(217)	10	12 133
Credit related commitments	17 600	551	444	-	18 595

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

18 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The analyses of Group's liquidity risk as at March 31, 2014 is as follows:

<i>In millions of Russian Roubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Financial assets					
Cash and cash equivalents	25 682	-	-	-	25 682
Mandatory cash balances with the CBRF	598	330	355	435	1 718
Trading securities	4 840	-	-	-	4 840
Due from other banks	381	-	-	587	968
Loans and advances to customers	11 496	43 056	30 746	73 095	158 393
Investment securities available for sale	9	797	889	605	2 300
Investment securities pledged under repurchase agreements	2 959	2 287	100	1 017	6 363
Other financial assets	807	-	-	-	807
Total financial assets	46 772	46 470	32 090	75 739	201 071
Non-financial assets	-	20	183	9 592	9 765
Total assets	46 772	46 490	32 273	85 301	210 836
Financial liabilities					
Due to other banks	7 024	420	714	7 737	15 895
Customer accounts	54 983	25 906	31 505	40 701	153 095
Debt securities in issue	919	4 988	1 718	6 383	14 008
Other financial liabilities	277	-	-	-	277
Subordinated loans	510	286	-	3 357	4 153
Total financial liabilities	63 713	31 600	33 937	58 178	187 428
Non-financial liabilities	-	-	-	615	615
Total liabilities	63 713	31 600	33 937	58 793	188 043
Net liquidity gap based on expected maturities	(16 941)	14 870	(1 847)	17 561	13 643
Cumulative liquidity gap	(16 941)	(2 071)	(3 918)	13 643	
Credit related commitments	14 800	-	-	-	14 800

18 Financial Risk Management (Continued)

The analyses of Group's liquidity risk as at December 31, 2013 is as follows:

<i>In millions of Russian Roubles</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Financial assets					
Cash and cash equivalents	29 331	-	-	-	29 331
Mandatory cash balances with the CBRF	675	320	358	427	1 780
Trading securities	4 647	-	-	-	4 647
Due from other banks	124	-	-	520	644
Loans and advances to customers	6 129	45 492	33 307	70 900	155 828
Investment securities available for sale	-	4 614	2 318	578	7 510
Other financial assets	1 010	-	-	-	1 010
Total financial assets	41 916	50 426	35 983	72 425	200 750
Non-financial assets	-	91	325	9 840	10 256
Total assets	41 916	50 517	36 308	82 265	211 006
Financial liabilities					
Due to other banks	207	502	646	7 641	8 996
Customer accounts	61 332	28 857	31 136	40 215	161 540
Debt securities in issue	2 432	1 346	2 603	3 773	10 154
Other borrowed funds	-	-	-	3 004	3 004
Other financial liabilities	335	-	-	-	335
Subordinated loans	-	926	-	3 098	4 024
Total financial liabilities	64 306	31 631	34 385	57 731	188 053
Non-financial liabilities	-	-	-	587	587
Total liabilities	64 306	31 631	34 385	58 318	188 640
Net liquidity gap of financial assets and financial liabilities	(22 390)	18 795	1 598	14 694	12 697
Cumulative liquidity gap	(22 390)	(3 595)	(1 997)	12 697	
Credit related commitments	18 595	-	-	-	18 595

The above analysis is based on expected maturities. The entire portfolio of trading securities is therefore classified within demand and less than one month based on management's assessment of the portfolio's realisability.

The expected maturity of investment securities available for sale is based on offer agreement date.

19 Contingencies and Commitments

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations by the Group's management to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

<i>In millions of Russian Roubles</i>	March 31, 2014 (unaudited)	December 31, 2013
Unused limits on overdraft loans	13 103	16 530
Undrawn credit lines	1 159	1 429
Import letters of credit	344	414
Financial guarantees issued	194	222
Total credit related commitments	14 800	18 595
Performance guarantees	10 670	12 635
Total credit related commitments and performance guarantees	25 470	31 230

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.