

ROSBANK Group

**Interim Condensed Consolidated
Financial Statements**
6 Months Ended 30 June 2014
(Unaudited)

ROSBANK GROUP

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ROSBANK GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of "ROSBANK" (OJSC JSCB) and its subsidiaries (the "Group") as at 30 June 2014, the interim condensed consolidated statements of profit and loss, other comprehensive income, changes in equity and cash flows for the six month period then ended, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

In preparing the interim condensed 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;
- 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 interim condensed consolidated financial statements of the Group for 6 months ended 30 June 2014 were authorized for issue on 27 August 2014 by the Management Board of "ROSBANK" (OJSC JSCB).

On behalf of the Board:


Chairman of the Management Board

27 August 2014
Moscow




Deputy Chairman
of the Management Board

27 August 2014
Moscow

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of "ROSBANK"
(OJSC JSCB)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of "ROSBANK" (OJSC JSCB) and its subsidiaries (the "Group") as of 30 June 2014 and the related interim condensed consolidated statements of profit and loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Federal law "On auditing activities", federal rule (standard) on auditing activities № 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 interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with federal standards of the Russian Federation on auditing activities and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

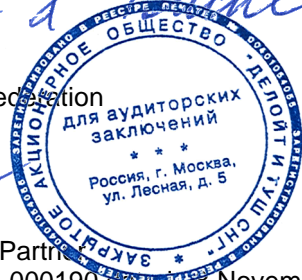
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of the Group are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Deloitte & Touche

27 August 2014

Moscow, Russian Federation

E.V. Ponomarenko



Ponomarenko E.V., Partner
(certificate no. № 01-000190 dated 28 November 2011)

ZAO Deloitte & Touche CIS

The Entity: ROSBANK (OJSC JSCB)

Certificate of state registration № 2272 of 02.03.1993.

Certificate of registration in the Unified State Register № 1027739460737 of 25.10.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Address: 34 Mashkova Street, Moscow, 107078

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.

ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2014 (UNAUDITED) (in millions of Russian Roubles)

| | Notes | 30 June 2014 (unaudited) | 31 December 2013 |
|---|--------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and balances with the Central Bank of the Russian Federation | 6 | 45,078 | 73,472 |
| Financial assets at fair value through profit or loss | 7, 29 | 45,053 | 34,039 |
| Due from banks | 8, 29 | 78,761 | 49,175 |
| Loans to customers | 10, 29 | 622,346 | 612,258 |
| Investments available-for-sale | 11, 29 | 28,776 | 54,489 |
| Investments held to maturity | 12 | 30,117 | - |
| Property and equipment | | 25,186 | 25,351 |
| Current income tax assets | | 1,271 | 505 |
| Deferred income tax assets | 26 | 4,153 | 4,108 |
| Other assets | 29 | 11,851 | 10,744 |
| Total assets | | 892,592 | 864,141 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES: | | | |
| Financial liabilities at fair value through profit or loss | 13, 29 | 23,841 | 9,261 |
| Due to the Central Bank of the Russian Federation | 14 | 26,457 | 6,119 |
| Due to banks | 15, 29 | 112,469 | 175,090 |
| Customer accounts | 16, 29 | 416,296 | 381,998 |
| Debt securities issued | 17 | 134,469 | 115,278 |
| Other provisions | 21 | 720 | 1,943 |
| Current income tax liabilities | | 165 | 158 |
| Deferred income tax liabilities | 26 | 3,576 | 3,280 |
| Other liabilities | 29 | 9,829 | 8,981 |
| Subordinated debt | 18, 29 | 33,924 | 33,286 |
| Total liabilities | | 761,746 | 735,394 |
| EQUITY: | | | |
| Share capital | 19 | 17,587 | 17,587 |
| Share premium | 19 | 59,707 | 59,707 |
| Cumulative translation reserve | | 1,003 | 979 |
| Property and equipment revaluation reserve | | 9,362 | 9,362 |
| Investments available-for-sale fair value reserve | | (253) | 447 |
| Cash flow hedge | | 108 | (11) |
| Retained earnings | | 43,332 | 40,676 |
| Total equity | | 130,846 | 128,747 |
| TOTAL LIABILITIES AND EQUITY | | 892,592 | 864,141 |

On behalf of the Board:


Chairman of the Management Board

27 August 2014
Moscow


Deputy Chairman of the Management Board

27 August 2014
Moscow

The notes on pages 9-37 form an integral part of these interim condensed consolidated financial statements.



ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)


(in millions of Russian Roubles, except for earnings per share which are in Roubles)

| | Notes | 6 months ended 30 June 2014 (unaudited) | 6 months ended 30 June 2013 (unaudited) |
|--|--------|---|---|
| Continuing operations | | | |
| Interest income | 20, 29 | 43,580 | 41,028 |
| Interest expense | 20, 29 | (19,575) | (18,114) |
| Net interest income before provision for impairment losses on interest bearing assets | | 24,005 | 22,914 |
| Provision for impairment losses on interest bearing assets | 21, 29 | (8,708) | (3,943) |
| Net interest income | | 15,297 | 18,971 |
| Net gain/(loss) on financial assets and liabilities at fair value through profit or loss | 22, 29 | 193 | (266) |
| Net loss on foreign exchange operations | 23, 29 | (1,002) | (449) |
| Net loss on precious metals operations | | (44) | (91) |
| Net realized gain on sale of investments available-for-sale | | - | (9) |
| Fee and commission income | 24, 29 | 6,561 | 6,046 |
| Fee and commission expense | 24, 29 | (1,096) | (1,459) |
| Other provisions | 21 | 448 | (248) |
| Dividend income | | 290 | 298 |
| Other income | 29 | 671 | 759 |
| Net non-interest income | | 6,021 | 4,581 |
| Operating income | | 21,318 | 23,552 |
| Operating expenses | 25, 29 | (17,729) | (14,579) |
| Profit before income tax | | 3,589 | 8,973 |
| Income tax expense | 26 | (933) | (1,978) |
| Profit for the year from continuing operations | | 2,656 | 6,995 |
| Net profit for the period | | 2,656 | 6,995 |
| EARNINGS PER SHARE | | | |
| Basic and diluted (in RUB) | 27 | 1.71 | 4.51 |

On behalf of the Board:


Chairman of the Management Board

27 August 2014
Moscow


Deputy Chairman of the Management Board

27 August 2014
Moscow

The notes on pages 9-37 form an integral part of these interim condensed consolidated financial statements.




ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED) (in millions of Russian Roubles)

| | Notes | 6 months ended 30 June 2014 (unaudited) | 6 months ended 30 June 2013 (unaudited) |
|--|-------|---|---|
| Net profit for the year | | 2,656 | 6,995 |
| Other comprehensive income/(expense) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | 24 | (26) |
| Cash flow hedge | | 153 | (14) |
| Net loss resulting on revaluation of available-for-sale financial assets during the period | | (1,015) | (2,668) |
| Amounts recycled to profit and loss relating to available-for-sale financial assets | | 139 | - |
| Deferred income tax | | 142 | 534 |
| Other comprehensive expense after income tax | | (557) | (2,174) |
| Total comprehensive income | | 2,099 | 4,821 |

On behalf of the Board:


Chairman of the Management Board

27 August 2014
Moscow


Deputy Chairman of the Management Board

27 August 2014
Moscow

The notes on pages 9-37 form an integral part of these interim condensed consolidated financial statements.



ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(in millions of Russian Roubles)

| | Share capital | Share premium | Cumulative translation reserve | Property and equipment revaluation reserve | Investments available-for-sale fair value reserve | Cash flow hedge | Retained earnings | Total equity |
|--|---------------|---------------|--------------------------------|--|---|-----------------|-------------------|----------------|
| 31 December 2012 | 17,587 | 59,707 | 904 | 8,101 | 5,880 | (188) | 26,734 | 118,725 |
| Net profit for the period (unaudited) | - | - | - | - | - | - | 6,995 | 6,995 |
| Other comprehensive expense for the period (unaudited) | - | - | (26) | - | (2,134) | (14) | - | (2,174) |
| Total comprehensive income/(expense) for the period (unaudited) | - | - | (26) | - | (2,134) | (14) | 6,995 | 4,821 |
| 30 June 2013 (unaudited) | 17,587 | 59,707 | 878 | 8,101 | 3,746 | (202) | 33,729 | 123,546 |
| 31 December 2013 | 17,587 | 59,707 | 979 | 9,362 | 447 | (11) | 40,676 | 128,747 |
| Net profit for the period (unaudited) | - | - | - | - | - | - | 2,656 | 2,656 |
| Other comprehensive income/(expense) for the period (unaudited) | - | - | 24 | - | (700) | 119 | - | (557) |
| Total comprehensive income/(expense) for the period (unaudited) | - | - | 24 | - | (700) | 119 | 2,656 | 2,099 |
| 30 June 2014 (unaudited) | 17,587 | 59,707 | 1,003 | 9,362 | (253) | 108 | 43,332 | 130,846 |

On behalf of the Board:


Chairman of the Management Board

27 August 2014
Moscow


Deputy Chairman of the Management Board

27 August 2014
Moscow

The notes on pages 9-37 form an integral part of these interim condensed consolidated financial statements.




ROSBANK GROUP


INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED) (in millions of Russian Roubles)

| | Notes | 6 months ended 30 June 2014 (unaudited) | 6 months ended 30 June 2013 (unaudited) |
|--|-------|---|---|
| Cash flows from operating activities: | | | |
| Interest received | | 42,974 | 40,276 |
| Interest paid | | (17,896) | (17,047) |
| Fees and commissions received | | 6,274 | 5,881 |
| Fees and commissions paid | | (1,124) | (1,314) |
| Receipts from financial assets at fair value through profit or loss | | 1,281 | 134 |
| Payment for trading in foreign currencies | | (1,589) | (4,542) |
| Other operating income received | | 671 | 604 |
| Receipts from precious metals operations | | 6 | 64 |
| Administrative and other operating expenses paid | | (15,961) | (14,816) |
| Income tax paid | | (1,299) | (2,135) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 13,337 | 7,105 |
| Changes in operating assets and liabilities | | | |
| Net decrease/(increase) in mandatory cash balances with the Central Bank of the Russian Federation | | 144 | (573) |
| Net (increase)/decrease in financial assets at fair value through profit or loss | | (437) | 2,236 |
| Net increase in due from banks | | (5,114) | (7,967) |
| Net increase in loans to customers | | (17,105) | (22,134) |
| Net decrease in other assets | | 3,637 | 1,126 |
| Net increase in financial liabilities at fair value through profit or loss | | 697 | 274 |
| Net increase/(decrease) in due to the Central Bank of the Russian Federation | | 20,297 | (8,319) |
| Net decrease in due to banks | | (63,819) | (33,662) |
| Net increase in customer accounts | | 29,555 | 44,590 |
| Net decrease in debt securities issued | | (344) | (4,310) |
| Net decrease in other liabilities | | (27) | (1,765) |
| Net decrease in other provisions | | (501) | (220) |
| Net cash used in operating activities | | (19,680) | (23,619) |
| Cash flows from investing activities | | | |
| Purchase of available for sale financial assets | | (5,320) | (13,061) |
| Proceeds from disposal and redemption of available for sale financial assets | | 191 | 1,048 |
| Purchase of property and equipment | | (1,225) | (815) |
| Proceeds from disposal of property and equipment | | 341 | 266 |
| Dividend income received | | 290 | 298 |
| Net cash used in investing activities | | (5,723) | (12,264) |
| Cash flows from financing activities | | | |
| Redemption of bonds issued by the Group | | (1,414) | (12,042) |
| Issue of bonds | | 20,954 | 32,423 |
| Net cash from financing activities | | 19,540 | 20,381 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | 2,407 | 2,519 |
| Net decrease in cash and cash equivalents | | (3,456) | (12,983) |
| CASH AND CASH EQUIVALENTS, beginning of the period | 6 | 100,239 | 93,752 |
| CASH AND CASH EQUIVALENTS, end of the period | 6 | 96,783 | 80,769 |

On behalf of the Board:


Chairman of the Management Board

27 August 2014
Moscow


Deputy Chairman of the Management Board

27 August 2014
Moscow

The notes on pages 9-37 form an integral part of these interim condensed consolidated financial statements.



ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

1. ORGANIZATION

ROSBANK (initially named “Nezavisimost”) is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies, for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 the businesses of ROSBANK and Commercial Bank “MFK Bank”, specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group – one of Russia’s largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

Societe Generale became the owner of 20% minus 1 share of Rosbank in 2006. In February 2008 Societe Generale became the owner of Rosbank controlling stock interest by exercising the option for acquisition of 30% stocks. In March 2008 Societe Generale offered to buy the stakes of minority shareholders at 194.09 roubles per share. Having performed the buy-out Societe Generale raised its interest in Rosbank to 57.57%. On 23 March 2009 ROSBANK issued 26,665,928 shares by way of public subscription. The issue was bought by Societe Generale and PHARANCO HOLDINGS CO. LIMITED in the proportion 60.6786% and 39.3214%, respectively. On 27 May 2009 Societe Generale increased its share in Rosbank by 7% after the purchase of this share from PHARANCO HOLDINGS CO. LIMITED.

In February 2010, Societe Generale with the consent of other shareholders of Rosbank Group took the decision to reorganize the legal structure of its Russian subsidiaries in order to build a major financial group.

The first step was achieved in January 2011 with the acquisition of 100% of the share capital of Rusfinance and Delta Credit. The two companies will keep acting as separate entities, Rusfinance being mainly dedicated to consumer credit and Delta Credit to mortgages.

The second step was achieved in July 2011 with the merger of the two universal banks Rosbank and BSGV into a single and unified company ultimately operating under a single brand. Benefiting from their differentiated positioning on both corporate and retail segments, the new structure aims at improving its financial performance by increasing revenues through cross-selling strategy and developing synergies in order to reduce operational costs.

During 2013, Societe Generale further consolidated its positions in the Russian market by acquiring in December 2013 an additional 10% stake in Rosbank equity from VTB Group, increasing it up to 92.4%. As part of the agreement Rosbank sold to VTB Group certain Russian assets: shares listed on Moscow Exchange as well as some loans and real-estate assets. This transaction had a positive financial impact on Rosbank’s financial results for the year ended 31 December 2013.

In April 2014 Societe Generale acquired further 7% of Rosbank’s share capital from Interros group, raising its stake to 99.4%, in line with its strategy of building up the Group’s stake in Rosbank.

ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 34, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 30 June 2014 and 31 December 2013 ROSBANK had 14 branches operating in the Russian Federation.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

ROSBANK is the parent company of a banking group (the "Group") which consists of the following main enterprises as of 30 June 2014 and 2013 and 31 December 2013:

| Name | Country of incorporation | Group's ownership interest/voting rights, % | | | Type of operations |
|---|--------------------------|---|------------------|--------------|--|
| | | 30 June 2014 | 31 December 2013 | 30 June 2013 | |
| Delta Credit Bank CJSC | Russia | 100/100 | 100/100 | 100/100 | Banking |
| Rusfinance Bank LLC | Russia | 100/100 | 100/100 | 100/100 | Banking |
| Rusfinance LLC | Russia | 100/100 | 100/100 | 100/100 | Issue of loans to individuals |
| Stolichny Express LLC | Russia | 100/100 | 100/100 | 100/100 | Recovery of bad debts |
| Red and Black Prime Russia | Ireland | | | | |
| MBS No.1 Limited LLC | | 0/100 | 0/100 | 0/100 | Issue of notes |
| BSGV Leasing LLC | Russia | 100/100 | 100/100 | 100/100 | Leasing |
| RB Factoring LLC | Russia | 100/100 | 100/100 | 100/100 | Factoring |
| Rosbank (Switzerland) SA | Switzerland | 100/100 | 100/100 | 100/100 | Banking |
| RosInvest SA | Luxembourg | 99.97/99.97 | 99.97/99.97 | 99.97/99.97 | Reorganization of UNEXIM |
| Rosbank Debt Center CJSC (previous name – "RB Finance CJSC") | Russia | Liquidated | Liquidated | 0/100 | Finance Company |
| Processing Company NICKEL LLC | Russia | 100/100 | 100/100 | 100/100 | Recovery of bad debts Processing of card operations |
| RB LEASING LLC | Russia | 100/100 | 100/100 | 100/100 | Leasing |
| INKAHRAN OJSC | Russia | 100/100 | 100/100 | 100/100 | Cash collection services |
| ORS OJSC | Russia | 100/100 | 100/100 | 100/100 | Processing |
| Kapital i zdanie OJSC | Russia | 100/100 | 100/100 | 100/100 | Real estate operations |
| Petrovsky Dom-XXI vek LLC | Russia | Merged | Merged | 100/100 | Real estate operations |
| PMD Service CJSC | Russia | Merged | 100/100 | 100/100 | Lease services |
| AVTO LLC | Russia | 100/100 | 100/100 | 100/100 | Transportation services |
| RB Securities LLC | Russia | 100/100 | 100/100 | 100/100 | Operations with securities |
| Inkahran Service LLC | Russia | 99.60/100 | 99.60/100 | 99.60/100 | Transportation services |
| Valmont LLC | Russia | 100/100 | 100/100 | 100/100 | Asset holding company |
| RBS Avto LLC | Russia | 100/100 | 100/100 | 100/100 | Asset holding company |

In addition to the above listed companies the Group controls a number of special purpose entities. The main activity of these special purpose entities is hard recovery process.

On 14 July 2010 the Group took the decision to close its foreign subsidiary in Switzerland – Rosbank (Switzerland) SA. The liquidation process is subject to authorisation by Swiss banking authorities. The Group does not anticipate any substantial impact on its financial results nor its financial position as a result of the aforementioned liquidation.

In 2012 ROSBANK also disposed of its ownership interest in Rosbank Debt Center CJSC of 100% but retained its control over the entity. During 2013 this subsidiary was liquidated.

In March 2013 the Group's subsidiary Rosbank International Finance BV was liquidated according to the Group decision. There was no significant impact from this operation on the Group's financial result.

During second half of year 2013 Group's subsidiary Petrovsky Dom-XXI vek LLC was merged with Kapital i zdanie OJSC.

In January 2014 Group's subsidiary PMD Service CJSC was merged with Kapital i zdanie OJSC.

As of 30 June 2014 and 31 December 2013, the following shareholders owned the issued shares of ROSBANK:

| Shareholder | 30 June 2014 | | 31 December 2013 | |
|-------------------------------|---------------|---|------------------|---|
| | | % | | % |
| Societe Generale S.A. | 99.42 | | 92.40 | |
| PHARANCO HOLDINGS CO. LIMITED | - | | 7.03 | |
| Others | 0.58 | | 0.57 | |
| Total | 100.00 | | 100.00 | |

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

As of 30 June 2014 and 31 December 2013, the ultimate controlling parties of the Group are:

| <i>Shareholder</i> | 30 June | 31 December |
|-----------------------|---------------|---------------|
| | 2014 | 2013 |
| | % | % |
| Societe Generale S.A. | 99.42 | 92.40 |
| Mr. Potanin V. O. | - | 7.03 |
| Others | 0.58 | 0.57 |
| Total | 100.00 | 100.00 |

These interim condensed consolidated financial statements were authorised for issue on 27 August 2014 by the Management Board of ROSBANK.

2. GOING CONCERN

These interim condensed consolidated financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

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. Management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

3. BASIS OF PRESENTATION

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. 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 equity and cash flows for the interim reporting periods.

Since the results of the Group's operations closely relate to and depend on changing market conditions, the results of the Group's operations for the interim period are not necessarily indicative of the results for the full year.

Other basis of presentation criteria

These interim condensed consolidated financial statements have been prepared assuming that the Group is a going concern and will continue in operation for the foreseeable future.

These interim condensed consolidated financial statements are presented in millions of Russian Roubles ("mRUB"), unless otherwise indicated.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

These interim condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values, and certain land and buildings that are measured at revalued amounts according to International Accounting Standard 16 "Property, plant and equipment" ("IAS 16"). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these interim condensed consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS), foreign consolidated companies of the Bank maintain their accounting records in accordance with the law of the countries, in which they operate. These interim condensed consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary of the economic environment in which the entity operates (the "functional currency"). The functional currency of the parent of the Group is the Russian rouble (RUB). The presentation currency of the interim condensed consolidated financial statements of the Group is the RUB. All values are rounded to the nearest million Roubles, except when otherwise indicated.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the interim condensed consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the interim condensed consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies are set out below.

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4. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2013, except for the accounting policies and 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.

Rates of exchange and commodity prices

The exchange rates and commodity prices at period-end used by the Group in the preparation of the interim condensed consolidated financial statements are as follows:

| | 30 June 2014 | 31 December 2013 |
|-------------------------|-----------------|---------------------|
| RUB/1 US Dollar | 33.6306 | 32.7292 |
| RUB/1 Euro | 45.8251 | 44.9699 |
| RUB/Gold (1 ounce) | 44,224.24 | 39,324.13 |
| RUB/Platinum (1 ounce) | 49,773.29 | 44,446.25 |
| RUB/Palladium (1 ounce) | 28,384.23 | 23,270.46 |
| RUB/Silver (1 ounce) | 701.87 | 638.22 |

Critical accounting judgements and key sources of estimation uncertainty

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2013 prepared in accordance with IFRS.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current year, the following new and revised Standards and Interpretations have been adopted, but have not significantly affected the amounts reported in these financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities;
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting;
- IFRIC 21 Levies.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

These amendments do not have any effect on the Group's consolidated financial statements as the Bank is not an investment entity.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. There is no significant effect of these amendments on the financial statements.

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

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable when recoverable amount has been determined on the basis of fair value less costs of disposal. These amendments affect disclosures only and do not have any impact of interim condensed consolidated financial statements of the Group.

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

These amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. There is no significant effect of these amendments on the Group's financial statements.

IFRIC 21 Levies

The interpretation is applicable to all payments imposed by governments under legislation, other than outflows that are within the scope of other standards (such as income taxes within the scope of IAS 12) and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date. The same principles should be applied in interim financial statements. There was no effect of the interpretation on these financial statements except for the change in Group's policy.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

6. CASH AND BALANCES WITH THE CENTRAL BANK OF THE RUSSIAN FEDERATION

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|--|--|--------------------------------------|
| Cash | 23,079 | 29,634 |
| Balances with the Central Bank of the Russian Federation | <u>21,999</u> | <u>43,838</u> |
| Total cash and balances with the Central Bank of the Russian Federation | <u>45,078</u> | <u>73,472</u> |

As of 30 June 2014 and 31 December 2013 included in the balances with the Central Bank of the Russian Federation are RUB 5,396 million and RUB 5,540 million, respectively, which represent the minimum reserve deposits calculated as a percentage of customers accounts balance required by the Central Bank of the Russian Federation. The Group is required to maintain the reserve balances with Central Bank of the Russian Federation at all times.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB | 30 June 2013 mRUB (unaudited) |
|---|--|-----------------------------|--|
| Cash and balances with the Central Bank of the Russian Federation | 45,078 | 73,472 | 43,098 |
| Due from banks with original maturity within 90 days | 57,101 | 32,307 | 44,035 |
| | 102,179 | 105,779 | 87,133 |
| Less minimum reserve deposits | (5,396) | (5,540) | (6,364) |
| Total cash and cash equivalents | 96,783 | 100,239 | 80,769 |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|--|--|-----------------------------|
| Debt securities | 22,746 | 24,490 |
| Derivative financial instruments (Note 9) | 22,307 | 9,549 |
| Total financial assets at fair value through profit or loss | 45,053 | 34,039 |

The debt securities included in financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

| | 30 June 2014 (unaudited) | | 31 December 2013 | |
|---|----------------------------|----------------|----------------------------|----------------|
| | Nominal interest rate % | Amount mRUB | Nominal interest rate % | Amount mRUB |
| Debt securities: | | | | |
| Promissory notes of Russian banks | 3.11-9.77% | 14,472 | 3.15-11.35% | 16,327 |
| Debt securities of Russian banks | 7.65-10% | 5,899 | 5.75-11.5% | 4,300 |
| Debt securities of Russian companies | 7.4-9.95% | 1,163 | 7.2-10.1% | 1,938 |
| Debt securities of local authorities | 7.25-9.95% | 571 | 7-9.95% | 1,263 |
| Debt securities of the Russian Federation | 7.05-11.2% | 345 | 7-8.15% | 378 |
| Promissory notes of Russian companies | 11.25-12.50% | 296 | 11.8-12.7% | 284 |
| | | 22,746 | | 24,490 |

As at 30 June 2014 and 31 December 2013 included in financial assets at fair value through profit or loss were securities pledged for due to the Central Bank of the Russian Federation in the amount of RUB 381 million and RUB 5 million, respectively (Note 14). The carrying value of liabilities for which these securities were pledged amounted to RUB 324 million and RUB 5 million, respectively.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

8. DUE FROM BANKS

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|---|--|-----------------------------|
| Term deposits in banks | 24,976 | 23,574 |
| Demand deposits in banks | 30,796 | 16,167 |
| Loans under reverse repurchase agreements | 22,989 | 9,434 |
| Total due from banks | 78,761 | 49,175 |

Movements in allowances for impairment losses on due from banks for 6 months ended 30 June 2014 and 2013 are disclosed in Note 21.

As of 30 June 2014 and 31 December 2013 the Group had no loans and advances to any bank which individually exceeded 10% of the Group's equity.

9. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments comprise:

| | Nominal value | 30 June 2014 (unaudited) Net fair value mRUB | | Nominal value | 31 December 2013 Net fair value mRUB | |
|---|------------------|---|-----------------|------------------|--|----------------|
| | | Assets | Liabilities | | Assets | Liabilities |
| Derivative financial instruments: | | | | | | |
| Foreign exchange and interest rate contracts | | | | | | |
| Swaps | 198,943 | 4,764 | (4,334) | 181,957 | 2,225 | (1,108) |
| Forwards | 12,282 | 273 | (181) | 11,457 | 27 | (68) |
| IRS/CIRS | 384,185 | 13,941 | (15,131) | 251,999 | 6,484 | (6,969) |
| Cash flow hedge | 4,234 | 5 | (108) | 1,004 | - | (29) |
| Fair value hedge | 2,450 | 53 | - | 2,450 | - | (4) |
| Foreign exchange options | 16,590 | 451 | (453) | - | - | - |
| Total foreign exchange contracts | | 19,487 | (20,207) | | 8,736 | (8,178) |
| Contracts on precious metals and commodities | | | | | | |
| Forwards | 1,057 | 55 | (55) | 1,384 | 91 | (90) |
| Swaps | 548 | 3 | - | 955 | 4 | (2) |
| Options | 138,105 | 2,762 | (2,762) | 17,655 | 718 | (718) |
| Total contracts on precious metals and commodities | | 2,820 | (2,817) | | 813 | (810) |
| Total | | 22,307 | (23,024) | | 9,549 | (8,988) |

Cash Flow Hedge

One part of the Group's cash flow hedge is related to its exposure to the variability in the anticipated future cash flows on its financial liabilities related to Société Générale Group share-based payment program for the total amount equivalent to 604,429 shares to be paid during 2015 and 2016 subject to the satisfaction of certain underlying conditions.

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

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To hedge against the variability in the cash flows on financial liabilities due to the share price risk, the Group used forward contracts at a fixed price of EUR 42.1 per share. As such the Group minimizes the effect of changes in market prices for SG shares on its future cash flows.

Another part of the Cash flow hedge is related to the swap (hedging instrument), which enables the Group to protect itself against negative variations in future cash flows on the variable-rate loans due to a fall in interest rates. This part of the Group's cash flow hedge is related to variable-rate loans for the principal of RUB 3,540 million.

As of 30 June 2014 and 31 December 2013 the fair value of the liability arising from the derivative financial instruments classified as hedging instruments is RUB 108 million and RUB 33 million, respectively.

For 6 months ended 30 June 2014 and 2013 the result from hedge ineffectiveness recognised in the net result on financial instruments at fair value through profit or loss was RUB nil and RUB nil, respectively.

Fair Value Hedge

The Group's fair value hedge is related to its exposure to the variability in changes of fair value of available-for-sale securities for the nominal amount of RUB 2,500 million.

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

Embedded derivatives

As at 30 June 2014 and 31 December 2013 included in financial liabilities at fair value through profit or loss were Interest rate swaps with embedded derivatives in the amount of RUB 198 million and RUB 238 million, respectively, related to issues of structural bonds.

10. LOANS TO CUSTOMERS

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|---|--|--------------------------------------|
| Loans to legal entities | 218,675 | 214,236 |
| Loans to individuals | 458,927 | 449,817 |
| Net investments in finance lease | 6,243 | 6,968 |
| Loans under reverse repurchase agreements | 5,564 | 2,902 |
| | <u>689,409</u> | <u>673,923</u> |
| Less allowance for impairment losses | <u>(67,063)</u> | <u>(61,665)</u> |
| Total loans to customers | <u>622,346</u> | <u>612,258</u> |

Movements in allowances for impairment losses on loans to customers for 6 months ended 30 June 2014 and 2013 are disclosed in Note 21.

As of 30 June 2014 and 31 December 2013 the Group had no loans to any customer which individually exceeded 10% of the Group's equity.

As of 30 June 2014 and 31 December 2013 a substantial amount of loans is granted to companies operating in the Russian Federation, which represents a significant geographical concentration in one region.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

During 6 months ended 30 June 2014 and the year ended 31 December 2013 the Group received non-financial assets as a repayment on loans. As at 30 June 2014 and 31 December 2013 such assets in the amount of RUB 5,233 million and RUB 4,358 million, respectively are included in other assets.

11. INVESTMENTS AVAILABLE-FOR-SALE

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|---|--|-----------------------------|
| Debt securities | 28,640 | 54,353 |
| Equity investments | <u>136</u> | <u>136</u> |
| Total investments available-for-sale | <u>28,776</u> | <u>54,489</u> |

| | 30 June 2014 (unaudited) | | 31 December 2013 | |
|--|----------------------------|----------------------|----------------------------|----------------------|
| | Nominal interest rate % | Amount mRUB | Nominal interest rate % | Amount mRUB |
| Debt securities: | | | | |
| Eurobonds of central government of the Russian Federation | 4.5-7.5% | 22,809 | 4.5-7.5% | 17,371 |
| Bonds of central government of the Russian Federation | 7-7.5% | 5,720 | 6.9-7.6% | 36,870 |
| Bonds of Russian companies | 8.3% | <u>111</u> | 8.3% | <u>112</u> |
| | | <u>28,640</u> | | <u>54,353</u> |

In March 2014 the Group reclassified investments available-for-sale in the amount of RUB 29,731 million to investments held to maturity to bring the accounting and presentation in accordance with the management intent.

As at 30 June 2014 and 31 December 2013 included in investments available-for-sale were securities pledged for due to the Central Bank of the Russian Federation in the amount of RUB 421 million and RUB nil (Note 14), respectively. The carrying value of liabilities for which these securities were pledged amounted to RUB 419 million and RUB nil, respectively.

12. INVESTMENTS HELD TO MATURITY

| | 30 June 2014 (unaudited) | |
|---|---------------------------------|----------------------|
| | Nominal annual interest rate | Amount |
| Bonds of central government of the Russian Federation | 6.9-7.6% | <u>30,117</u> |
| Total investments held to maturity | | <u>30,117</u> |

As of 30 June 2014 investments held to maturity represent debt securities reclassified from available-for-sale category in March 2014 (Note 11).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

13. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|---|--|-----------------------------|
| Derivative financial instruments | 23,024 | 8,988 |
| Short position on securities purchased | 817 | 273 |
| Total financial liabilities at fair value through profit or loss | 23,841 | 9,261 |

Derivative financial instruments are disclosed in Note 9.

14. DUE TO THE CENTRAL BANK OF THE RUSSIAN FEDERATION

As of 30 June 2014 and 31 December 2013 due to the Central Bank of the Russian Federation consisted of the following:

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|--|--|-----------------------------|
| Term deposits | 17,538 | 3,005 |
| Loans under repurchase agreements | 8,919 | 3,114 |
| Total due to the Central Bank of the Russian Federation | 26,457 | 6,119 |

As of 30 June 2014 and 31 December 2013 included in term deposits are RUB 2,000 million and RUB nil, respectively, secured with guarantees from Russian banks.

As of 30 June 2014, due to the Central Bank of the Russian Federation includes loans under repurchase agreements for RUB 8,919 million collateralized by securities classified as at fair value through profit or loss with the fair value of RUB 381 million (Note 7), available-for-sale with the fair value of RUB 421 million (Note 11), and securities received as a collateral from a number of clients under reverse repo deals, with the fair value of RUB 8,592 million (31/12/2013: RUB 5 million, RUB nil and RUB 3,570 million, respectively).

15. DUE TO BANKS

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|-----------------------------------|--|-----------------------------|
| Time deposits | 95,939 | 145,911 |
| Demand accounts | 16,380 | 29,179 |
| Loans under repurchase agreements | 150 | - |
| Total due to banks | 112,469 | 175,090 |

The Group is obligated to comply with financial covenants in relation to certain balances deposits by banks disclosed above. These covenants include various financial performance ratios. As of 30 June 2014 and 31 December 2013 the Group has not breached any of these covenants.

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As at 30 June 2014 and 31 December 2013 included in due to banks are RUB 63,451 million and RUB 71,567 million (56% and 41% of total balances due to banks), respectively, that were due to 1 and 2 banks, which represents a significant concentration.

One of the term facility received from an International Financial Institution is secured with a guarantee from Société Générale. The balance outstanding as of 30 June 2014 and 31 December 2013 amounts to RUB 2,691 million and RUB 3,574 million, respectively.

As of 30 June 2014, due to banks includes loans under repurchase agreements for RUB 150 million collateralized by securities received as a collateral from a number of clients under reverse repo deals, with the fair value of RUB 157 million.

16. CUSTOMER ACCOUNTS

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|--------------------------------|--|-----------------------------|
| Corporate | | |
| Time deposits | 172,324 | 121,211 |
| Repayable on demand | 96,628 | 98,890 |
| Total corporate | <u>268,952</u> | <u>220,101</u> |
| Individuals | | |
| Time deposits | 110,447 | 121,988 |
| Repayable on demand | 36,897 | 39,909 |
| Total individuals | <u>147,344</u> | <u>161,897</u> |
| Total customer accounts | <u>416,296</u> | <u>381,998</u> |

As of 30 June 2014 and 31 December 2013 customer accounts amounting to RUB 851 million and RUB 959 million, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As of 30 June 2014 and 31 December 2013 customer accounts amounting to RUB 183 million and RUB 205 million, respectively, were held as security against guarantees issued (Note 28).

17. DEBT SECURITIES ISSUED

| | Annual coupon rates % | 30 June 2014 (unaudited) | Annual coupon rates % | 31 December 2013 |
|--|-----------------------------|--------------------------------|-----------------------------|-----------------------|
| Bonds of Rosbank due in 2014-2016 | 7.40%-9.30% | 39,293 | 7.40%-9.30% | 38,736 |
| Exchange structural bonds of Rosbank due in 2015-2024 | 7.75%-11.00% | 15,155 | 7.75%-10.16% | 4,355 |
| Bonds of Deltacredit bank due in 2015-2024 | 8.25%-12.00% | 43,137 | 7.20%-9.15% | 39,001 |
| Bonds of Rusfinancebank due in 2014-2019 | 7.7%-10% | 30,038 | 7.7%-10% | 25,990 |
| Discount bearing promissory notes | 0.00%-11.06% | 6,059 | 0.00%-11.06% | 6,277 |
| Mortgage backed floating rate notes | 1.21%-3.51% | 782 | 1.22%-3.52% | 911 |
| Other instruments | 0.00% | 5 | 0.00% | 8 |
| Total debt securities issued | | <u>134,469</u> | | <u>115,278</u> |

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18. SUBORDINATED DEBT

| | Currency | Maturity year | Interest rate % | 30 June 2014 (unaudited) | 31 December 2013 |
|--------------------------------|----------|---------------|--------------------|--------------------------------|---------------------|
| Societe Generale S.A. | USD | 2020–2023 | 6.5% – 9.3% | 20,046 | 19,517 |
| Societe Generale S.A. | RUB | 2014–2017 | 8.0% – 11.3% | 8,838 | 8,844 |
| GENEBANQUE S.A. | USD | 2022 | 6.6% | 2,748 | 2,675 |
| Societe Generale S.A. | EUR | 2020 | 8% | 2,292 | 2,250 |
| Total subordinated debt | | | | 33,924 | 33,286 |

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

19. SHARE CAPITAL

As of 30 June 2014 and 31 December 2013 the nominal share capital issued and fully paid comprised 1,551,401,853 ordinary shares with par value of RUB 10 each. All shares are ranked equally and carry one vote.

As of 30 June 2014 and 31 December 2013 share premium totalling RUB 59,707 million represents an excess of contributions received in share capital over the nominal value of shares issued.

The Group's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. As of 30 June 2014 and 31 December 2013 non-distributable reserves are represented by a general reserve fund, which is created as required by statutory regulations in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with statutory regulations of individual entities that provide for the creation of a reserve for these purposes.

As at 30 June 2014 and 31 December 2013 the Bank's share capital comprised the following number of shares of RUB 10 each:

| | Share capital authorized Share | Share capital authorized but not issued Share | Share capital repurchased Share | Share capital issued and paid in Share |
|-----------------|--------------------------------------|--|---------------------------------------|--|
| Ordinary shares | 1,846,461,466 | 295,059,613 | - | 1,551,401,853 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

20. NET INTEREST INCOME

| | 6 months ended 30 June 2014 mRUB (unaudited) | 6 months ended 30 June 2013 mRUB (unaudited) |
|--|---|---|
| Interest income comprises: | | |
| Interest income on financial assets recorded at amortized cost | 41,581 | 38,841 |
| Interest income on financial assets recorded at fair value | 1,999 | 2,187 |
| Total interest income | 43,580 | 41,028 |
| Interest income on financial assets recorded at amortized cost comprises: | | |
| Interest on loans to individuals | 31,720 | 30,316 |
| Interest on loans to corporate customers | 7,611 | 7,798 |
| Interest on due from banks | 1,532 | 727 |
| Interest on investments held to maturity | 718 | - |
| Total interest income on financial assets recorded at amortized cost | 41,581 | 38,841 |
| Interest income on financial assets recorded at fair value comprises: | | |
| Interest income on investments available-for-sale | 1,153 | 1,475 |
| Interest income on financial assets at fair value through profit and loss | 846 | 712 |
| Total interest income on financial assets recorded at fair value | 1,999 | 2,187 |
| Interest expense comprises: | | |
| Interest on financial liabilities recorded at amortized cost | 19,575 | 18,114 |
| Total interest expense | 19,575 | 18,114 |
| Interest expense on financial liabilities recorded at amortized cost comprise: | | |
| Interest on corporate customer accounts | 5,968 | 4,319 |
| Interest on debt securities issued | 4,814 | 4,567 |
| Interest on deposits from individuals | 3,454 | 3,388 |
| Interest on deposits from banks | 2,943 | 3,724 |
| Interest on subordinated debt | 1,296 | 1,193 |
| Interest on deposits of the Central Bank of the Russian Federation | 1,100 | 923 |
| Total interest expense on financial liabilities recorded at amortized cost | 19,575 | 18,114 |
| Net interest income before provision for impairment losses on interest bearing assets | 24,005 | 22,914 |

21. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest-bearing assets were as follows:

| | Due from banks mRUB | Loans to customers mRUB | Total mRUB |
|---------------------------------------|------------------------|-------------------------------|---------------|
| 31 December 2012 | 9 | 62,785 | 62,794 |
| Net allocations | (9) | 3,952 | 3,943 |
| Forex effect on provision revaluation | - | 1,290 | 1,290 |
| Sales and write-offs of loans | - | (6,181) | (6,181) |
| Accounting transfer | - | (119) | (119) |
| 30 June 2013 (unaudited) | - | 61,727 | 61,727 |
| 31 December 2013 | - | 61,665 | 61,665 |
| Net allocations | - | 9,011 | 9,011 |
| Forex effect on provision revaluation | - | 167 | 167 |
| Sales and write-offs of loans | - | (3,780) | (3,780) |
| 30 June 2014 (unaudited) | - | 67,063 | 67,063 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

As of 30 June 2014 and 2013 the amount of provision for impairment losses on interest bearing assets in the interim condensed consolidated statement of profit or loss comprise:

| | 6 months ended 30 June 2014 mRUB (unaudited) | 6 months ended 30 June 2013 mRUB (unaudited) |
|---|--|--|
| Net allocations | 9,011 | 3,943 |
| Recoveries of loans written off | (303) | - |
| Provision for impairment losses on interest bearing assets | 8,708 | 3,943 |

The movements in other provisions were as follows:

| | Other assets mRUB | Provisions for financial guarantees issued, claims and other commitments mRUB | Total mRUB |
|---------------------------------|-------------------------|---|---------------|
| 31 December 2012 | 2,374 | 306 | 2,680 |
| Provision | 21 | 227 | 248 |
| Write-offs | (51) | (200) | (251) |
| Accounting transfer | 139 | (20) | 119 |
| 30 June 2013 (unaudited) | 2,483 | 313 | 2,796 |
| 31 December 2013 | 2,311 | 1,943 | 4,254 |
| Provision | 274 | (722) | (448) |
| Write-offs | (276) | (501) | (777) |
| 30 June 2014 (unaudited) | 2,309 | 720 | 3,029 |

Allowance for impairment losses on assets are deducted from the respective assets. Allowance for impairment losses on financial guarantees issued, claims and other commitments is presented in liabilities.

22. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprises:

| | 6 months ended 30 June 2014 mRUB (unaudited) | 6 months ended 30 June 2013 mRUB (unaudited) |
|---|---|---|
| Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise: | | |
| Realized loss on trading operations | (13) | (42) |
| Unrealized (loss)/gain on fair value adjustment | (263) | 238 |
| Net gain/(loss) on operations with derivative financial instruments | 469 | (462) |
| Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss | 193 | (266) |

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23. NET LOSS ON FOREIGN EXCHANGE OPERATIONS

| | 6 months ended 30 June 2014 mRUB (unaudited) | 6 months ended 30 June 2013 mRUB (unaudited) |
|--|---|---|
| Net gain on foreign exchange operations | 187 | 838 |
| Effect of foreign currency swap instruments | <u>(1,189)</u> | <u>(1,287)</u> |
| Total net loss on foreign exchange operations | <u>(1,002)</u> | <u>(449)</u> |

During 6 months ended 30 June 2014 and 2013, the Group used foreign currency swaps to manage its liquidity between currencies.

24. FEE AND COMMISSION INCOME AND EXPENSE

| | 6 months ended 30 June 2014 mRUB (unaudited) | 6 months ended 30 June 2013 mRUB (unaudited) |
|---|---|---|
| Fee and commission income: | | |
| Plastic cards operations | 1,936 | 1,539 |
| Cash operations | 1,420 | 1,305 |
| Agency operations | 1,356 | 1,419 |
| Settlements | 1,091 | 1,030 |
| Other operations | <u>758</u> | <u>753</u> |
| Total fee and commission income | <u>6,561</u> | <u>6,046</u> |
| Fee and commission expense: | | |
| Plastic cards operations | 438 | 345 |
| Settlements | 289 | 250 |
| Cash operations | 140 | 45 |
| Agency operations | 68 | 577 |
| Other operations | <u>161</u> | <u>242</u> |
| Total fee and commission expense | <u>1,096</u> | <u>1,459</u> |

25. OPERATING EXPENSES

| | 6 months ended 30 June 2014 mRUB (unaudited) | 6 months ended 30 June 2013 mRUB (unaudited) |
|---|---|---|
| Salary and bonuses | 7,883 | 7,398 |
| Unified social tax contribution | 1,873 | 1,857 |
| Operating lease expense | 1,684 | 1,776 |
| Repairs and maintenance expense | 1,276 | 1,174 |
| Depreciation charge on property and equipment | 999 | 989 |
| Other | <u>4,014</u> | <u>1,385</u> |
| Total operating expenses | <u>17,729</u> | <u>14,579</u> |

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26. INCOME TAX

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of RF and countries where the Group and its subsidiaries operate, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 30 June 2014 and 31 December 2013 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

Based on semi-annual tax business planning exercise, the Group believes that it will generate sufficient taxable profits to recover the deferred tax assets recognized as of 30 June 2014.

Temporary differences as of 30 June 2014 and 31 December 2013 comprise:

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|--|--|-----------------------------|
| Deferred tax assets/(liabilities) in relation to: | | |
| Financial assets at fair value through profit or loss | (68) | (145) |
| Due from banks and loans to customers | 746 | 1,396 |
| Investments available-for-sale | (364) | (380) |
| Investments held to maturity | 215 | - |
| Property and equipment | (2,130) | (2,199) |
| Other assets | 868 | 758 |
| Debt securities issued | (62) | (29) |
| Other liabilities | 837 | 1,147 |
| Tax losses carried forward | 535 | 280 |
| Net deferred tax asset | 577 | 828 |

The amount of tax losses carried forward as of 30 June 2014 and 31 December 2013 relates to the following fiscal years:

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|-----------------------------|--|-----------------------------|
| Year ended 31 December 2010 | 30 | 30 |
| Year ended 31 December 2011 | 250 | 250 |
| Year ended 31 December 2012 | - | - |
| Year ended 31 December 2013 | - | - |
| 6 months ended 30 June 2014 | 255 | - |
| Deferred tax asset | 535 | 280 |

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Relationships between tax expenses and accounting profit for 6 months ended 30 June 2014 and 2013 are explained as follows:

| | 6 months ended 30 June 2014 mRUB (unaudited) | 6 months ended 30 June 2013 mRUB (unaudited) |
|--|---|---|
| Profit before income tax | 3,589 | 8,973 |
| Tax at the statutory tax rate (20%) | 718 | 1,795 |
| Tax effect due to different tax rates | (129) | (117) |
| Tax effect of permanent differences | 341 | 264 |
| Tax corrections | 3 | 36 |
| Income tax expense | 933 | 1,978 |
| Current income tax expense | 540 | 540 |
| Deferred tax expense | 393 | 1,438 |
| Income tax expense | 933 | 1,978 |
| | 6 months ended 30 June 2014 mRUB (unaudited) | Year ended 31 December 2013 mRUB |
| Deferred tax assets – beginning of the period | 4,108 | 4,937 |
| Deferred tax liabilities – beginning of the period | (3,280) | (4,038) |
| Changes in deferred income tax balances recognized in other comprehensive income and directly in equity | 142 | 1,043 |
| Change in deferred income tax balances recognized in consolidated profit or loss | (393) | (1,114) |
| Deferred tax assets – end of the period | 4,153 | 4,108 |
| Deferred tax liabilities – end of the period | (3,576) | (3,280) |

27. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

| | 6 months ended 30 June 2014 mRUB (unaudited) | 6 months ended 30 June 2013 mRUB (unaudited) |
|---|---|---|
| Profit | | |
| Net profit attributable to equity holders of the parent for the period (mRUB) | 2,656 | 6,995 |
| Weighted average number of ordinary shares | | |
| For basic and diluted earnings per share | 1,551,401,853 | 1,551,401,853 |
| Earnings per share – basic and diluted (RUB) | 1.71 | 4.51 |

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28. 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 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. Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|----------------------------------|--|-----------------------------|
| Litigations and other provisions | <u>720</u> | <u>1,943</u> |
| Total other provisions | <u>720</u> | <u>1,943</u> |

In October 2013 one of the borrowers of the Bank initiated a legal claim to annul payments made under a loan agreement. The total amount brought under dispute was RUB 1,658 million. This claim was fully provisioned as of 31 December 2013 and fully paid in January 2014 in accordance with a court decision. In April 2014 this court decision was cancelled and the borrower's claim rejected. As of 30 June 2014 the Bank managed to recover RUB 277 million of the total amount paid. The remaining amount to be recovered has been included in loans to customers and fully provisioned, while the Bank will continue its attempts to recover its due amount from the borrower.

In May 2014 the Bank received a legal claim from one of its counterparties to recover damages as a result of the assignment of void receivables under a cession agreement in the amount of RUB 383 million, which was fully provisioned as of 30 June 2014. Legal proceedings are underway.

As of 30 June 2014 and 31 December 2013, letters of credit and other transactions related to contingent obligations covered by cash on customers' accounts amounted to RUB 851 million and RUB 959 million, respectively and guarantees issued covered by cash amounted to RUB 183 million and RUB 205 million, respectively.

The risk-weighted amount is obtained by applying a credit conversion factor and counterparty risk weightings according to principles employed by the Basle Committee on Banking Supervision.

As of 30 June 2014 and 31 December 2013, the nominal or contract amounts and risk-weighted amounts were:

| | 30 June 2014 (unaudited) | | 31 December 2013 | |
|--|---------------------------|---------------------------------|---------------------------|---------------------------------|
| | Nominal amount mRUB | Risk weighted amount mRUB | Nominal amount mRUB | Risk weighted amount mRUB |
| Contingent liabilities and credit commitments | | | | |
| Guarantees issued and similar commitments | 41,226 | 20,446 | 47,672 | 23,738 |
| Letters of credit and other transaction related contingent obligations | 3,832 | 1,264 | 4,754 | 1,318 |
| Commitments on loans and unused credit lines | <u>99,131</u> | <u>40,832</u> | <u>125,526</u> | <u>51,704</u> |
| Total contingent liabilities and credit commitments | <u>144,189</u> | <u>62,542</u> | <u>177,952</u> | <u>76,760</u> |

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The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

Commitments on lease activities – As of 30 June 2014 and 31 December 2013 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUB 179 million and RUB 132 million, respectively.

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancellable operating leases of buildings and equipment are as follows:

| | 30 June 2014 mRUB (unaudited) | 31 December 2013 mRUB |
|--|--|-----------------------------|
| Not later than 1 year | 2,411 | 2,337 |
| Later than 1 year and not later than 5 years | 1,946 | 1,960 |
| Later than 5 years | 343 | 336 |
| Total operating lease commitments | 4,700 | 4,633 |

Fiduciary activities – In the normal course of its business, the Group enters into agreements with limited rights on decision making with clients for asset management in accordance with specific criteria established by clients. The Group may be liable for losses due to its gross negligence or wilful misconduct until such funds or securities are returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized gain/loss on the client's position. In the judgment of management, as of 30 June 2014 and 31 December 2013 the maximum potential financial risk on securities accepted by the Group on behalf of its clients does not exceed RUB 738 million and RUB 606 million, respectively. These amounts represent customers' funds under the management of the Group as at 30 June 2014 and 31 December 2013.

The Group also provides depositary services to its customers. As of 30 June 2014 and 31 December 2013, the Group had customer securities totalling 103,767,990,825 items and 597,004,534,332 items, respectively, in its nominal holder accounts.

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 financial statements.

The Group is receiving claims from individual customers with respect to certain commissions withheld by the Group for loan agreements service. The CBR issued an instruction requiring banks to disclose effective interest rates on loans granted to individuals. Management is of the opinion that such claims would not have adverse consequences for the Group, and has established procedures on disclosing additional information in loan agreements in compliance with the CBR instruction.

Taxation – Commercial legislation of the RF and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

Russian Transfer Pricing Legislation – 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.

Operating environment – Emerging markets such as the Russian Federation 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 the Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because the Russian Federation 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.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the 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 Rouble 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.

Share-based payments – The Group engages in cash settled and equity settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares or share options initially on the date of the grant and then subsequently at each reporting date. The cost of the employee services received in respect of the shares or share options granted is recognized in the consolidated income statement within administrative expenses, over the period that the services are received, which is the vesting period. A liability equal to the portion of the goods and services received is recognized at the current fair value determined at each balance sheet date for cash settled, share-based payments. The vesting conditions are as follows:

1. Vesting period:
 - (a) For the first tranche, concerning 16 Performance Shares equivalent, the vesting period will expire on 31 March 2015;
 - (b) For the second tranche, concerning 24 Performance Shares equivalent, the vesting period will expire on 31 March 2016.
2. Vesting conditions:

The effective vesting of Performance Shares is subject to a continued employment condition as well as to performance conditions. The satisfaction of the continued employment and performance conditions will be reviewed and officially acknowledged at the end of each of the vesting periods.

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29. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

| | 30 June 2014 (unaudited) mRUB | | 31 December 2013 mRUB | |
|--|----------------------------------|--|-------------------------------|--|
| | Related party transactions | Total category as per financial statement caption | Related party transactions | Total category as per financial statement caption |
| Financial assets at fair value | | | | |
| through profit or loss | 13,276 | 45,053 | 5,121 | 34,039 |
| - shareholders | 13,184 | | 5,121 | |
| - related parties under common control with the Group | 92 | | - | |
| Due from banks | 3,128 | 78,761 | 6,473 | 49,175 |
| - shareholders | 3,077 | | 6,463 | |
| - related parties under common control with the Group | 51 | | 10 | |
| Loans to customers, gross | 868 | 689,409 | 916 | 673,923 |
| - key management personnel of the Group | 43 | | 3 | |
| - related parties under common control with the Group | 825 | | 913 | |
| Allowance for impairment losses on loans to customers | (667) | (67,063) | (683) | (61,665) |
| - related parties under common control with the Group | (667) | | (683) | |
| Investments available-for-sale | 117 | 28,776 | 117 | 54,489 |
| - related parties under common control with the Group | 117 | | 117 | |
| Other assets | 182 | 11,851 | 504 | 10,744 |
| - shareholders | 157 | | 473 | |
| - related parties under common control with the Group | 25 | | 31 | |
| Financial liabilities at fair value | | | | |
| through profit or loss | 13,403 | 23,841 | 4,740 | 9,261 |
| - shareholders | 13,311 | | 4,740 | |
| - related parties under common control with the Group | 92 | | - | |
| Due to banks | 61,430 | 112,469 | 91,953 | 175,090 |
| - shareholders | 61,422 | | 91,952 | |
| - related parties under common control with the Group | 8 | | 1 | |
| Customer accounts | 7,498 | 416,296 | 7,782 | 381,998 |
| - shareholders | 580 | | 580 | |
| - key management personnel of the Group | 353 | | 440 | |
| - related parties under common control with the Group | 6,565 | | 6,762 | |
| Other liabilities | 462 | 9,829 | 525 | 8,981 |
| - shareholders | 462 | | 525 | |
| Subordinated debt | 33,924 | 33,924 | 33,286 | 33,286 |
| - shareholders | 31,176 | | 30,611 | |
| - related parties under common control with the Group | 2,748 | | 2,675 | |

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| | 30 June 2014 (unaudited) mRUB | | 31 December 2013 mRUB | |
|---|----------------------------------|---|----------------------------|---|
| | Related party transactions | Total category as per financial statement caption | Related party transactions | Total category as per financial statement caption |
| Guarantees issued and similar commitments | 856 | 41,226 | 605 | 47,672 |
| - shareholders | 851 | | 589 | |
| - key management personnel of the Group | - | | 4 | |
| - related parties under common control with the Group | 5 | | 12 | |
| Commitments on loans and unused credit lines | 6,022 | 99,131 | 6,027 | 125,526 |
| - shareholders | 5,760 | | 5,760 | |
| - key management personnel of the Group | 7 | | 12 | |
| - related parties under common control with the Group | 255 | | 255 | |
| Guarantees received | 3,705 | 330,264 | 4,478 | 367,556 |
| - shareholders | 3,705 | | 4,478 | |

Included in the interim condensed consolidated statements of profit or loss for 6 months ended 30 June 2014 and 2013 are the following amounts which arose due to transactions with related parties:

| | 6 months ended 30 June 2014 mRUB (unaudited) | | 6 months ended 30 June 2013 mRUB (unaudited) | |
|--|---|--|---|--|
| | Related party transactions | Total category as per financial statements caption | Related party transactions | Total category as per financial statements caption |
| Interest income | 358 | 43,580 | 218 | 41,028 |
| - shareholders | 356 | | 168 | |
| - key management personnel of the Group | 2 | | - | |
| - related parties controlled by, or under common control with the Group | - | | 50 | |
| Interest expense | (3,490) | (19,575) | (4,660) | (18,114) |
| - shareholders | (3,131) | | (4,545) | |
| - key management personnel of the Group | - | | (32) | |
| - related parties under common control with the Group | (359) | | (83) | |
| Provision for impairment losses | 17 | (8,708) | - | (3,943) |
| - related parties under common control with the Group | 17 | | - | |
| Net gain/(loss) on financial assets and liabilities at fair value through profit or loss | 92 | 193 | (1,047) | (266) |
| - shareholders | 92 | | (1,047) | |
| Net loss on foreign exchange operations | (1,663) | (1,002) | (982) | (449) |
| - shareholders | (1,671) | | (900) | |
| - key management personnel of the Group | 5 | | - | |
| - related parties under common control with the Group | 3 | | (82) | |

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| | 6 months ended 30 June 2014 mRUB (unaudited) | | 6 months ended 30 June 2013 mRUB (unaudited) | |
|--|---|---|---|---|
| | Related party transactions | Total category as per financial statements caption | Related party transactions | Total category as per financial statements caption |
| Fee and commission income | 933 | 6,561 | 979 | 6,046 |
| - key management personnel of the Group | 1 | | 3 | |
| - related parties under common control with the Group | 932 | | 976 | |
| Fee and commission expense | (100) | (1,096) | (171) | (1,459) |
| - shareholders | (83) | | (171) | |
| - related parties under common control with the Group | (17) | | - | |
| Operating expense (other than compensation) | (263) | (7,973) | 1,923 | (5,324) |
| - shareholders | (263) | | 1,923 | |
| Other income | 17 | 671 | 35 | 759 |
| - shareholders | 3 | | 35 | |
| - related parties under common control with the Group | 14 | | - | |
| Salary, bonuses and social security contribution | (326) | (9,756) | (250) | (9,255) |
| - key management personnel | (326) | | (250) | |

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- As there is no active secondary market in Russia for loans and advances to banks and customers, due to banks, customer accounts, promissory notes issued, subordinated debt and other financial assets and liabilities, there is no reliable market value available for these portfolios.
- For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at variable rates management believes that carrying rate may be assumed to be fair value.

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- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at fixed rates fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the interim condensed consolidated statement of financial position of the Group is presented below:

| | 30 June 2014 (unaudited) | | 31 December 2013 | |
|---|--------------------------|---------------------|-------------------------|---------------------|
| | Carrying value, mRUB | Fair value, mRUB | Carrying value, mRUB | Fair value, mRUB |
| Cash and balances with the Central Bank of the Russian Federation | 45,078 | 45,078 | 73,472 | 73,472 |
| Financial assets at fair value through profit or loss | 45,053 | 45,053 | 34,039 | 34,039 |
| Due from banks | 78,761 | 78,761 | 49,175 | 49,175 |
| Loans to customers | 622,346 | 622,346 | 612,258 | 612,258 |
| Investments available-for-sale | 28,776 | 28,776 | 54,489 | 54,489 |
| Investments held to maturity | 30,117 | 29,869 | - | - |
| Other financial assets | 1,639 | 1,639 | 1,146 | 1,146 |
| Financial liabilities at fair value through profit or loss | 23,841 | 23,841 | 9,261 | 9,261 |
| Due to the Central Bank of the Russian Federation | 26,457 | 26,457 | 6,119 | 6,119 |
| Due to banks | 112,469 | 112,469 | 175,090 | 175,090 |
| Customer accounts | 416,296 | 416,296 | 381,998 | 381,998 |
| Debt securities issued | 134,469 | 134,385 | 115,278 | 116,228 |
| Other provisions | 720 | 720 | 1,943 | 1,943 |
| Other financial liabilities | 6,883 | 6,883 | 6,081 | 6,081 |
| Subordinated debt | 33,924 | 33,924 | 33,286 | 33,286 |

Assets and liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

Fair value measurements recognized in the interim condensed consolidated statement of financial position

For the purpose of fair value hierarchy disclosure as at 30 June 2014, the Group has categorized classes of assets and liabilities into Level 1 to 3 based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Balance Sheet Category | 30 June 2014 (unaudited), mRUB | | | 31 December 2013, mRUB | | |
|---|--------------------------------|---------|---------|------------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Cash and balances with the Central Bank of the Russian Federation | - | 45,078 | - | - | 73,472 | - |
| Financial assets at fair value through profit or loss | 7,978 | 37,075 | - | 7,879 | 26,160 | - |
| Due from banks | - | 78,761 | - | - | 49,175 | - |
| Loans to customers | - | 622,346 | - | - | 612,258 | - |
| Investments available-for-sale | 28,640 | 136 | - | 54,353 | 136 | - |
| Investments held to maturity | 30,117 | - | - | - | - | - |
| Property and equipment | - | - | 19,859 | - | - | 20,444 |
| Financial liabilities at fair value through profit or loss | 817 | 23,024 | - | 273 | 8,988 | - |
| Due to the Central Bank of the Russian Federation | - | 26,457 | - | - | 6,119 | - |
| Due to banks | - | 112,469 | - | - | 175,090 | - |
| Customer accounts | - | 416,296 | - | - | 381,998 | - |
| Debt securities issued | 112,468 | 22,001 | - | 103,727 | 11,551 | - |
| Subordinated debt | - | 33,924 | - | - | 33,286 | - |

There were no transfers between Level 1 and 2 in the period.

Level 3 fair values of land and office buildings have been generally derived using the adjusted sales comparison approach, the income-based approach and the costs method. Unobservable inputs included in the calculations for sales comparison approach represent various adjustments considered to account for the difference between the compared properties in terms of size, location, bargain prices to which sellers are willing to go (ranging from 0% to -15%). The unobservable inputs included in the income-based approach calculations represent mainly the adjustments considered to account for the discounting rates (ranging from 10 % to 12%) and capitalization rates (from 9% to 12.5%).

The sensitivity of the fair value measurement to changes in those unobservable inputs indicated above does not result in a significantly higher or lower fair value measurement.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

31. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

| | Impact of offsetting on the statement of financial position | | Net amount presented in the statement of financial position | Impact of Master Netting Agreements and similar agreements | | | Assets not subject to offsetting | Total assets/ liabilities | |
|---|---|----------------|---|---|--------------------------|--|----------------------------------|---------------------------|----------------|
| | Gross amount | Amounts offset | | Financial instruments recognised in the statement of financial position | Cash collateral received | Financial instruments received as collateral | | | Net amount |
| ASSETS | | | | | | | | | |
| Derivative financial instruments | 22,307 | - | 22,307 | 17,987 | - | - | 4,320 | - | 22,307 |
| Other assets not subject to offsetting | - | - | - | - | - | - | - | 870,285 | 870,285 |
| TOTAL ASSETS | 22,307 | - | 22,307 | 17,987 | - | - | 4,320 | 870,285 | 892,592 |
| LIABILITIES | | | | | | | | | |
| Derivative financial instruments | 23,024 | - | 23,024 | 17,987 | - | - | 5,037 | - | 23,024 |
| Other liabilities not subject to offsetting | - | - | - | - | - | - | - | 738,722 | 738,722 |
| TOTAL LIABILITIES | 23,024 | - | 23,024 | 17,987 | - | - | 5,037 | 738,722 | 761,746 |

| | Impact of offsetting on the statement of financial position | | Net amount presented in the statement of financial position | Impact of Master Netting Agreements and similar agreements | | | Assets not subject to offsetting | Total assets/ liabilities | |
|---|---|----------------|---|---|--------------------------|--|----------------------------------|---------------------------|----------------|
| | Gross amount | Amounts offset | | Financial instruments recognised in the statement of financial position | Cash collateral received | Financial instruments received as collateral | | | Net amount |
| ASSETS | | | | | | | | | |
| Derivative financial instruments | 9,549 | - | 9,549 | 8,507 | - | - | 1,042 | - | 9,549 |
| Other assets not subject to offsetting | - | - | - | - | - | - | - | 854,592 | 854,592 |
| TOTAL ASSETS | 9,549 | - | 9,549 | 8,507 | - | - | 1,042 | 854,592 | 864,141 |
| LIABILITIES | | | | | | | | | |
| Derivative financial instruments | 8,988 | - | 8,988 | 8,507 | - | - | 481 | - | 8,988 |
| Other liabilities not subject to offsetting | - | - | - | - | - | - | - | 726,406 | 726,406 |
| TOTAL LIABILITIES | 8,988 | - | 8,988 | 8,507 | - | - | 481 | 726,406 | 735,394 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

32. SEGMENT REPORTING

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided.

There has been no material change in total assets from the amount disclosed in the last annual financial statements.

There are no differences from the last annual financial statements in the basis of segmentation.

The main business activity of the Group is concentrated in RF, thus no geographical segmentation is reported.

Segment information about these businesses is presented below.

| | Retail banking | Corporate banking | Treasury and Financial institutions | Unallocated | 6 months ended 30 June 2014 (unaudited) |
|---|-------------------|----------------------|---|----------------|--|
| Net interest margin | 15,708 | 4,350 | (245) | 4,192 | 24,005 |
| Provisions for impairment losses on interest bearing assets | (5,689) | (2,894) | (1) | (124) | (8,708) |
| Net gain/(loss) on financial transactions | 218 | - | 1,596 | (2,667) | (853) |
| Net fee and commission income | 2,981 | 2,489 | 314 | (319) | 5,465 |
| Other provisions | - | 448 | - | - | 448 |
| Dividend income | - | - | - | 290 | 290 |
| Other income | 237 | (1) | 34 | 401 | 671 |
| Total operating income | 13,455 | 4,392 | 1,698 | 1,773 | 21,318 |
| Operating expenses | (12,029) | (4,613) | (803) | (284) | (17,729) |
| Profit before income tax | 1,426 | (221) | 895 | 1,489 | 3,589 |
| Income tax expense | - | - | - | (933) | (933) |
| Net profit | 1,426 | (221) | 895 | 556 | 2,656 |
| Segment assets | 478,941 | 180,792 | 111,649 | 121,210 | 892,592 |
| Segment liabilities | 272,042 | 268,952 | 176,280 | 44,472 | 761,746 |
| Other segment items | | | | | |
| Depreciation charge on property and equipment | (522) | (160) | (17) | (300) | (999) |
| Cash and balances with the Central Bank of the Russian Federation | 6,470 | - | - | 38,608 | 45,078 |
| Financial assets at fair value through profit or loss | - | - | 45,053 | - | 45,053 |
| Due from banks | 12,604 | - | 66,157 | - | 78,761 |
| Loans to customers | 445,582 | 176,764 | - | - | 622,346 |
| Investments available-for-sale | - | - | - | 28,776 | 28,776 |
| Investments held to maturity | - | - | - | 30,117 | 30,117 |
| Property and equipment | 13,166 | 4,028 | 439 | 7,553 | 25,186 |
| Financial liabilities at fair value through profit or loss | - | - | 23,841 | - | 23,841 |
| Due to the Central Bank of the Russian Federation | - | - | 26,457 | - | 26,457 |
| Due to banks | 47,782 | - | 64,687 | - | 112,469 |
| Customer accounts | 147,344 | 268,952 | - | - | 416,296 |
| Debt securities issued | 73,174 | - | 61,295 | - | 134,469 |
| Subordinated debt | - | - | - | 33,924 | 33,924 |
| Capital expenditure | 640 | 196 | 21 | 368 | 1,225 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

| | Retail banking | Corporate banking | Treasury and Financial institutions | Unallocated | 6 months ended 30 June 2013 (unaudited) (31 December 2013 for balance sheet lines) |
|---|-------------------|----------------------|---|----------------|---|
| Net interest margin | 17,233 | 4,632 | 194 | 855 | 22,914 |
| Provisions for impairment losses on interest bearing assets | (4,323) | 306 | (3) | 77 | (3,943) |
| Net gain/(loss) on financial transactions | 178 | 29 | 555 | (1,577) | (815) |
| Net fee and commission income | 2,523 | 2,300 | 286 | (522) | 4,587 |
| Other provisions | - | - | - | (248) | (248) |
| Dividend income | - | - | - | 298 | 298 |
| Other income | 571 | - | - | 188 | 759 |
| Total operating income | 16,182 | 7,267 | 1,032 | (929) | 23,552 |
| Operating expenses | (11,636) | (4,299) | (644) | 2,000 | (14,579) |
| Profit before income tax | 4,546 | 2,968 | 388 | 1,071 | 8,973 |
| Income tax expense | - | - | - | (1,978) | (1,978) |
| Net profit/(loss) | 4,546 | 2,968 | 388 | (907) | 6,995 |
| Segment assets | 442,661 | 198,416 | 81,302 | 141,762 | 864,141 |
| Segment liabilities | 279,684 | 220,101 | 190,950 | 44,659 | 735,394 |
| Other segment items | | | | | |
| Depreciation charge on property and equipment | (734) | (248) | (7) | - | (989) |
| Cash and balances with the Central Bank of the Russian Federation | 5,250 | - | - | 68,222 | 73,472 |
| Financial assets at fair value through profit or loss | - | - | 34,039 | - | 34,039 |
| Due from banks | 2,354 | - | 46,821 | - | 49,175 |
| Loans to customers | 417,896 | 194,362 | - | - | 612,258 |
| Investments available-for-sale | - | - | - | 54,489 | 54,489 |
| Property and equipment | 13,252 | 4,054 | 442 | 7,603 | 25,351 |
| Financial liabilities at fair value through profit or loss | - | - | 9,261 | - | 9,261 |
| Due to the Central Bank of the Russian Federation | - | - | 6,119 | - | 6,119 |
| Due to banks | 49,807 | - | 125,283 | - | 175,090 |
| Customer accounts | 161,897 | 220,101 | - | - | 381,998 |
| Debt securities issued | 64,991 | - | 50,287 | - | 115,278 |
| Subordinated debt | - | - | - | 33,286 | 33,286 |
| Capital expenditure | 605 | 204 | 6 | - | 815 |

33. SUBSEQUENT EVENTS

In July 2014 the Group took the decision to merge Kapital i zdanie OJSC subsidiary with the Bank by the end of the year 2014.