

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

**Condensed Interim Consolidated  
Financial Statements (Unaudited)**  
For the Six and Three Months Ended 30 June 2014

**TABLE OF CONTENTS**

	<b>Page</b>
Statement of management’s responsibilities for the preparation and approval of the condensed interim consolidated financial statements for the six and three months ended 30 June 2014 .....	1
Independent auditors’ report on review of the condensed interim consolidated financial statements .....	2
Condensed interim consolidated statement of financial position as at 30 June 2014 (unaudited) .....	3
Condensed interim consolidated income statement for the six and three months ended 30 June 2014 (unaudited).....	4
Condensed interim consolidated statement of other comprehensive income for the six and three months ended 30 June 2014 (unaudited).....	5
Condensed interim consolidated statement of changes in equity for the six months ended 30 June 2014 (unaudited) .....	6
Condensed interim consolidated statement of cash flows for the six months ended 30 June 2014 (unaudited) .....	7-8
Selected explanatory notes to the condensed interim consolidated financial statements for the six and three months ended 30 June 2014 (unaudited) .....	9-59
1. Organisation.....	9
2. Basis of presentation .....	11
3. Significant accounting policies .....	12
4. Acquisitions and disposals.....	13
5. Financial assets at fair value through profit or loss .....	14
6. Loans and advances to banks and other financial institutions .....	17
7. Loans to customers.....	17
8. Investments available-for-sale .....	23
9. Investments held to maturity.....	26
10. Due to Banks and the Central Bank of the Russian Federation .....	28
11. Customer accounts .....	29
12. Bonds and Eurobonds issued.....	30
13. Subordinated debt.....	31
14. Share capital and share premium .....	32
15. Net interest income .....	34
16. Trading income .....	35
17. Net fee and commission income.....	36
18. Operating expenses.....	36
19. Earnings per share and earnings per gdr .....	37
20. Commitments and contingencies.....	37
21. Segment reporting .....	40
22. Fair value of financial instruments .....	45
23. Capital management.....	48
24. Risk management policy.....	49
25. Transactions with related parties .....	55
26. Subsequent events .....	59

# OPEN JOINT-STOCK COMPANY “Bank Otkritie Financial Corporation”

## STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX AND THREE MONTHS ENDED 30 JUNE 2014

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Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of Open Joint-Stock Company “Bank Otkritie Financial Corporation” (the “Bank”) and its subsidiaries (the “Group”) as at 30 June 2014 and the results of its operations, cash flows and changes in shareholders’ equity for the six months then ended, in accordance with International Accounting Standard 34 (“IAS 34”), *Interim Financial Reporting*.

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

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

Management is also responsible for:

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

The condensed interim consolidated financial statements of the Group for the six and three months ended 30 June 2014 were authorized for issue by the Supervisory Board of the Bank on 28 August 2014.

### On behalf of the Supervisory Board

  
**President**  
28 August 2014  
Moscow



  
**Deputy Financial Director**  
28 August 2014  
Moscow

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

We have reviewed the accompanying condensed interim consolidated financial statements of Open Joint-Stock Company "Bank Otkritie Financial Corporation" and its subsidiaries (the "Group"), which comprise the condensed interim consolidated statement of financial position as at 30 June 2014, the condensed interim consolidated income statement and the condensed interim consolidated statement of other comprehensive income for the six and three months ended 30 June 2014, the condensed interim consolidated statements of changes in equity and cash flows for the six months ended 30 June 2014, and selected significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

### Scope of review

We conducted our review in accordance with the Federal Law "On Auditing", Federal Standard on Auditing № 33 "Review of Financial (Accounting) Statements" and International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Federal Standards on Auditing and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

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

*Deloitte & Touche*

28 August 2014  
Moscow

  
Ploutalova Svetlana Evgenyevna, Partner  
(certificate no 01-00596 dated 19 March 2012)  
ZAO "Deloitte and Touche CIS"



The Entity: Open Joint-Stock Company "Bank Otkritie Financial Corporation"

Certificate of state registration № 2209 dated 15.12.1992.

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

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

Independent Auditor: ZAO "Deloitte & Touche CIS"

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

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

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

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

	Notes	30 June 2014	31 December 2013
<b>ASSETS</b>			
Cash and balances with the Central Bank of the Russian Federation		52,031	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation		9,145	8,869
Precious metals		5,300	5,746
Financial assets at fair value through profit or loss	5,25	146,769	181,986
Loans and advances to banks and other financial institutions	6,25	119,006	133,661
Loans to customers	7,25	915,979	879,274
Investments available-for-sale	8,25	51,973	39,532
Investments held to maturity	9	52,424	-
Investment property		9,369	8,571
Property, plant and equipment		15,671	16,205
Intangible assets		2,992	3,509
Goodwill		1,999	1,999
Other assets	25	13,982	11,867
<b>TOTAL ASSETS</b>		<b>1,396,640</b>	<b>1,379,051</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Financial liabilities at fair value through profit or loss	25	11,145	2,866
Due to banks and the Central Bank of the Russian Federation	10	238,825	257,187
Customer accounts	11,25	789,792	781,471
Bonds and Eurobonds issued	12,25	58,907	63,959
Promissory notes issued	25	82,574	61,652
Deferred income tax liabilities		2,711	3,378
Other liabilities	25	6,012	5,722
Subordinated debt	13,25	64,842	63,459
<b>TOTAL LIABILITIES</b>		<b>1,254,808</b>	<b>1,239,694</b>
<b>EQUITY:</b>			
<b>Equity attributable to equity holders of the parent:</b>			
Share capital	14	7,934	7,934
Treasury shares		(929)	(932)
Share premium	14	38,885	38,883
Available-for-sale revaluation reserve/(deficit)		312	(34)
Property, plant and equipment revaluation reserve		1,616	1,617
Retained earnings		64,175	58,806
<b>Total equity attributable to equity holders of the parent</b>		<b>111,993</b>	<b>106,274</b>
Non-controlling interest		29,839	33,083
<b>TOTAL EQUITY</b>		<b>141,832</b>	<b>139,357</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,396,640</b>	<b>1,379,051</b>

On behalf of the Supervisory Board

President  
28 August 2014

Moscow



Deputy Financial Director  
28 August 2014

Moscow

The selected notes on pages 9-59 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX AND THREE MONTHS ENDED 30 JUNE 2014 (UNAUDITED)**  
*(in million of Russian Roubles)*

	Notes	Six months ended 30 June 2014	Three months ended 30 June 2014	Six months ended 30 June 2013	Three months ended 30 June 2013
Interest income	15,25	70,014	35,725	44,183	23,133
Interest expense	15,25	(37,724)	(19,056)	(26,128)	(13,877)
<b>NET INTEREST INCOME BEFORE GAIN ON REMEASUREMENT OF CASH FLOWS AND PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>	15	<b>32,290</b>	<b>16,669</b>	<b>18,055</b>	<b>9,256</b>
Gain on remeasurement of cash flows on interest bearing assets acquired in business combination		2	1	224	31
Provision for impairment losses on interest bearing assets	6,7,25	(11,032)	(6,647)	(3,596)	(2,485)
<b>NET INTEREST INCOME</b>		<b>21,260</b>	<b>10,023</b>	<b>14,683</b>	<b>6,802</b>
Trading (loss)/income	16,25	(3,305)	51	(853)	(1,524)
Securities		(2,799)	375	(1,791)	(1,857)
Foreign currency		(905)	(1,406)	937	324
Precious metals		(60)	620	13	6
Other derivatives		459	462	(12)	3
Net fee and commission income	17	6,816	3,194	4,195	2,250
Fee and commission income	17,25	8,832	4,226	5,629	2,977
Fee and commission expense	17,25	(2,016)	(1,032)	(1,434)	(727)
Net (loss)/gain on investments available-for-sale	25	(402)	(340)	18	(1)
Net gain on disposal of loans	7	65	289	176	115
(Provision)/recovery of provision for impairment losses on other transactions		(649)	(259)	45	1
Loss from revaluation of investment property		(69)	(18)	-	-
Other income	25	1,320	778	412	(24)
<b>NET NON-INTEREST INCOME</b>		<b>3,776</b>	<b>3,695</b>	<b>3,993</b>	<b>817</b>
<b>OPERATING INCOME</b>		<b>25,036</b>	<b>13,718</b>	<b>18,676</b>	<b>7,619</b>
OPERATING EXPENSES	18,25	(17,404)	(8,934)	(10,743)	(5,274)
<b>OPERATING PROFIT BEFORE INCOME TAX</b>		<b>7,632</b>	<b>4,784</b>	<b>7,933</b>	<b>2,345</b>
Income tax expense		(1,726)	(1,012)	(1,867)	(660)
Realised net gain on discontinued operations	4	283	-	-	-
<b>NET PROFIT</b>		<b>6,189</b>	<b>3,772</b>	<b>6,066</b>	<b>1,685</b>
Attributable to:					
Equity holders of the parent		5,880	3,750	5,017	1,567
Non-controlling interest		309	22	1,049	118
<b>EARNINGS PER SHARE</b> attributable to equity holders of the parent, basic and diluted, in Roubles	19	<b>51.37</b>	<b>32.76</b>	<b>54.29</b>	<b>16.96</b>

On behalf of the Supervisory Board

President  
28 August 2014  
Moscow



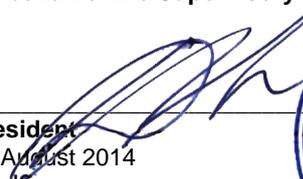
Deputy Financial Director  
28 August 2014  
Moscow

The selected notes on pages 9-59 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE SIX AND THREE MONTHS ENDED 30 JUNE 2014 (UNAUDITED)  
(in million of Russian Roubles)**

	Six months ended 30 June 2014	Three months ended 30 June 2014	Six months ended 30 June 2013	Three months ended 30 June 2013
<b>NET PROFIT</b>	<b>6,189</b>	<b>3,772</b>	<b>6,066</b>	<b>1,685</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Net change in fair value of investments available-for-sale reserve	581	1,372	70	(113)
Deferred income tax effect	(116)	(274)	(14)	23
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Write-off revaluation reserve in connection with disposal of property, plant and equipment	-	-	(1)	-
Deferred income tax effect	-	-	-	-
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX</b>	<b>465</b>	<b>1,098</b>	<b>55</b>	<b>(90)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>6,654</b>	<b>4,870</b>	<b>6,121</b>	<b>1,595</b>
Attributable to:				
Equity holders of the parent	6,226	4,447	5,066	1,474
Non-controlling interest	428	423	1,055	121

On behalf of the Supervisory Board

  
President  
28 August 2014

Moscow



  
Deputy Financial Director  
28 August 2014

Moscow

The selected notes on pages 9-59 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)**  
*(in million of Russian Roubles)*

	Note	Share capital	Treasury shares	Share premium	Investments available-for-sale revaluation reserve/(deficit)	Property, plant and equipment revaluation reserve	Retained earnings	Total equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
<b>31 December 2012</b>		<b>6,504</b>	<b>(605)</b>	<b>20,898</b>	<b>(230)</b>	<b>1,302</b>	<b>46,811</b>	<b>74,680</b>	<b>15,681</b>	<b>90,361</b>
Net profit for the period (unaudited)		-	-	-	-	-	5,017	5,017	1,049	6,066
Total other comprehensive income for the period, net of tax (unaudited)		-	-	-	49	(86)	86	49	6	55
Purchase of treasury shares (unaudited)		-	(3)	-	-	-	(53)	(56)	-	(56)
Effect of increase/ (decrease) of the Group's shareholding in subsidiaries		-	-	-	83	1	56	140	124	264
<b>30 June 2013 (unaudited)</b>		<b>6,504</b>	<b>(608)</b>	<b>20,898</b>	<b>(98)</b>	<b>1,217</b>	<b>51,917</b>	<b>79,830</b>	<b>16,860</b>	<b>96,690</b>
<b>31 December 2013</b>		<b>7,934</b>	<b>(932)</b>	<b>38,883</b>	<b>(34)</b>	<b>1,617</b>	<b>58,806</b>	<b>106,274</b>	<b>33,083</b>	<b>139,357</b>
Net profit for the period (unaudited)		-	-	-	-	-	5,880	5,880	309	6,189
Total other comprehensive loss for the period, net of tax (unaudited)		-	-	-	346	-	-	346	119	465
Sale of treasury shares (unaudited)		-	3	2	-	-	53	58	-	58
Effect of increase/ (decrease) of the Group's shareholding in subsidiaries	4	-	-	-	-	(1)	(564)	(565)	(3,672)	(4,237)
<b>30 June 2014 (unaudited)</b>		<b>7,934</b>	<b>(929)</b>	<b>38,885</b>	<b>312</b>	<b>1,616</b>	<b>64,175</b>	<b>111,993</b>	<b>29,839</b>	<b>141,832</b>

On behalf of the Supervisory Board

President

28 August 2014  
Moscow

Deputy Financial Director

28 August 2014  
Moscow

The selected notes on pages 9-59 form an integral part of the condensed interim consolidated financial statements.

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)**  
*(in million of Russian Roubles)*

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013
<b>Cash flows from operating activities:</b>			
Interest received		66,450	40,402
Interest paid		(35,683)	(23,647)
Cash received from prepayment of loans acquired in business combination in excess of carrying value		2	14
Cash received on dealing with securities		246	256
Cash received/(paid) on dealing with precious metals		81	(280)
Cash (paid)/received on dealing with foreign currencies		(585)	1,997
Cash paid on dealing with other derivatives		(4)	(14)
Fees and commissions received		8,830	5,532
Fees and commissions paid		(1,808)	(1,281)
Other operating income received		1,693	413
Operating expenses paid		(15,468)	(9,512)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>23,754</b>	<b>13,880</b>
<b>Cash increase/(decrease) from operating assets and liabilities:</b>			
Minimum reserve deposits with the Central Bank of the Russian Federation		(275)	(1,086)
Precious metals		445	(2,458)
Financial assets at fair value through profit or loss		1,263	(21,760)
Loans and advances to banks and other financial institutions		9,971	46,852
Loans to customers		(51,922)	(104,629)
Other assets		950	(690)
Due to banks and the Central Bank of the Russian Federation		(8,276)	(41,989)
Customer accounts		2,635	78,564
Bonds and Eurobonds, net		(4,983)	14,535
Promissory notes issued, net		23,176	10,347
Other liabilities		(237)	(292)
<b>Net cash used in operating activities before income tax</b>		<b>(3,499)</b>	<b>(8,726)</b>
Income taxes paid		(2,872)	(1,744)
<b>Net cash used in operating activities</b>		<b>(6,371)</b>	<b>(10,470)</b>
<b>Cash flows from investing activities:</b>			
Purchase of held to maturity investments		(16,576)	-
Proceeds from redemption of held to maturity investments		-	174
Purchase of investment property		(876)	(102)
Proceeds on sale of investment property		111	242
Purchase of property, plant and equipment		(684)	(453)
Proceeds from sale of property, plant and equipment		355	176
Purchase of intangible assets		(194)	(99)
Purchase of investment available-for-sale		(43,617)	(869)
Proceeds from sale of investment available-for-sale		31,481	4,024
Dividend received		1	-
Disposal of subsidiaries		252	-
<b>Net cash (used in)/ from investing activities</b>		<b>(29,747)</b>	<b>3,093</b>
<b>Cash flows from financing activities:</b>			
Purchase of treasury shares		-	(56)
Proceeds on sale of treasury shares		58	-
Subordinated debt issued		-	7,604
Subordinated debt repaid		-	(3,198)
Redemption of bonds and Eurobonds		-	(4,372)
Effect of change of the Group's shareholding in subsidiaries	4	(4,235)	264
<b>Net cash (used in)/from in financing activities</b>		<b>(4,177)</b>	<b>242</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(3)</b>	<b>194</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(40,298)</b>	<b>(6,941)</b>
Cash and cash equivalents, beginning of the period		197,124	70,861
<b>Cash and cash equivalents, ending of the period</b>		<b>156,826</b>	<b>63,920</b>

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)**  
*(in million of Russian Roubles)*

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

	<b>Six months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>
<b>Cash and cash equivalents:</b>		
Cash and balances with the Central Bank of the Russian Federation	52,031	37,633
Correspondent accounts with banks	54,562	26,287
Loans to banks with original maturity up to 90 days	28,580	-
Loans under reverse repurchase agreements with original maturity up to 90 days	21,349	-
Cash in trust operations and on broker accounts	304	-
<b>Total cash and cash equivalents</b>	<b>156,826</b>	<b>63,920</b>

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

Had the Group applied this approach in the first half 2013 the following changes would have been made to statement of cash flows for the six months ended 30 June 2013:

	<b>As reported</b>	<b>Effect</b>	<b>As if prepared under new approach</b>
Operating activities:			
Loans and advances to banks and other financial institutions	46,852	(82,888)	(36,036)
Total cash (used in)/from operating activities	(10,470)	(82,888)	(93,358)
Net effect		(82,888)	

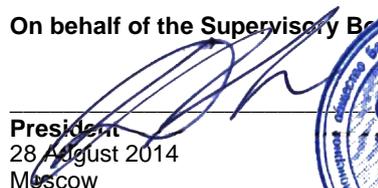
Line item presentations in cash flow as at 30 June 2013:

	<b>As reported</b>	<b>Effect</b>	<b>As if prepared under new approach</b>
Cash and cash equivalents, opening balance	70,861	110,527	181,388
Cash and cash equivalents, ending balance	63,920	27,639	91,559

During the six months ended 30 June 2014 and 2013 the Group obtained non-cash settlements for uncollectible loans to customers, previously originated. These non-cash settlements were excluded from the consolidated statement of cash flows and presented separately below:

	<b>Six months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>
<b>NON-CASH TRANSACTION:</b>		
Loans to customers settled by means of collateral repossession:	(106)	(139)
Other assets (obtained through repossession of collateral on uncollectible loans to customers):		
Property received as a collateral repossession	106	139

On behalf of the Supervisory Board

  
**President**  
28 August 2014  
Moscow



  
**Deputy Financial Director**  
28 August 2014  
Moscow

The selected notes on pages 9-59 form an integral part of the condensed interim consolidated financial statements.

**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX AND THREE MONTHS ENDED 30 JUNE 2014 (UNAUDITED)**  
(in million of Russian Roubles)

## 1. ORGANISATION

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

The registered office of the Bank is located at Russia, Moscow, 115114 Letnikovskaya st, building 2, block, 4.

As at 30 June 2014 the Bank had 20 branches operating in the Russian Federation and 1 representative office abroad.

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

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

(\*) The Ownership and control represent the following:

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

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

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

Name	30 June 2014, %	31 December 2013, %
ZPIF "KhMB-Capital"	100	100
ZPIF "Delovoy centr" (Centr (Olma))	100	100
ZPIFRE "Universal – Real estate fund"	100	100
ZPIF "Universal fund of mixed investments"	-	100

As at 30 June 2014 the Group also had holdings (50%) in ZAO PK HESCARD that does not conduct active operations and is insignificant in terms of the Group's financial statements.

As at 30 June 2014 and 31 December 2013 the Group had 17,067 employees and 17,890 employees respectively.

The Group also operates a number of network supplementary offices and currency exchange offices within the Russian Federation. As at 30 June 2014 and 31 December 2013 the Group had 866 and 809 points of sale respectively, including branches, supplementary offices and currency exchange offices.

The information about acquisitions and disposals of subsidiaries during the six months ended 30 June 2014 and 2013 is presented in Note 4.

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

Shareholders of the Bank	30 June 2014, %	31 December 2013, %
OJSC "Otkritie Holding" (formely OJSC "Financial corporation "OTKRITIE")	74.89(*)	74.90(*)
Non-Government pension funds	16.88	16.88
Other	8.23(*)	8.22(*)
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

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

As at 30 June 2014 OJSC "Otkritie Holding" (hereinafter – the "Parent Company") is a company that controls the Group.

As at 30 June 2014 and 31 December 2013 the following subsidiary companies owned treasury shares of the Bank (their share in ordinary shares are indicated in the table below):

	30 June 2014, %	31 December 2013, %
<b>Shareholders of treasury ordinary shares</b>		
CJSC "Erada" (subsidiary company)	2.67	2.67
LLC "Promgazkomplekt" (subsidiary company)	1.71	1.71
CJSC "Sovfintrast" (subsidiary company)	0.96	0.96
<b>Total</b>	<b>5.34</b>	<b>5.34</b>

As at 30 June 2014 and 31 December 2013 the following company owned the outstanding preference shares of the Bank:

	30 June 2014, %	31 December 2013, %
<b>Shareholder of treasury preference shares</b>		
<b>Shareholder of treasury preference shares of the Bank:</b>		
LLC "KN-Estate" (subsidiary company)	100.00	100.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

These condensed interim consolidated financial statements were authorized for issue by the Supervisory Board of the Bank on 28 August 2014.

## 2. BASIS OF PRESENTATION

### Accounting basis

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

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

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

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

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

	<u>30 June, 2014</u>	<u>December 31, 2013</u>
<b>Closing exchange rates – rouble ("RUB")</b>		
1 U.S. Dollar ("USD")	33.6306	32.7292
1 Euro	45.8251	44.9699

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### Taxation

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

#### New standards, interpretations and amendments adopted by the Group

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

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

These amendments have no impact on the Group.

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

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

##### ***New and revised IFRSs in issue but not yet effective***

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

##### **IFRS 15 Revenue from Contracts with Customers**

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

The five steps in the model are as follows:

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

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

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

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

#### **IFRS 9 (2013) Financial instruments - Hedge accounting**

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

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

#### **Change in significant accounting estimates**

The Group performed certain refinements to the estimation of impairment allowance for loans to individuals were adopted by the Group which improved the data used to identify the losses incurred in the portfolio. If the new methodology would have been applied as at 31 December 2013, impairment allowance on loans to customers would decrease on RUB 479 million.

#### **Reclassifications**

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

### **4. ACQUISITIONS AND DISPOSALS**

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

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

## 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	30 June 2014	Interest rate to nominal	Maturity date
<b>Financial assets at fair value through profit or loss:</b>			
<b>Debt securities:</b>			
Bonds and Eurobonds issued by banks	67,829	1.75-12.4%	July 2014-June 2035
Corporate bonds and Eurobonds	35,611	7.49-19.0%	July 2014-January 2044
OFZ bonds	21,656	6.2-12.0%	August 2014-February 2036
Municipal bonds	11,401	7.49-11.5%	September 2015-June 2021
<b>Total debt securities</b>	<b>136,497</b>		
<b>Equity securities</b>			
Corporate shares	7	-	-
<b>Total equity securities</b>	<b>7</b>		
<b>Derivative financial instruments</b>	<b>10,265</b>		
<b>Total financial assets at fair value through profit or loss</b>	<b>146,769</b>		

	30 June 2014	Pledged as collateral with CBR	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Bonds and Eurobonds issued by banks	67,829	7,917	27,129	30	35,076
Corporate bonds and Eurobonds	35,611	1,274	19,024	-	20,298
OFZ bonds	21,656	-	17,184	481	17,665
Municipal bonds	11,401	-	8,460	-	8,460
Corporate shares	7	-	-	-	-
<b>Total financial assets at fair value through profit or loss<sup>†</sup></b>	<b>136,504</b>	<b>9,191</b>	<b>71,797</b>	<b>511</b>	<b>81,499</b>

<sup>†</sup> Excluding derivative financial instruments

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

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

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

As at 30 June 2014 and 31 December 2013 financial assets at fair value through profit or loss are mainly represented by investments issued by the Government of Russian Federation, Ministry of Finance, local authorities, banks and companies of the Russian Federation.

<sup>‡</sup> Excluding derivative financial instruments

Details of the Group's information about the fair value hierarchy as at 30 June 2014 and 31 December 2013 are as follows:

<b>30 June 2014</b>				
	<b>Quoted prices in active market (Level 1)</b>	<b>Valuation techniques based on observable market data (Level 2)</b>	<b>Valuation techniques incorporating information other than observable market data (Level 3)</b>	<b>Total</b>
Bonds and Eurobonds issued by banks	67,829	-	-	67,829
Corporate bonds and Eurobonds	35,611	-	-	35,611
OFZ bonds	21,656	-	-	21,656
Municipal bonds	11,401	-	-	11,401
Corporate shares	7	-	-	7
<b>Financial assets at fair value through profit or loss<sup>§</sup></b>	<b>136,504</b>	<b>-</b>	<b>-</b>	<b>136,504</b>
<b>31 December 2013</b>				
	<b>Quoted prices in active market (Level 1)</b>	<b>Valuation techniques based on observable market data (Level 2)</b>	<b>Valuation techniques incorporating information other than observable market data (Level 3)</b>	<b>Total</b>
Corporate bonds and Eurobonds	74,653	1,004	-	75,657
Bonds and Eurobonds issued by banks	61,715	-	-	61,715
OFZ bonds	29,778	-	-	29,778
Municipal bonds	10,664	-	-	10,664
RF Government Eurobonds	1,110	-	-	1,110
Shares	27	-	-	27
<b>Financial assets at fair value through profit or loss<sup>**</sup></b>	<b>177,947</b>	<b>1,004</b>	<b>-</b>	<b>178,951</b>

<sup>§</sup> Excluding derivative financial instruments

<sup>\*\*</sup> Excluding derivative financial instruments

**6. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS**

Loans and advances to banks and other financial institutions comprise:

	<b>30 June 2014</b>	<b>31 December 2013</b>
Correspondent accounts with banks	54,562	47,246
Loans to banks	43,104	76,240
Loans under reverse repurchase agreements	21,349	10,177
Less: allowance for impairment losses	(9)	(2)
<b>Total loans and advances to banks and other financial institutions</b>	<b>119,006</b>	<b>133,661</b>

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2014 and 31 December 2013 are presented as follows:

	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>
Corporate bonds and Eurobonds	12,852	11,879	1,243	1,501
Shares	4,681	7,429	5,786	6,670
OFZ bonds	3,816	4,129	1,695	1,791
Bonds and Eurobonds issued by banks	-	-	537	663
Municipal bonds	-	-	916	1,143
<b>Total</b>	<b>21,349</b>	<b>23,437</b>	<b>10,177</b>	<b>11,768</b>

As at 30 June 2014 and 31 December 2013 the loans under reverse repurchase agreements to banks have contractual maturities in July 2014 and from January 2014 to March 2014 respectively.

As at 30 June 2014 and 31 December 2013 guarantee deposits placed by the Group for its operations with plastic cards included in loans and advances to banks and other financial institutions are in the amount of RUB 1,188 million and RUB 1,156 million respectively.

**7. LOANS TO CUSTOMERS**

Loans to customers comprise:

	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Loans to corporate and small business clients</b>		
Corporate loans	622,026	563,599
Small business loans to corporates	44,668	51,040
Net investments in finance lease	77	8,558
<b>Total loans to corporate and small business clients</b>	<b>666,771</b>	<b>623,197</b>
<b>Loans under reverse repurchase agreements</b>		
Loans under reverse repurchase agreements to legal entities	81,112	106,637
Loans under reverse repurchase agreements to individuals	30	78
<b>Total loans under reverse repurchase agreements</b>	<b>81,142</b>	<b>106,715</b>
<b>Loans to retail business clients</b>		
Consumer loans	127,275	111,260
Mortgage loans	56,706	54,728
Credit cards	8,787	7,471
Car loans	7,087	8,742
<b>Total loans to retail business clients</b>	<b>199,855</b>	<b>182,201</b>
<b>Gross loans to customers</b>	<b>947,768</b>	<b>912,113</b>
Less – Allowance for impairment losses	(31,789)	(32,839)
<b>Total loans to customers</b>	<b>915,979</b>	<b>879,274</b>

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

Starting from 31 December 2013, the Group implemented certain refinements to the methodology for loan loss assessment for loans to individuals to improve its overall risk management capabilities. The Group has started to assess individually Private Banking loans for impairment based on individual cash flows because based on the analysis performed by the Group's management such approach better corresponds to the credit risk profile of such loans.

The following tables provide an analysis of the credit quality and distribution of loans granted to legal entities by the Group's internal credit quality categories as at 30 June 2014:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
<b>Corporate loans</b>				
Standard loans	634,111	5,381	628,730	0.85%
Watch list loans	23,203	404	22,799	1.74%
Substandard loans	18,045	2,307	15,738	12.78%
Doubtful loans, including	27,886	7,947	19,939	28.50%
- not overdue	4,333	2,004	2,329	46.25%
- overdue less than 90 days	10,423	1,756	8,667	16.85%
- overdue more than 90 days and less than 1 year	7,900	2,304	5,596	29.16%
- overdue more than 1 year	5,230	1,883	3,347	36.00%
<b>Total corporate loans</b>	<b>703,245</b>	<b>16,039</b>	<b>687,206</b>	<b>2.28%</b>
<b>Small business loans to corporates</b>				
Standard loans	38,270	246	38,024	0.64%
Watch list loans	161	2	159	1.24%
Substandard loans	1,151	400	751	34.75%
Doubtful loans, including	5,086	2,543	2,543	50.00%
- not overdue	110	41	69	37.27%
- overdue less than 90 days	1,391	537	854	38.61%
- overdue more than 90 days and less than 1 year	1,631	853	778	52.30%
- overdue more than 1 year	1,954	1,112	842	56.91%
<b>Total small business loans to corporates</b>	<b>44,668</b>	<b>3,191</b>	<b>41,477</b>	<b>7.14%</b>
<b>Total loans to corporate and small business clients</b>	<b>747,913</b>	<b>19,230</b>	<b>728,683</b>	<b>2.57%</b>

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

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

The following table provides information on loans to individuals as at 30 June 2014:

	<u>Gross Loans</u>	<u>Impairment allowance</u>	<u>Net Loans</u>	<u>Impairment allowance to gross loans, %</u>
<b>Consumer loans</b>				
- Not past due	106,308	735	105,573	0.69%
- Overdue less than 30 days	5,603	481	5,122	8.58%
- Overdue 30-90 days	4,698	2,098	2,600	44.66%
- Overdue 91-180 days	4,530	2,603	1,927	57.46%
- Overdue 181-365 days	4,596	2,671	1,925	58.12%
- Overdue more than 365 days	1,540	1,351	189	87.73%
<b>Total consumer loans</b>	<b>127,275</b>	<b>9,939</b>	<b>117,336</b>	<b>7.81%</b>
<b>Mortgage loans</b>				
- Not past due	51,449	24	51,425	0.05%
- Overdue less than 30 days	3,405	44	3,361	1.29%
- Overdue 30-90 days	272	47	225	17.28%
- Overdue 91-180 days	236	82	154	34.75%
- Overdue 181-365 days	340	100	240	29.41%
- Overdue more than 365 days	1,004	607	397	60.46%
<b>Total mortgage loans</b>	<b>56,706</b>	<b>904</b>	<b>55,802</b>	<b>1.59%</b>
<b>Credit cards</b>				
- Not past due	6,787	71	6,716	1.05%
- Overdue less than 30 days	683	44	639	6.44%
- Overdue 30-90 days	369	193	176	52.30%
- Overdue 91-180 days	362	252	110	69.61%
- Overdue 181-365 days	425	298	127	70.12%
- Overdue more than 365 days	161	159	2	98.76%
<b>Total credit cards</b>	<b>8,787</b>	<b>1,017</b>	<b>7,770</b>	<b>11.57%</b>
<b>Car loans</b>				
- Not past due	5,817	10	5,807	0.17%
- Overdue less than 30 days	199	12	187	6.03%
- Overdue 30-90 days	115	30	85	26.09%
- Overdue 91-180 days	104	46	58	44.23%
- Overdue 181-365 days	135	59	76	43.70%
- Overdue more than 365 days	717	542	175	75.59%
<b>Total car loans</b>	<b>7,087</b>	<b>699</b>	<b>6,388</b>	<b>9.86%</b>
<b>Total loans to retail business clients</b>	<b>199,855</b>	<b>12,559</b>	<b>187,296</b>	<b>6.28%</b>

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

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

As at 30 June 2014 and 31 December 2013 the Group has entered into a transaction to securitize mortgage loans, originated by the Group, in the amount of RUB 12,212 million and RUB 13,547 million respectively. Securitisation is a process whereby finance can be raised from external investors by enabling them to invest in parcels of specified financial assets. The Group accounted for the transaction as a collateralised borrowing and recorded the cash received as a financial liability. Although the Group sold the rights to 100% of the cash flows arising on a portfolio of mortgage loans, it provided guarantees of the performance of the loans. In accordance with the terms of the securitization agreement, if the asset becomes overdue more than 90 days, the Group is obliged to replace it.

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

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

	<b>30 June 2014</b>	<b>31 December 2013</b>
Carrying value of transferred assets	12,212	13,547
Carrying value of associated liabilities	9,217	10,708
Net position	2,995	2,839

Movements in allowances for impairment losses for the six months ended 30 June 2014 and 2013 were as follows:

	Corporate banking	Consumer loans	Mortgage loans	Credit card loans	Car loans	Total
<b>31 December 2012</b>	<b>20,321</b>	<b>964</b>	<b>501</b>	<b>76</b>	<b>40</b>	<b>21,902</b>
Provision charge	3,015	535	(1)	40	7	3,596
Recovery of bad debt written-off	7	46	93	1	1	148
Foreign currency revaluation effect	277	-	-	-	-	277
Disposal from loans to customers	(2,877)	(166)	-	(15)	-	(3,058)
Bad debt written-off	(153)	1	-	-	-	(152)
<b>30 June 2013</b>	<b>20,590</b>	<b>1,380</b>	<b>593</b>	<b>102</b>	<b>48</b>	<b>22,713</b>
Individually impaired	15,427	-	-	-	-	15,427
Collectively impaired	5,163	1,380	593	102	48	7,286
Gross loans to customers, individually assessed for impairment	46,617	-	-	-	-	46,617
<b>31 December 2013</b>	<b>23,694</b>	<b>6,927</b>	<b>784</b>	<b>848</b>	<b>586</b>	<b>32,839</b>
Provision charge	4,474	5,725	131	516	177	11,023
Recovery of bad debt written-off	337	62	153	5	3	560
Foreign currency revaluation effect	113	(2)	1	-	-	112
Disposal from loans to customers	(2,132)	(1,665)	(131)	(268)	(1)	(4,197)
Bad debt written-off	(6,641)	(1,108)	(34)	(84)	(66)	(7,933)
Disposal of subsidiaries	(615)	-	-	-	-	(615)
<b>30 June 2014</b>	<b>19,230</b>	<b>9,939</b>	<b>904</b>	<b>1,017</b>	<b>699</b>	<b>31,789</b>
Individually impaired	11,659	50	-	-	-	11,709
Collectively impaired	7,571	9,889	904	1,017	699	20,080
Gross loans to customers, individually assessed for impairment	48,467	435	-	-	-	48,902

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

	30 June 2014	31 December 2013
Individuals*	201,119	183,877
Services	99,958	95,651
Brokerage and dealing in securities	98,419	106,715
Industrial manufacturing	83,144	80,754
Operations with real estate	72,182	59,114
Wholesale trade	71,697	81,847
Housing construction	46,020	38,439
Construction of industrial real estate	45,007	51,570
Leasing	43,492	36,242
Mining	32,746	33,622
Retail trade	31,656	32,151
Construction of commercial real estate	25,252	33,872
Transport and communication	24,633	27,853
Energy	5,024	4,500
Precious metals extraction	3,659	1,455
Agriculture	3,526	3,353
Government finance	2,392	4,900
Other	57,842	36,198
<b>Gross loans to customers</b>	<b>947,768</b>	<b>912,113</b>
Less – Allowance for impairment losses	(31,789)	(32,839)
<b>Total loans to customers</b>	<b>915,979</b>	<b>879,274</b>

(\*) As at 30 June 2014 and 31 December 2013 loans to individuals include loans to retail business totaling RUB 199,855 million and RUB 182,201 million respectively, and small business loans to individuals totaling RUB 1,264 and RUB 1,676 million respectively.

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

	30 June 2014	31 December 2013
Loans collateralized by guarantees of enterprises and banks	204,321	205,426
Loans collateralized by pledge of securities	170,196	173,109
Loans collateralized by pledge of real estate	129,777	118,454
Loans collateralized by pledge of contract proceeds	51,897	51,912
Loans collateralized by pledge of property	35,798	45,090
Loans collateralized by pledge of the Bank's own securities	4,386	105
Unsecured loans	151,538	135,816
<b>Gross loans to corporate customers</b>	<b>747,913</b>	<b>729,912</b>
Less – Allowance for impairment losses	(19,230)	(23,694)
<b>Total loans to corporate customers</b>	<b>728,683</b>	<b>706,218</b>

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

	30 June 2014	31 December 2013
Loans collateralized by pledge of real estate	45,981	41,565
Loans collateralized by pledge of vehicles and other property	7,766	5,924
Loans collateralized by guarantees of enterprises	6,956	8,311
Loans collateralized by pledge of contract proceeds	6,032	6,449
Loans collateralized by pledge of securities	652	684
Loans collateralized by pledge of the Bank's own securities	1	1
Unsecured loans	132,467	119,267
<b>Gross loans to individuals</b>	<b>199,855</b>	<b>182,201</b>
Less – Allowance for impairment losses	(12,559)	(9,145)
<b>Total loans to individuals</b>	<b>187,296</b>	<b>173,056</b>

As at 30 June 2014 and 31 December 2013 the Group granted loans to four and five borrowers totalling RUB 70,985 million and RUB 47,348 million respectively, which individually exceeded 10% of the Group's equity. Borrowers exceeding 10% of the Group equity individually have good credit history and the loans provided to them are performing within standard loans.

As at 30 June 2014 and 31 December 2013 the Group has renegotiated loans amounted to RUB 7,075 million and RUB 5,590 million respectively, that would otherwise be overdue or impaired. Renegotiated loans mainly involve extending of the payment arrangements of the loan agreements, rather than interest rate modification or other enhancements in favour of the borrower.

As at 30 June 2014 and 31 December 2013 the loans under reverse repurchase agreements to customers have contractual maturities from July 2014 to January 2015 and January 2014 to May 2014 respectively.

Carrying value of loans under reverse repurchase agreements and fair value of assets received as pledge as at 30 June 2014 and 31 December 2013 are presented as follows:

	30 June 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Shares	66,553	82,800	66,276	82,896
Units of investment funds	9,144	12,520	9,144	10,710
Corporate bonds and Eurobonds	4,170	4,477	11,731	13,226
Bonds and Eurobonds issued by banks	1,258	1,413	18,975	19,799
OFZ	17	18	589	620
<b>Total</b>	<b>81,142</b>	<b>101,228</b>	<b>106,715</b>	<b>127,251</b>

The components of net investment in finance lease as at 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014	31 December 2013
Less than one year	41	3,890
From one year to five years	45	6,593
More than five years	-	1,526
Minimum lease payments	86	12,009
Less: unearned finance income	(9)	(3,451)
<b>Net investment in finance lease</b>	<b>77</b>	<b>8,558</b>
Current portion	35	2,713
Long-term portion	42	5,845
<b>Net investment in finance lease</b>	<b>77</b>	<b>8,558</b>

During the six months ended 30 June 2014 and 2013 the Group sold certain loans to third parties at a premium / discount to nominal value with no recourse and without any service obligations associated with the loans.

Net gain on disposal of loans is represented by:

	Six months ended 30 June 2014	Three months ended 30 June 2014	Six months ended 30 June 2013	Three months ended 30 June 2013
Fair value of the consideration received	19,054	6,730	863	632
Carrying amount net of provisions	(18,989)	(6,441)	(687)	(517)
<b>Net gain on disposal of loans</b>	<b>65</b>	<b>289</b>	<b>176</b>	<b>115</b>

## 8. INVESTMENTS AVAILABLE-FOR-SALE

As at 30 June 2014 investments available-for-sale comprise:

	30 June 2014	Interest rate to nominal	Maturity date
<b>Debt securities:</b>			
Corporate bonds and Eurobonds	27,711	3.15-13.5%	July 014-January 2044 December 2014-
Bonds and Eurobonds issued by banks	10,794	4.22-12.0%	February 2019
US Treasuries	6,096	1.5%	May 2019
RF Government Eurobonds	4,717	5.0-12.75%	April 2020-March 2030
Municipal bonds	1,379	7.95-9.5%	November 2014-
OFZ bonds	1	7.35%	August 2020 January 2016
<b>Total debt securities</b>	<b>50,698</b>		
<b>Equity securities</b>			
Shares	951	-	-
Units of investment funds	324	-	-
<b>Total equity securities</b>	<b>1,275</b>		
<b>Total investments available-for-sale</b>	<b>51,973</b>		

As at 30 June 2014 the Group has certain investments available-for-sale provided as collateral under repurchase agreements:

	<b>30 June 2014</b>	<b>Pledged as collateral with CBR</b>	<b>Pledged under repurchase agreements with banks</b>	<b>Pledged under repurchase agreements with customers</b>	<b>Total collateral</b>
Corporate bonds and Eurobonds	27,711	3,029	7,940	-	8,285
Bonds and Eurobonds issued by banks	10,794	380	1,929	-	2,309
US Government Eurobonds	6,096	-	-	-	-
RF Government Eurobonds	4,717	-	-	-	-
Municipal bonds	1,379	1,356	-	-	1,356
OFZ bonds	1	-	-	-	-
<b>Total debt securities</b>	<b>50,698</b>	<b>4,765</b>	<b>9,869</b>	<b>-</b>	<b>11,950</b>
<b>Equity securities</b>					
Shares	951	-	-	-	-
Units of investment funds	324	-	-	-	-
<b>Total equity securities</b>	<b>1,275</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total investments available-for-sale</b>	<b>51,973</b>	<b>4,765</b>	<b>9,869</b>	<b>-</b>	<b>11,950</b>

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

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

As at 31 December 2013 the Group has certain investments available-for-sale provided as collateral under repurchase agreements:

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

Units of investment funds included in financial assets available-for-sale as at 30 June 2014 and 31 December 2013 are presented below:

	30 June 2014	31 December 2013
OPIF "OTKRITIE – Obligatziy"	292	283
OPIF "OTKRITIE – Energetika"	11	12
OPIF "NOMOS – Fond obligatziy"	11	11
OPIF "NOMOS – Fond aktziy"	10	9
<b>Total units of investment funds</b>	<b>324</b>	<b>315</b>

As at 30 June 2014 and 31 December 2013 financial assets available-for-sale are mainly presented by investments issued by Ministry of Finance, local authorities, banks and companies of the Russian Federation.

Details of the Group's information about the fair value hierarchy as at 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014			Total
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	
Corporate bonds and Eurobonds	26,654	12	1,045	27,711
Bonds and Eurobonds issued by banks	8,984	863	947	10,794
US Government Eurobonds	6,096	-	-	6,096
RF Government Eurobonds	4,717	-	-	4,717
Municipal bonds	1,379	-	-	1,379
Corporate shares	526	10	10	546
Units of investment funds	-	324	-	324
OFZ bonds	1	-	-	1
<b>Investments available-for-sale</b>	<b>48,357</b>	<b>1,209</b>	<b>2,002</b>	<b>51,568</b>

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

Investments in equity securities of unlisted entities classified as available-for-sale securities were excluded from the table above. Such investments are carried at the acquisition cost as the fair value of such securities is not readily measurable. As at 30 June 2014 and 31 December 2013 the value of such investments amounted RUB 405 million and RUB 415 million respectively.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the end of reporting period.

The Group invests in certain investment funds where as a result of general market conditions and illiquidity of the bond markets the valuation is based upon inputs other than those readily observable in the market place (Level 3). The following table provides details of the activity with respect to the fair value measurement during the period ending 30 June 2014 and 30 June 2013.

	Six months ended 30 June 2014	Six months ended 30 June 2013
<b>As at 1 January:</b>	<b>1,252</b>	-
Transfer from Level 2	947	-
Transfer to Level 1	(10)	-
Disposal	(171)	-
Loss recognized in other comprehensive income	(16)	-
<b>As at 30 June</b>	<b>2,002</b>	-

Starting from June 2014, the Group has transferred particular bond issued by banks from Level 2 to Level 3 as the fair value of this investment was determined based on the issuer's net assets dynamic analysis, which is other than observable market inputs.

## 9. INVESTMENTS HELD TO MATURITY

The Management of the Group has made the decision to reclassify certain debt securities from financial assets at fair value through profit or loss to investments held to maturity starting from 1 March 2014. The Management has analyzed the current economic circumstances in Russia (for details please see operating environment in Note 20) and concluded that they can be considered as circumstances qualifying for reclassification under IAS 39. The reclassified securities amounted to RUB 35,942 million as of 30 June 2014. The fair value of the reclassified securities as at the date of reclassification equaled RUB 38,204 million. If the reclassification had not been made, the Group's income statement for the period ended 30 June 2014 would have included unrealized fair value losses on the reclassified debt securities in the amount of RUB 227 million.

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

Investments held to maturity are presented as follows:

	30 June 2014	Interest rate to nominal	Maturity date
<b>Debt securities:</b>			
Corporate bonds and Eurobonds	40,580	3.15-9.95%	October 2015- December 2023
Bonds and Eurobonds issued by banks	9,563	4.95-8.63%	March 2015-May 2018
Municipal bonds	2,281	8.15-8.75%	October 2017-August 2020
<b>Total investments held to maturity</b>	<b>52,424</b>		

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

As at 30 June 2014 the Group has certain investments held to maturity provided as collateral under repurchase agreements and loans from the CBR:

	30 June 2014	Pledged as collateral with CBR	Pledged under repurchase agreements with banks	Pledged under repurchase agreements with customers	Total collateral
Corporate bonds and Eurobonds	40,580	-	26,966	-	26,966
Bonds and Eurobonds issued by banks	9,563	-	1,757	-	1,757
Municipal bonds	2,281	-	2,217	-	2,217
<b>Total investments held to maturity</b>	<b>52,424</b>	<b>-</b>	<b>30,940</b>	<b>-</b>	<b>30,940</b>

Details of the Group's information about the fair value hierarchy as at 30 June 2014 are as follows:

	30 June 2014			Total
	Quoted prices in active market (Level 1)	Valuation techniques based on observable market data (Level 2)	Valuation techniques incorporating information other than observable market data (Level 3)	
Corporate bonds and Eurobonds	40,581	-	-	40,581
Bonds and Eurobonds issued by banks	9,603	-	-	9,603
Municipal bonds	2,217	-	-	2,217
<b>Investments held to maturity</b>	<b>52,401</b>	<b>-</b>	<b>-</b>	<b>52,401</b>

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

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

	<b>30 June 2014</b>	<b>31 December 2013</b>
Loans under repurchase agreements from the CBR	104,957	81,603
Deposits from banks	53,422	88,403
Loans under repurchase agreements from banks	40,374	45,233
Deposits from the CBR	23,454	24,890
Correspondent accounts of other banks	8,563	9,263
Syndicated loan	8,055	7,795
<b>Total due to banks and the Central Bank of the Russian Federation</b>	<b>238,825</b>	<b>257,187</b>

As at 30 June 2014 and 31 December 2013 the Group had deposits from one and three banks amounting to RUB 128,413 million and RUB 142,181 million respectively, which individually and in aggregate exceeded 10% of the Group's equity.

As at 30 June 2014 and 31 December 2013 carrying value of syndicated loan received by the Group comprised RUB 8,055 million and RUB 7,795 million respectively, from Russian, OECD and non-OECD banks. The contractual maturity of syndicated loan is November 2014, and the interest rate is tied to three-month LIBOR plus 1.75% margin.

As at 30 June 2014 and 31 December 2013 the Group had deposits from two and two banks amounting to RUB 7,830 million and RUB 4,361 million respectively, which were collateralized with the rights of claim with respect to loans to customers totaling RUB 11,699 million and RUB 7,022 million respectively.

As at 30 June 2014 and 31 December 2013 the loans under reverse repurchase agreements to banks have contractual maturities in July 2014 and from January 2014 to September 2014 respectively.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 30 June 2014 and 31 December 2013 are presented as follows:

	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>
<b>Financial assets at fair value through profit or loss:</b>				
Bonds and Eurobonds issued by banks	24,272	27,129	24,704	29,931
Corporate bonds and Eurobonds	17,111	19,024	25,373	29,149
OFZ bonds	16,903	17,184	21,781	22,405
Municipal bonds	7,397	8,460	3,462	3,858
RF Government Eurobonds	-	-	1,053	1,110
<b>Investments available-for-sale:</b>				
Corporate bonds and Eurobonds	6,263	7,940	1,496	1,977
Bonds and Eurobonds issued by banks	1,614	1,929	-	-
<b>Investments held to maturity:</b>				
Corporate bonds and Eurobonds	25,404	26,966	-	-
Municipal bonds	1,971	2,217	-	-
Bonds and Eurobonds issued by banks	1,594	1,757	-	-
<b>Securities received under reverse repurchase agreements:</b>				
Shares	40,585	63,259	39,251	63,698
Bonds and Eurobonds issued by banks	1,112	1,172	3,773	4,422
Corporate bonds and Eurobonds	956	1,025	2,844	3,198
OFZ bonds	149	145	2,069	2,145
Municipal bonds	-	-	1,030	1,140
<b>Total</b>	<b>145,331</b>	<b>178,207</b>	<b>126,836</b>	<b>163,033</b>

**11. CUSTOMER ACCOUNTS**

Customer accounts comprise:

	<b>30 June 2014</b>	<b>31 December 2013</b>
Term deposits	608,018	586,102
Current accounts	178,342	187,151
Term deposits from Deposit Insurance Agency	2,350	1,408
Loans under repurchase agreements	1,082	6,810
<b>Total customer accounts</b>	<b>789,792</b>	<b>781,471</b>

As at 30 June 2014 and 31 December 2013 the Group received funds from four and five customers amounting to RUB 239,121 million and RUB 200,329 million respectively, which individually exceeded 10% of the Group's equity.

As at 30 June 2014 and 31 December 2013 demand deposits denominated in units of precious metals which have the alternative to be settled in cash or in precious metals were included in customer accounts. The breakdown is presented below:

	<b>30 June 2014</b>	<b>31 December 2013</b>
Gold	2,349	4,438
Silver	1,025	1,026
Platinum	85	44
Palladium	68	47
<b>Total customer accounts denominated in precious metals</b>	<b>3,527</b>	<b>5,555</b>

As at 30 June 2014 and 31 December 2013 customer accounts amounting to RUB 2,951 million and RUB 2,902 million respectively, were held as security against contingent liabilities issued by the Group (see Note 20).

Analysis of customer accounts by economic sector is presented below:

	<b>30 June 2014</b>	<b>31 December 2013</b>
Individuals	264,988	266,780
Investment and asset management companies	243,412	262,678
Mining and oil extraction	92,908	11,922
Services	39,003	33,349
Wholesale trade	28,516	29,989
Insurance	17,794	21,326
Industrial manufacturing	16,693	27,109
Operations with real estate	14,421	13,007
Construction of industrial real estate	11,892	17,510
Regional and local budgets funds	11,466	13,415
Transport and communication	9,623	18,770
Science	7,232	12,004
Retail trade	7,033	5,097
Construction of commercial real estate	3,304	8,564
Precious metals extraction	1,972	4,482
Leasing	1,668	1,439
Energy	1,642	4,241
Brokerage and dealing in securities	1,082	6,810
Agriculture	1,054	618
Housing construction	614	4,342
Other	13,475	18,019
<b>Total customer accounts</b>	<b>789,792</b>	<b>781,471</b>

As at 30 June 2014 and 31 December 2013 the loans under reverse repurchase agreements to customers have contractual maturities in July 2014 and January 2014 respectively.

Carrying value of loans under repurchase agreements and fair value of assets pledged as at 30 June 2014 and 31 December 2013 are presented as follows:

	30 June 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
<b>Financial assets at fair value through profit or loss:</b>				
OFZ bonds	481	481	2,630	2,634
Bonds and Eurobonds issued by banks	25	30	1,026	1,141
<b>Securities received under reverse repurchase agreements:</b>				
OFZ bonds	570	591	-	-
Shares	6	6	3,011	5,099
Bonds and Eurobonds issued by banks	-	-	143	154
<b>Total</b>	<b>1,082</b>	<b>1,108</b>	<b>6,810</b>	<b>9,028</b>

## 12. BONDS AND EUROBONDS ISSUED

Bonds and Eurobonds issued comprise:

	30 June 2014	31 December 2013
Bonds issued in local market	42,494	47,703
Eurobonds due in 2018	16,413	16,256
<b>Total Bonds and Eurobonds issued</b>	<b>58,907</b>	<b>63,959</b>

Bonds and Eurobonds as at 30 June 2014 comprise:

	Currency	Start date (year)	Maturity date (year)	Nominal interest rate %	30 June 2014
<b>Bonds issued</b>					
NOMOS, BO-06	Roubles	2013	2016	8.60%	7,137
NOMOS, BO-05	Roubles	2013	2016	9.00%	6,284
NOMOS, BO-03	Roubles	2012	2015	8.60%	5,166
NOMOS, 11th issue	Roubles	2009	2014	9.50%	4,934
NOMOS, BO-04	Roubles	2014	2017	9.30%	4,693
NOMOS, 12th issue	Roubles	2010	2017	8.70%	4,288
KHMB, Mortgage-Backed bonds	Roubles	2013	2045	9.20%	4,263
OTKRITIE, Mortgage-Backed bonds	Roubles	2013	2045	9.10%	2,553
NOMOS, Mortgage-Backed bonds	Roubles	2012	2045	8.75%	2,333
NOMOS, BO-02	Roubles	2011	2014	9.20%	674
OTKRITIE, 1	Roubles	2012	2017	9.50%	169
<b>Total bonds issued</b>					<b>42,494</b>
<b>Eurobonds</b>					
NOMOS Eurobonds due in 2018	US Dollars	2013	2018	7.25%	16,413
<b>Total Eurobonds issued</b>					<b>16,413</b>
<b>Total Bonds and Eurobonds issued</b>					<b>58,907</b>

Bonds and Eurobonds issued as at 31 December 2013 comprise:

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

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

In accordance with the terms of the covenants the Group should not permit its consolidated total capital ratio as calculated in accordance with the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices (as at the date hereof) to fall below 10%. These recommendations were provided in Committee’s paper entitled “International Convergence of Capital Measurement and Capital Standards” dated July 1988, as amended in November 1991, and together with any further amendments, guidelines or clarifications up to the date hereof. This calculation should be made by reference to the latest annual consolidated audited accounts of the Group prepared in accordance with IFRS. The Group should also comply with the minimum capital adequacy ratio established by the CBR. The Group has not breached any of these covenants at the end of each quarter in the periods ended 30 June 2014 and 31 December 2013.

### 13. SUBORDINATED DEBT

The following table provides information on subordinated debt as at 30 June 2014:

	<b>Currency</b>	<b>Start date (year)</b>	<b>Maturity date (year)</b>	<b>Nominal interest rate %</b>	<b>30 June 2014</b>
Subordinated bonds	US Dollars	2012	2019	10.00%	16,985
Subordinated bonds	US Dollars	2010	2015	8.75%	11,932
Subordinated bonds	US Dollars	2012	2019	10.00%	10,053
Subordinated bonds	US Dollars	2013	2023	9.15%	6,727
Subordinated loan	Roubles	2011	2021	12.00%	6,000
Subordinated loan	Roubles	2009	2019	6.50%	4,900
Subordinated loan	US Dollars	2013	2020	10.00%	3,506
Subordinated loan	Roubles	2009	2019	6.50%	1,688
Subordinated loan	Roubles	2009	2025	12.50%	1,202
Subordinated loan	Roubles	2013	2023	8.50%	1,093
Subordinated loan	Roubles	2007	2024	10.00%	200
Subordinated loan	Roubles	2008	2025	10.00%	190
Subordinated loan	Roubles	2008	2024	12.00%	171
Subordinated loan	Roubles	2007	2024	8.80%	95
Subordinated loan	Roubles	2010	2016	6.00%	60
Subordinated loan	Roubles	2010	2016	8.00%	40
<b>Total subordinated debt</b>					<b>64,842</b>

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

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

#### 14. SHARE CAPITAL AND SHARE PREMIUM

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

	<b>Ordinary shares (Number)</b>	<b>Nominal amount</b>	<b>Preference shares (Number)</b>	<b>Nominal amount</b>
<b>Issued and fully paid</b>				
<b>31 December 2012</b>	<b>92,422,370</b>	<b>4,621</b>	-	-
<b>Reacquired</b>	<b>(67,080)</b>	<b>(3)</b>	-	-
<b>30 June 2013</b>	<b>92,355,290</b>	<b>4,618</b>	-	-
<b>31 December 2013</b>	<b>114,468,290</b>	<b>5,724</b>	-	-
<b>Reissued</b>	<b>67,080</b>	<b>3</b>	-	-
<b>30 June 2014</b>	<b>114,535,370</b>	<b>5,727</b>	-	-

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

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

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

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

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

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

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

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

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

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

## 15. NET INTEREST INCOME

Net interest income comprises:

	Six months ended 30 June 2014	Three months ended 30 June 2014	Six months ended 30 June 2013	Three months ended 30 June 2013
<b>Interest income comprises:</b>				
Interest income on assets recorded at amortized cost	62,678	32,231	40,019	21,032
Interest income on investments available-for-sale	6,015	2,693	66	1
Interest income on assets at fair value	1,321	801	4,098	2,100
<b>Total interest income</b>	<b>70,014</b>	<b>35,725</b>	<b>44,183</b>	<b>23,133</b>
Interest income on assets recorded at amortized cost:				
Interest income on loans to customers	53,682	27,353	36,791	19,302
Interest income on reverse repurchase transactions	6,695	3,547	2,094	1,134
Interest income on loans and advances to banks and other financial institutions	1,447	703	1,126	592
Interest on investments held to maturity	854	628	8	4
<b>Total interest income on assets recorded at amortized cost</b>	<b>62,678</b>	<b>32,231</b>	<b>40,019</b>	<b>21,032</b>
<b>Interest expense comprises:</b>				
Interest expense on liabilities recorded at amortized cost	37,658	19,011	26,091	13,863
Interest expense on liabilities at fair value	66	45	37	14
<b>Total interest expense</b>	<b>37,724</b>	<b>19,056</b>	<b>26,128</b>	<b>13,877</b>
Interest expense on liabilities recorded at amortized cost comprise:				
Interest expense on customer accounts	23,071	11,635	16,719	9,141
Interest expense on repurchase transactions	4,072	2,258	1,277	616
Interest expense on subordinated debt	3,219	1,602	2,416	1,177
Interest expense on due to banks and the Central Bank of the Russian Federation	2,839	1,304	2,701	1,279
Interest expense on Bonds and Eurobonds issued	2,639	1,284	1,936	1,074
Interest expense on promissory notes issued	1,818	928	1,042	576
<b>Total interest expense on financial liabilities recorded at amortized cost</b>	<b>37,658</b>	<b>19,011</b>	<b>26,091</b>	<b>13,863</b>
<b>Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets</b>	<b>32,290</b>	<b>16,669</b>	<b>18,055</b>	<b>9,256</b>

**16. TRADING (LOSS) / INCOME**

Trading (loss)/income comprises:

	<b>Six months ended 30 June 2014</b>	<b>Three months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>	<b>Three months ended 30 June 2013</b>
Financial assets at fair value through profit or loss	(2,799)	375	(1,791)	(1,857)
<b>Securities</b>	<b>(2,799)</b>	<b>375</b>	<b>(1,791)</b>	<b>(1,857)</b>
Derivatives on foreign currency contracts	52	(2,897)	(407)	(665)
Net (loss)/ gain on foreign currency operations	(957)	1,491	1,344	989
<b>Foreign currency</b>	<b>(905)</b>	<b>(1,406)</b>	<b>937</b>	<b>324</b>
Derivatives on precious metals contracts	501	159	(597)	(586)
Net (loss)/gain on precious metals	(561)	461	610	592
<b>Precious metals</b>	<b>(60)</b>	<b>620</b>	<b>13</b>	<b>6</b>
Other derivatives contracts	459	462	(12)	3
<b>Other derivatives</b>	<b>459</b>	<b>462</b>	<b>(12)</b>	<b>3</b>
<b>Total trading (loss)/income</b>	<b>(3,305)</b>	<b>51</b>	<b>(853)</b>	<b>(1,524)</b>

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

The types of instruments include:

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

**17. NET FEE AND COMMISSION INCOME**

Net fee and commission income comprises:

	Six months ended 30 June 2014	Three months ended 30 June 2014	Six months ended 30 June 2013	Three months ended 30 June 2013
<b>Fee and commission income:</b>				
Settlements	4,388	2,289	2,976	1,502
Insurance broker commission	1,675	615	568	396
Documentary operations	1,532	739	1,302	684
Cash operations	631	312	524	269
Foreign currency conversion operations	209	90	86	45
Brokerage operations	162	83	54	38
Operations related to underwriting	80	21	17	9
Operations with precious metals	32	19	35	16
Depository services	4	2	2	1
Other	119	56	65	17
<b>Total fee and commission income</b>	<b>8,832</b>	<b>4,226</b>	<b>5,629</b>	<b>2,977</b>
<b>Fee and commission expense:</b>				
Settlements	1,557	817	1,200	608
Cash operations	122	27	105	59
Documentary operations	44	19	50	19
Securities operations	43	12	19	9
Depository services	23	12	12	6
Other	227	145	48	26
<b>Total fee and commission expense</b>	<b>2,016</b>	<b>1,032</b>	<b>1,434</b>	<b>727</b>
<b>Net fee and commission income</b>	<b>6,816</b>	<b>3,194</b>	<b>4,195</b>	<b>2,250</b>

**18. OPERATING EXPENSES**

Operating expenses comprise:

	Six months ended 30 June 2014	Three months ended 30 June 2014	Six months ended 30 June 2013	Three months ended 30 June 2013
Payroll and bonuses	8,961	4,617	5,854	2,765
Unified social tax	2,084	992	1,365	601
Rent expenses	1,037	514	426	220
Amortization of intangible assets	713	332	451	226
Taxes other than income tax	682	376	380	217
Depreciation of property, plant and equipment	649	332	396	203
Property, plant and equipment maintenance	557	305	308	173
Stationery and other office expenses	554	295	331	206
Payments to the Deposit Insurance Fund	526	265	303	151
Telecommunications	353	208	167	93
Professional services	309	144	291	154
Advertising expenses	221	96	113	70
Security expenses	195	101	121	65
Representation expenses	89	53	63	33
Charity expenses	59	19	38	36
Insurance expenses	55	28	29	14
Other expenses	360	257	107	47
<b>Total operating expenses</b>	<b>17,404</b>	<b>8,934</b>	<b>10,743</b>	<b>5,274</b>

**19. EARNINGS PER SHARE AND EARNINGS PER GDR**

Earnings per share are presented as follows:

	<b>Six months ended 30 June 2014</b>	<b>Three months ended 30 June 2014</b>	<b>Six months ended 30 June 2013</b>	<b>Three months ended 30 June 2013</b>
<b>Profit:</b>				
Net profit	<b>6,189</b>	<b>3,772</b>	<b>6,066</b>	<b>1,685</b>
<b>Less:</b>				
Non-controlling interest	<u>(309)</u>	<u>(22)</u>	<u>(1,049)</u>	<u>(118)</u>
Net earnings attributable to equity holders of the parent	<u><b>5,880</b></u>	<u><b>3,750</b></u>	<u><b>5,017</b></u>	<u><b>1,567</b></u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>114,471,386</u>	<u>114,474,449</u>	<u>92,407,175</u>	<u>92,392,147</u>
<b>Earnings per share – basic and diluted (RUB)</b>	<u><b>51.37</b></u>	<u><b>32.76</b></u>	<u><b>54.29</b></u>	<u><b>16.96</b></u>
<b>GDR equivalent of weighted average number of shares<sup>††</sup></b>	<u>228,942,772</u>	<u>228,948,898</u>	<u>184,814,350</u>	<u>184,784,294</u>
<b>Earnings per GDR from continuing operations – basic and diluted</b>	<u><b>25.68</b></u>	<u><b>16.38</b></u>	<u><b>27.15</b></u>	<u><b>8.48</b></u>

**20. COMMITMENTS AND CONTINGENCIES**

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

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

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

As at 30 June 2014 and 31 December 2013 provision for guarantees and other off-balance sheet commitments were RUB 159 million and RUB 166 million respectively. The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision (Basel I).

<sup>††</sup> Two GDRs represent an interest in one ordinary share.

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

	30 June 2014		31 December 2013	
	Nominal amount	Risk-weighted amount	Nominal amount	Risk-weighted amount
<b>Contingent liabilities and credit commitments</b>				
Guarantees issued and similar commitments	181,335	130,118	226,064	174,081
Commitments on loans and unused credit lines	160,679	5,699	166,024	4,291
Letters of credit and other contingent commitments related to settlement operations	8,176	3,670	11,296	5,167
Less: provisions	(159)		(166)	
<b>Total contingent liabilities and credit commitments</b> (before deducting collateral)				
Less: promissory notes held as security against contingent liabilities	(2,698)		(2,599)	
Less: deposits held as security against contingent liabilities (Note 11)	(2,951)		(2,902)	
<b>Total contingent liabilities and credit commitments</b>	<b>344,382</b>		<b>397,717</b>	

**Operating leases** – The Group's future minimum rental payments under non-cancellable operating leases of office premises in effect as at 30 June 2014 and 31 December 2013 are presented in the table below.

	30 June 2014	31 December 2013
Not later than 1 year	1,799	1,729
Later than 1 year and not later than 5 years	3,214	3,239
Later than 5 years	397	617
<b>Total operating lease</b>	<b>5,410</b>	<b>5,585</b>

**Fiduciary activities** – The Group provides depository services to its customers. As at 30 June 2014 and 31 December 2013 the Group had customers' securities of 241,658,237,625.977409 items and 16,421,516,167.47480 items respectively in its nominal holder's accounts.

As at 30 June 2014 and 31 December 2013 the Group kept in its vault 3,120 kg of gold bullion, 7,442 kg of silver bullion, 86 kg of palladium bullion, 56 kg of platinum bullion, and 3,849 kg of gold bullion, 62 kg of silver bullion, 87 kg of palladium bullion, 40 kg of platinum bullion respectively, owned by the Group's customers.

**Legal proceedings** – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements. The Group has outstanding litigation risks on guarantees issued. The Management has assessed the possible risk of such claims and is of the opinion that contingent liabilities in respect of such claims amount to RUB 1,600 million.

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

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

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

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

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

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. In July 2014 sectoral sanctions have been imposed by the U.S. and the E.U. on five state-owned Russian banks (Sberbank, VTB, Gazprombank, Vneshekonombank, Russian Agricultural Bank): these banks and their subsidiaries excluding those registered in the E.U. are not permitted to attract U.S. or E.U. debt or equity capital for periods exceeding 90 days. In addition, on 6 August the President of the Russian Federation approved counter-sanctions to prohibit or limit for one year import of certain types of agricultural products, raw materials and food to the Russian Federation from countries that joined the sanctions against the Russian Federation. These developments, particularly if sanctions are further extended, may result in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the Ruble and other negative economic consequences. The impact of these developments on future operations and financial position of the Group is at this stage difficult to determine.

## 21. SEGMENT REPORTING

The reportable segments comprise of:

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

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

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

Segment information about these businesses is presented below:

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Six months ended 30 June 2014 Total
External interest income	34,203	3,187	15,914	16,083	625	2	70,014
External interest expense	(15,851)	(493)	(8,170)	(6,463)	(6,468)	(279)	(37,724)
Internal funding costs/revenues from Central treasury	(6,079)	(154)	2,918	(6,606)	10,024	(103)	-
<b>Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets</b>	<b>12,273</b>	<b>2,540</b>	<b>10,662</b>	<b>3,014</b>	<b>4,181</b>	<b>(380)</b>	<b>32,290</b>
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(3,118)	(1,325)	(6,587)	-	-	-	(11,030)
<b>Net interest income</b>	<b>9,155</b>	<b>1,215</b>	<b>4,075</b>	<b>3,014</b>	<b>4,181</b>	<b>(380)</b>	<b>21,260</b>
Fee and commission income	2,241	1,149	5,062	378	1	1	8,832
Fee and commission expense	(119)	(55)	(1,599)	(210)	(31)	(2)	(2,016)
Trading and foreign exchange results	210	32	329	(4,243)	(11)	(24)	(3,707)
Other operating income	945	56	221	24	32	390	1,668
Net result from other segments*	23	(13)	1,035	(343)	(702)	-	-
<b>Operating income before Impairment losses of investments available-for-sale and investment property and provisions on other transactions</b>	<b>12,455</b>	<b>2,384</b>	<b>9,123</b>	<b>(1,380)</b>	<b>3,470</b>	<b>(15)</b>	<b>26,037</b>
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	(397)	(63)	(94)	(8)	-	(156)	(718)
Operating expenses	(3,280)	(1,886)	(7,882)	(732)	(125)	(3,499)	(17,404)
<b>Operating profit before income tax</b>	<b>8,778</b>	<b>435</b>	<b>1,147</b>	<b>(2,120)</b>	<b>3,345</b>	<b>(3,670)</b>	<b>7,915</b>
Income tax expense	-	-	-	-	-	(1,726)	(1,726)
<b>Net profit</b>	<b>8,778</b>	<b>435</b>	<b>1,147</b>	<b>(2,120)</b>	<b>3,345</b>	<b>(5,396)</b>	<b>6,189</b>
Depreciation and amortization expense	(218)	(141)	(650)	(34)	(13)	(306)	(1,362)
Capital expenditures	222	96	368	32	14	144	876

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

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	30 June 2014 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	3,745	3,323	26,173	2,919	15,871	-	52,031
Minimum reserve deposits with CBR	1,173	292	1,446	424	5,810	-	9,145
Precious metals	5,183	-	11	106	-	-	5,300
Financial assets at fair value through profit or loss	36	-	-	146,733	-	-	146,769
Loans and advances to banks and other financial institutions	2	-	3,441	99,544	16,019	-	119,006
Loans to customers	605,960	41,477	187,296	81,175	-	71	915,979
Investments available-for-sale	-	-	83	51,865	25	-	51,973
Investments held to maturity	-	-	-	52,424	-	-	52,424
Investment property	2,730	-	-	4,226	-	2,413	9,369
Property, plant and equipment	2,557	1,817	8,617	540	590	1,550	15,671
Intangible assets	146	156	1,310	21	10	1,349	2,992
Goodwill	24	59	1,107	-	-	809	1,999
Other assets	5,711	7	1,675	1,603	91	4,895	13,982
<b>TOTAL ASSETS</b>	<b>627,267</b>	<b>47,131</b>	<b>231,159</b>	<b>441,580</b>	<b>38,416</b>	<b>11,087</b>	<b>1,396,640</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	39	-	-	11,077	29	-	11,145
Due to banks and the Central Bank of the Russian Federation	10,351	718	4,163	191,997	31,596	-	238,825
Customer accounts	458,483	38,382	267,697	25,063	-	167	789,792
Bonds and Eurobonds issued	-	-	9,210	108	49,589	-	58,907
Promissory notes issued	69,803	951	60	7,158	4,602	-	82,574
Deferred income tax liabilities	-	-	-	-	-	2,711	2,711
Other liabilities	330	137	952	714	59	3,820	6,012
Subordinated debt	-	-	-	-	59,478	5,364	64,842
<b>TOTAL LIABILITIES</b>	<b>539,006</b>	<b>40,188</b>	<b>282,082</b>	<b>236,117</b>	<b>145,353</b>	<b>12,062</b>	<b>1,254,808</b>

	Corporate banking	Small business	Retail banking	Investment banking	Treasury and asset-liability management unit	Unallocated	Six months ended 30 June 2013 Total
External interest income	26,489	3,199	7,223	6,805	467	-	44,183
External interest expense	(11,552)	(347)	(5,305)	(5,614)	(3,310)	-	(26,128)
Internal funding costs/revenues from Central treasury	(5,936)	(900)	2,768	1513	2,555	-	-
<b>Net interest income before gain on remeasurement of cash flows and provision for impairment losses on interest bearing assets</b>	<b>9,001</b>	<b>1,952</b>	<b>4,686</b>	<b>2,704</b>	<b>(288)</b>	-	<b>18,055</b>
Impairment and gain on remeasurement of cash flows and prepayments of interest bearing assets acquired in business combination	(2,199)	(252)	(904)	-	-	(17)	(3,372)
<b>Net interest income</b>	<b>6,802</b>	<b>1,700</b>	<b>3,782</b>	<b>2,704</b>	<b>(288)</b>	<b>(17)</b>	<b>14,683</b>
Fee and commission income	1,795	652	3,081	91	10	-	5,629
Fee and commission expense	(88)	(28)	(1,233)	(53)	(32)	-	(1,434)
Trading and foreign exchange results	145	17	113	(1,166)	56	-	(835)
Other operating income	320	55	123	175	(5)	(80)	588
Net result from other segments*	(49)	(25)	56	225	(207)	-	-
<b>Operating income before impairment losses of investments available-for-sale and investment property and provisions on other transactions</b>	<b>8,925</b>	<b>2,371</b>	<b>5,922</b>	<b>1,976</b>	<b>(466)</b>	<b>(97)</b>	<b>18,631</b>
Impairment losses of investments available-for-sale and investment property and provisions on other transactions	80	(21)	(31)	6	(1)	12	45
Operating expenses	(2,813)	(1,500)	(4,505)	(625)	(220)	(1,080)	(10,743)
<b>Operating profit before income tax</b>	<b>6,192</b>	<b>850</b>	<b>1,386</b>	<b>1,357</b>	<b>(687)</b>	<b>(1,165)</b>	<b>7,933</b>
Income tax expense	-	-	-	-	-	(1,867)	(1,867)
<b>Net profit</b>	<b>6,192</b>	<b>850</b>	<b>1,386</b>	<b>1,357</b>	<b>(687)</b>	<b>(3,032)</b>	<b>6,066</b>
Depreciation and amortization expense	(281)	(87)	(264)	(122)	(42)	(51)	(847)
Capital expenditures	178	63	180	67	23	42	553

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

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

## 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Valuation techniques

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

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

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

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

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

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

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

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

### Financial assets and liabilities

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

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

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

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

The following table compares the carrying amount of financial assets and liabilities to their estimated fair values as at 30 June 2014 and 31 December 2013:

	30 June 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and balances with the Central Bank of the Russian Federation	52,031	52,031	87,832	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	9,145	9,145	8,869	8,869
Financial assets at fair value through profit or loss	146,769	146,769	181,986	181,986
Loans and advances to banks and other financial institutions	119,006	119,006	133,661	133,896
Loans to customers	915,979	920,874	879,274	890,420
Investments available-for-sale	51,973	51,568	39,532	39,117
Investments held to maturity	52,424	52,401	-	-
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	11,145	11,145	2,866	2,866
Due to banks and the Central Bank of the Russian Federation	238,825	238,825	257,187	257,671
Customer accounts	789,792	800,225	781,471	789,313
Bonds and Eurobonds issued	58,907	61,807	63,959	66,275
Promissory notes issued	82,574	82,554	61,652	61,528
Subordinated debt	64,842	67,476	63,459	65,982

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as at 30 June 2014 and 31 December 2013.

Starting from June 2014, the Group has revised the methodology for fair value hierarchy classes determination due to discounting future cash flows based on internal interest rates. As a result the Group has transferred the following assets and liabilities to Level 3: loans and advances to banks and other financial institutions, loans to customers, due to banks and the Central Bank of the Russian Federation and customer accounts.

	Level 1	Level 2	Level 3	30 June 2014 Total
<b>Financial assets</b>				
Cash and balances with the Central Bank of the Russian Federation	52,031	-	-	52,031
Minimum reserve deposits with the Central Bank of the Russian Federation	9,145	-	-	9,145
Financial assets at fair value through profit or loss	136,504	10,265	-	146,769
Loans and advances to banks and other financial institutions	-	-	119,006	119,006
Loans to customers	-	-	920,874	920,874
Investments available-for-sale	48,357	1,209	2,002	51,568
Investments held to maturity	52,401	-	-	52,401
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	11,145	-	11,145
Due to banks and the Central Bank of the Russian Federation	-	-	238,825	238,825
Customer accounts	-	-	800,225	800,225
Bonds and Eurobonds issued	61,807	-	-	61,807
Promissory notes issued	8,693	73,861	-	82,554
Subordinated debt	47,186	20,290	-	67,476
<b>31 December 2013</b>				
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and balances with the Central Bank of the Russian Federation	87,832	-	-	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	8,869	-	-	8,869
Financial assets at fair value through profit or loss	177,947	4,039	-	181,986
Loans and advances to banks and other financial institutions	-	133,896	-	133,896
Loans to customers	-	890,420	-	890,420
Investments available-for-sale	36,663	1,202	1,252	39,117
Investments held to maturity	-	-	-	-
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	-	2,866	-	2,866
Due to banks and the Central Bank of the Russian Federation	-	257,671	-	257,671
Customer accounts	-	789,313	-	789,313
Bonds and Eurobonds issued	66,275	-	-	66,275
Promissory notes issued	5,953	55,575	-	61,528
Subordinated debt	46,102	19,880	-	65,982

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

	<u>Carrying value</u>	<u>Impact of possible alternative assumptions</u>	<u>Level 3</u>
Bonds issued by banks	947	-	947
Corporate bonds	1,045	(14)	1,031
Shares	10	(3)	7
<b>Investments available-for-sale</b>	<b><u>2,002</u></b>	<b><u>(17)</u></b>	<b><u>1,985</u></b>

The following table provides quantitative information about significant unobservable inputs used to measure financial instruments Level 3 fair value hierarchy as at 30 June 2014 and 31 December 2013:

	<u>Carrying value</u>	<u>Assessment methodology</u>	<u>Unobservable inputs</u>	<u>Range (weighted average value)</u>
Bonds issued by banks	947	Net assets value	Value of underlying assets	Not applicable
Corporate bonds	1,045	Discounted cash flows	Credit risk rate	16.30-16.47%
Shares	10	Net assets value	Value of underlying assets	Not applicable
<b>Investments available-for-sale</b>	<b><u>2,002</u></b>			

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

## 23. CAPITAL MANAGEMENT

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

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

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

The table below presents the composition of capital complying with 1988 Basel Capital Accord and discloses the capital – adequacy ratio as at 30 June 2014 and 31 December 2013:

	<b>30 June 2014</b>	<b>31 December 2013</b>
Tier 1 capital	137,907	135,775
Tier 2 capital	56,046	56,421
<b>Total regulatory capital</b>	<b>193,953</b>	<b>192,196</b>
Risk-weighted assets:		
Credit risks	1,131,539	1,129,120
Market risks	224,131	208,274
<b>Total risk-weighted assets</b>	<b>1,355,670</b>	<b>1,337,394</b>
Basel ratio	14.31%	14.37%
Tier 1	10.17%	10.15%

As at 30 June 2014 and 31 December 2013 the Group included the subordinated debt received in the computation of total capital, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of these loans is subordinate to the repayment of the Group's liabilities to all other creditors.

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the 1988 Basel Capital Accord 1988. As at 30 June 2014 and 31 December 2013, the Group complied with Basel capital requirements.

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

## 24. RISK MANAGEMENT POLICY

### Foreign currency and precious metals risk

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

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

The Group's exposure to foreign currency exchange rate risk as at 30 June 2014 is presented in the table below:

	RUB	USD 1 USD = RUB 33.6306	Euro 1 EUR = RUB 45.8251	Gold 1 ounce = RUB 45.72189	Other	30 June 2014 Total
<b>ASSETS</b>						
Cash and balances with the Central Bank of the Russian Federation	43,571	4,549	3,409	-	502	52,031
Minimum reserve deposits with the Central Bank of the Russian Federation	9,145	-	-	-	-	9,145
Financial assets at fair value through profit or loss	105,522	40,621	15	493	118	146,769
Loans and advances to banks and other financial institutions	63,535	43,098	8,853	821	2,699	119,006
Loans to customers	776,216	128,612	11,147	-	4	915,979
Investments available-for-sale	13,348	38,619	6	-	-	51,973
Investments held to maturity	26,692	25,732	-	-	-	52,424
Other financial assets	9,016	136	4	-	49	9,205
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,047,045</b>	<b>281,367</b>	<b>23,434</b>	<b>1,314</b>	<b>3,372</b>	<b>1,356,532</b>
Precious metals	-	-	-	4,701	599	5,300
Property, plant and equipment	15,671	-	-	-	-	15,671
Goodwill	1,999	-	-	-	-	1,999
Intangible assets	2,992	-	-	-	-	2,992
Investment property	9,369	-	-	-	-	9,369
Other non-financial assets	4,629	8	20	32	88	4,777
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>34,660</b>	<b>8</b>	<b>20</b>	<b>4,733</b>	<b>687</b>	<b>40,108</b>
<b>TOTAL ASSETS</b>	<b>1,081,705</b>	<b>281,375</b>	<b>23,454</b>	<b>6,047</b>	<b>4,059</b>	<b>1,396,640</b>
<b>LIABILITIES</b>						
Financial liabilities at fair value through profit or loss	8,782	2,279	68	8	8	11,145
Due to banks and the Central Bank of the Russian Federation	169,878	44,695	10,656	11,679	1,917	238,825
Customer accounts	613,728	148,639	22,830	2,349	2,246	789,792
Bonds and Eurobonds issued	42,494	16,413	-	-	-	58,907
Promissory notes issued	19,417	62,969	188	-	-	82,574
Other financial liabilities	4,465	248	30	1	7	4,751
Subordinated debt	14,545	50,297	-	-	-	64,842
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>873,309</b>	<b>325,540</b>	<b>33,772</b>	<b>14,037</b>	<b>4,178</b>	<b>1,250,836</b>
Deferred income tax liabilities	2,711	-	-	-	-	2,711
Other non-financial liabilities	1,245	3	13	-	-	1,261
<b>TOTAL NON-FINANCIAL LIABILITIES</b>	<b>3,956</b>	<b>3</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>3,972</b>
<b>TOTAL LIABILITIES</b>	<b>877,265</b>	<b>325,543</b>	<b>33,785</b>	<b>14,037</b>	<b>4,178</b>	<b>1,254,808</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>204,440</b>	<b>(44,168)</b>	<b>(10,331)</b>	<b>(7,990)</b>	<b>(119)</b>	
<b>Fair value of derivative financial instruments and spot deals</b>						
Payables under forward deals	(285,176)	(248,224)	(56,728)	(6,108)	(10,561)	(606,797)
Receivables under forward deals	213,928	307,831	56,724	13,943	14,371	606,797
Payables under spot deals	(31,418)	(56,548)	(21,922)	-	(10,650)	(120,538)
Receivables under spot deals	24,104	61,308	23,908	479	10,739	120,538
Payables under currency-interest swaps	(17,183)	(10,067)	-	-	-	(27,250)
Receivables under currency-interest swaps	10,067	17,183	-	-	-	27,250
<b>NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS</b>	<b>(85,678)</b>	<b>71,483</b>	<b>1,982</b>	<b>8,314</b>	<b>3,899</b>	
<b>TOTAL OPEN POSITION</b>	<b>118,762</b>	<b>27,315</b>	<b>(8,349)</b>	<b>324</b>	<b>3,780</b>	
<b>CREDIT CONTINGENT LIABILITIES</b>	<b>323,816</b>	<b>18,699</b>	<b>7,668</b>	<b>-</b>	<b>7</b>	

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

	<b>RUB</b>	<b>USD</b> 1 USD = RUB 32.7292	<b>Euro</b> 1 EUR = RUB 44.9699	<b>Gold</b> 1 ounce = RUB 39.32413	<b>Other</b>	<b>31 December 2013 Total</b>
<b>ASSETS</b>						
Cash and balances with the Central Bank of the Russian Federation	81,232	2,914	3,398	261	27	87,832
Minimum reserve deposits with the Central Bank of the Russian Federation	8,869	-	-	-	-	8,869
Financial assets at fair value through profit or loss	140,445	41,376	62	4	99	181,986
Loans and advances to banks and other financial institutions	65,244	54,247	11,861	199	2,110	133,661
Loans to customers	758,102	107,817	13,293	-	62	879,274
Investments available-for-sale	9,522	30,004	6	-	-	39,532
Other financial assets	5,280	307	6	-	1,223	6,816
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,068,694</b>	<b>236,665</b>	<b>28,626</b>	<b>464</b>	<b>3,521</b>	<b>1,337,970</b>
Precious metals	-	-	-	4,939	807	5,746
Investment property	8,571	-	-	-	-	8,571
Property, plant and equipment	16,205	-	-	-	-	16,205
Intangible assets	3,509	-	-	-	-	3,509
Goodwill	1,999	-	-	-	-	1,999
Other non-financial assets	4,928	5	6	27	85	5,051
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>35,212</b>	<b>5</b>	<b>6</b>	<b>4,966</b>	<b>892</b>	<b>41,081</b>
<b>TOTAL ASSETS</b>	<b>1,103,906</b>	<b>236,670</b>	<b>28,632</b>	<b>5,430</b>	<b>4,413</b>	<b>1,379,051</b>
<b>LIABILITIES</b>						
Financial liabilities at fair value through profit or loss	886	1,777	135	41	27	2,866
Due to banks and the Central Bank of the Russian Federation	197,078	41,390	11,899	6,641	179	257,187
Customer accounts	683,180	72,104	19,824	4,438	1,925	781,471
Bonds and Eurobonds issued	47,703	16,256	-	-	-	63,959
Promissory notes issued	20,312	39,047	2,282	-	11	61,652
Other financial liabilities	3,998	247	1	-	4	4,250
Subordinated debt	14,518	48,941	-	-	-	63,459
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>967,675</b>	<b>219,762</b>	<b>34,141</b>	<b>11,120</b>	<b>2,146</b>	<b>1,234,844</b>
Deferred income tax liabilities	3,378	-	-	-	-	3,378
Other non-financial liabilities	1,465	5	2	-	-	1,472
<b>TOTAL NON-FINANCIAL LIABILITIES</b>	<b>4,843</b>	<b>5</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>4,850</b>
<b>TOTAL LIABILITIES</b>	<b>972,518</b>	<b>219,767</b>	<b>34,143</b>	<b>11,120</b>	<b>2,146</b>	<b>1,239,694</b>
<b>OPEN BALANCE SHEET POSITION</b>	<b>131,388</b>	<b>16,903</b>	<b>(5,511)</b>	<b>(5,690)</b>	<b>2,267</b>	
<b>Fair value of derivative financial instruments and spot deals</b>						
Payables under forward deals	(78,214)	(97,076)	(21,819)	(1,364)	(13,663)	(212,136)
Receivables under forward deals	98,552	82,542	16,418	7,850	6,774	212,136
Payables under spot deals	(577)	(1,929)	(7)	(1,486)	(1,213)	(5,212)
Receivables under spot deals	2,134	1,679	1,399	-	-	5,212
Payables under currency-interest swaps	(16,067)	(12,196)	-	-	-	(28,263)
Receivables under currency-interest swaps	12,196	16,067	-	-	-	28,263
<b>NET POSITION FOR DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT DEALS</b>	<b>18,024</b>	<b>(10,913)</b>	<b>(4,009)</b>	<b>5,000</b>	<b>(8,102)</b>	
<b>TOTAL OPEN POSITION</b>	<b>149,412</b>	<b>5,990</b>	<b>(9,520)</b>	<b>(690)</b>	<b>(5,835)</b>	
<b>CREDIT CONTINGENT LIABILITIES</b>	<b>345,353</b>	<b>49,518</b>	<b>8,445</b>	<b>-</b>	<b>68</b>	

## **Liquidity risk**

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

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

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

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

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

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

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

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

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

The following table presents an analysis of liquidity risk based on carrying value of assets and liabilities as at 30 June 2014:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June 2014 Total
<b>ASSETS</b>							
Cash and balances with the Central Bank of the Russian Federation	52,031	-	-	-	-	-	52,031
Minimum reserve deposits with the Central Bank of the Russian Federation	-	-	-	-	-	9,145	9,145
Precious metals	5,300	-	-	-	-	-	5,300
Financial assets at fair value through profit or loss	139,405	1,141	2,569	3,426	221	7	146,769
Loans and advances to banks and other financial institutions	116,358	-	416	1,682	550	-	119,006
Loans to customers	103,820	151,032	221,928	315,119	124,080	-	915,979
Investments available-for-sale	1,386	-	5,409	36,841	7,580	757	51,973
Investments held to maturity	-	-	813	50,129	1,482	-	52,424
Investment property	-	-	-	-	-	9,369	9,369
Property, plant and equipment	-	-	-	-	-	15,671	15,671
Intangible assets	-	-	-	2,992	-	-	2,992
Goodwill	-	-	-	-	-	1,999	1,999
Other assets	9,805	1,388	2,673	88	18	10	13,982
<b>TOTAL ASSETS</b>	<b>428,105</b>	<b>153,561</b>	<b>233,808</b>	<b>410,277</b>	<b>133,931</b>	<b>36,958</b>	<b>1,396,640</b>
<b>LIABILITIES</b>							
Financial liabilities at fair value through profit or loss	3,862	196	4,287	2,662	138	-	11,145
Due to banks and the Central Bank of the Russian Federation	177,550	7,634	45,379	7,500	762	-	238,825
Customer accounts	226,570	73,337	325,243	164,544	98	-	789,792
Bonds and Eurobonds issued	5,243	510	1,050	42,993	9,111	-	58,907
Promissory notes issued	9,835	20,215	50,275	1,239	1,010	-	82,574
Deferred income tax liabilities	-	-	-	-	-	2,711	2,711
Other liabilities	4,124	1,050	708	77	53	-	6,012
Subordinated debt	-	-	654	28,420	35,768	-	64,842
<b>TOTAL LIABILITIES</b>	<b>427,184</b>	<b>102,942</b>	<b>427,596</b>	<b>247,435</b>	<b>46,940</b>	<b>2,711</b>	<b>1,254,808</b>
Liquidity gap	921	50,619	(193,788)	162,842	86,991	-	-
Stable sources of funding (1)	138,120	15,546	47,508	(201,174)	-	-	-
Adjusted liquidity gap (1)	139,041	66,165	(146,280)	(38,332)	86,991	-	-

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

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

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

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

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

## 25. TRANSACTIONS WITH RELATED PARTIES

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

	30 June 2014		31 December 2013		Total category as per consolidated financial statements caption
	Related party transactions	Average effective interest %	Related party transactions	Average effective interest %	
<b>Financial assets at fair value through profit or loss</b>	<b>776</b>		<b>24</b>		<b>181,986</b>
Debt securities					
- <i>shareholders of the Group</i>	53	9.96%	24	7.72%	
Equity securities and derivative financial instruments					
- <i>shareholders of the Group</i>	73		-		
- <i>companies controlled by shareholders</i>	650		-		
<b>Loans and advances to banks and other financial institutions, net</b>	<b>9</b>		<b>14</b>		<b>133,661</b>
Correspondent accounts with banks					
- <i>companies controlled by shareholders</i>	9		14		
<b>Loans to customers, gross</b>	<b>25,180</b>		<b>17,933</b>		<b>912,113</b>
- <i>shareholders of the Group</i>	14,128	10.15%	14,753	7.37%	
- <i>key management personnel</i>	1,034	17.24%	244	8.26%	
- <i>companies controlled by shareholders</i>	10,018	10.62%	2,936	7.30%	
<b>Allowance for impairment of loans to customers</b>	<b>(124)</b>		<b>(6)</b>		<b>(32,839)</b>
- <i>shareholders of the Group</i>	(41)		(6)		
- <i>companies controlled by shareholders</i>	(83)		-		
<b>Investments available-for-sale</b>	<b>306</b>		<b>297</b>		<b>39,532</b>
Debt securities					
- <i>shareholders of the Group</i>	2	10.11%	2	10.11%	
- <i>companies controlled by shareholders</i>	-		-		
Equity securities					
- <i>companies controlled by shareholders</i>	304		295		
<b>Other assets</b>	<b>249</b>		<b>956</b>		<b>11,867</b>
- <i>shareholders of the Group</i>	-		2		
- <i>key management personnel</i>	-		-		
- <i>companies controlled by shareholders</i>	249		954		
<b>Financial liabilities at fair value through profit or loss</b>	<b>113</b>		<b>162</b>		<b>2,866</b>
- <i>shareholders of the Group</i>	-		-		
- <i>companies controlled by shareholders</i>	113		162		
<b>Customer accounts</b>	<b>18,216</b>		<b>15,659</b>		<b>781,471</b>
Term deposits					
- <i>shareholders of the Group</i>	31	6.33%	65	8.81%	
- <i>key management personnel</i>	852	4.82%	1,202	6.32%	
- <i>companies controlled by shareholders</i>	2,324	8.76%	6,487	5.53%	
Current accounts					
- <i>shareholders of the Group</i>	3,052		663		
- <i>key management personnel</i>	100		120		
- <i>entities under common control</i>	2		-		
- <i>companies controlled by shareholders</i>	11,855		7,122		
<b>Promissory notes issued</b>	<b>1,010</b>		<b>82,574</b>		<b>61,652</b>
- <i>shareholders of the Group</i>	1,010	13.50%	-	-	

	30 June 2014			31 December 2013		
	Related party transactions	Average effective interest %	Total category as per consolidated financial statements caption	Related party transactions	Average effective interest %	Total category as per consolidated financial statements caption
<b>Other liabilities</b>	<b>318</b>		<b>6,012</b>	<b>704</b>		<b>5,722</b>
- shareholders of the Group	-			10		
- key management personnel	285			453		
- entities under common control	13			-		
- companies controlled by shareholders	20			241		
<b>Subordinated debt</b>	<b>11,269</b>		<b>64,842</b>	<b>11,179</b>		<b>63,459</b>
- shareholders of the Group	7,763	10.83%		7,763	7.84%	
- companies controlled by shareholders	3,506	7.55%		3,416	7.87%	
<b>Commitments on loans and unused credit lines</b>	<b>20,882</b>		<b>160,679</b>	<b>21,529</b>		<b>166,024</b>
- shareholders of the Group	20,116			21,500		
- key management personnel	43			22		
- companies controlled by shareholders	723			7		
<b>Guarantees issued and similar commitments</b>	<b>38</b>		<b>181,355</b>	<b>3,813</b>		<b>226,064</b>
- shareholders of the Group				3,652		
- key management personnel	12			-		
- companies controlled by shareholders	26			161		

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Key management personnel	Total for the Group	Key management personnel	Total for the Group
<b>Key management personnel compensation:</b>		<b>8,961</b>		<b>5,854</b>
- salary	238		163	
- bonuses	189		230	
- representation and travel expenses	2		-	
- contribution to non-government pension fund	1		3	

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
<b>Interest income</b>		<b>70,014</b>		<b>44,183</b>
- shareholders of the Group	405		2,330	
- companies controlled by shareholders	922		-	
- key management personnel	17		17	
<b>Interest expense</b>		<b>(37,724)</b>		<b>(26,128)</b>
- shareholders of the Group	(1,047)		(19)	
- companies controlled by shareholders	(420)		(451)	
- entities under common control	(5)		-	
- key management personnel	(29)		-	
<b>Provision for impairment losses on interest bearing assets</b>		<b>(11,032)</b>		<b>(3,596)</b>
- shareholders of the Group	(22)		-	
- companies controlled by shareholders	8		(125)	
- key management personnel	1		-	
<b>Trading (loss)/income</b>		<b>(3,305)</b>		<b>(853)</b>
- shareholders of the Group	525		(1)	
- companies controlled by shareholders	(698)		562	
- entities under common control	(2)		-	
- key management personnel	(2)		-	
<b>Fees and commission income</b>		<b>8,832</b>		<b>5,629</b>
- shareholders of the Group	4		1	
- companies controlled by shareholders	1,525		-	
- key management personnel	1		-	
<b>Fees and commission expense</b>		<b>(2,016)</b>		<b>(1,434)</b>
- shareholders of the Group	(5)		-	
- companies controlled by shareholders	(12)		(2)	
<b>Net gain/(loss) on investments available-for-sale</b>		<b>(402)</b>		<b>18</b>
- companies controlled by shareholders	-		19	
<b>Other income</b>		<b>1,320</b>		<b>412</b>
- shareholders of the Group	90		8	
- companies controlled by shareholders	324		-	
- key management personnel	2		-	
<b>Operating expenses</b>		<b>(17,404)</b>		<b>(10,743)</b>
- shareholders of the Group	(26)		-	
- key management personnel	(431)		(421)	
- entities under common control	(92)		-	
- companies controlled by shareholders	(165)		(23)	

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Key management personnel	Total for the Group	Key management personnel	Total for the Group
<b>Key management personnel compensation:</b>		<b>4,617</b>		<b>2,765</b>
- salary	130		88	
- bonuses	81		194	
- contribution to non-government pension fund	1		1	
	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Related party transactions	Total for the Group	Related party transactions	Total for the Group
<b>Interest income</b>		<b>35,725</b>	-	<b>23,133</b>
- entities under common control	266			
- key management personnel	10		1	
- companies controlled by shareholders	585		1,177	
<b>Interest expense</b>		<b>(19,056)</b>		<b>(13,877)</b>
- shareholders of the Group	(541)		(7)	
- key management personnel	(10)		(14)	
- entities under common control	(5)		-	
- companies controlled by shareholders	(220)		(211)	
<b>Provision for impairment losses on interest bearing assets</b>		<b>(6,647)</b>		<b>(2,485)</b>
- shareholders of the Group	(16)		-	
- key management personnel	1		-	
- companies controlled by shareholders	216		(89)	
<b>Trading (loss)/income</b>		<b>51</b>		<b>(1,524)</b>
- shareholders of the Group	1,344		(2)	
- key management personnel	9		(8)	
- companies controlled by shareholders	(1,680)		574	
<b>Fees and commission income</b>		<b>4,226</b>		<b>2,977</b>
- shareholders of the Group	3		1	
- key management personnel	1		-	
- companies controlled by shareholders	670		103	
<b>Fees and commission expense</b>		<b>(1,032)</b>		<b>(727)</b>
- shareholders of the Group	(5)		-	
- companies controlled by shareholders	(9)		(2)	
<b>Other income/(expense)</b>		<b>778</b>		<b>(24)</b>
- shareholders of the Group	80		-	
- key management personnel	1		-	
- companies controlled by shareholders	287		8	
<b>Operating expenses</b>		<b>(8,934)</b>		<b>(5,274)</b>
- shareholders of the Group	(26)		-	
- key management personnel	(210)		(291)	
- entities under common control	(92)		-	
- companies controlled by shareholders	(54)		(21)	

**26. SUBSEQUENT EVENTS**

In July OJSC “Bank Otkritie Financial Corporation” has successfully placed an additional issue of its own exchange-traded bonds series BO-05 with a nominal value totalling RUB 5,000 million. The issue has been placed in addition to the previously placed exchange-traded bonds of the same issue with a nominal value totalling RUB 7,000 million.

In August Supervisory Board of Directors of OJSC “Bank Otkritie Financial Corporation” has considered to conduct delisting procedure, which will be completed before the end of the 3rd quarter of 2014, GDRs will be removed from the Official List and the trading of the GDRs on the Main Market of the London Stock Exchange will be cancelled. Owners of GDR will be able to convert them into shares. The bank will remain a public organization and its shares will be traded on the Moscow Stock Exchange.

At the extraordinary shareholders meeting of JSC “OTKRITIE Bank” dated 21 August 2014 it was decided to reorganize JSC “OTKRITIE Bank” by merger with OJSC “Bank of KHANTY-MANSIYSK”.