

**Open Joint Stock Company “BANK URALSIB”**  
**Interim Condensed Consolidated Financial Statements**  
*For the six-month period ended June 30, 2014*

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### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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The Supervisory Board and the Management Board of Open Joint Stock Company "BANK URALSIB" were appointed in accordance with the legislation of Russia and consist of the following members as of June 30, 2014:

### The Supervisory Board

| <b>Name</b>            | <b>Position</b>   |
|------------------------|---|
| Nikolay A. Tsvetkov    | Chairman of the Supervisory Board, Chairman of OJSC "Financial Corporation URALSIB" |
| Ildar R. Muslimov      | General Director OJSC "Financial Corporation URALSIB"                               |
| Denis I. Korobkov      | Deputy General Director OJSC "Financial Corporation URALSIB"                        |
| Ilkka S. Salonen       | Chairman of the Management Board of Open Joint Stock Company "BANK URALSIB"         |
| Airat R. Gaskarov      | Member of the Supervisory Board of Open Joint Stock Company "BANK URALSIB"          |
| Douglas W. Gardner     | Member of the Supervisory Board of Open Joint Stock Company "BANK URALSIB"          |
| Alexander M. Tolkachev | Member of the Supervisory Board of Open Joint Stock Company "BANK URALSIB"          |
| Natalya A. Raevskaya   | Advisor, Open Joint Stock Company "BANK URALSIB"                                    |
| Natalia I. Zvereva     | Advisor, Open Joint Stock Company "BANK URALSIB"                                    |

### The Management Board

| <b>Name</b>            | <b>Position</b>                         |
|------------------------|---|
| Ilkka S. Salonen       | Chairman of the Management Board, CEO   |
| Airat R. Gaskarov      | Deputy Chairman of the Management Board |
| Alexei V. Sazonov      | Deputy Chairman of the Management Board |
| Ilia V. Filatov        | Deputy Chairman of the Management Board |
| Alexei V. Gonus        | Deputy Chairman of the Management Board |
| Vladislav K. Vaevskiy  | Deputy Chairman of the Management Board |
| Svetlana B. Bastrykina | Member of the Management Board          |
| Konstantin A. Kolpakov | Member of the Management Board          |
| Anna B. Tregubenkova   | Member of the Management Board          |



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## Auditors' Report on Review of Interim Condensed Consolidated Financial Information

To the Shareholders and the Board of Directors  
Open Joint Stock Company "BANK URALSIB"

### Introduction

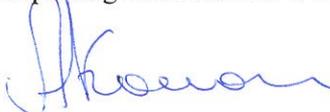
We have reviewed the accompanying interim condensed consolidated statement of financial position of Open Joint Stock Company "BANK URALSIB" and its subsidiaries (the "Bank") as at June 30, 2014, and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial information (the "interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed 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 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 interim condensed consolidated financial information of the Bank as at June 30, 2014 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

  
Kolosov A.E.  
Director, power of attorney dated 3 October 2011 № 7/11  
ZAO KPMG  
August 28, 2014  
Moscow, Russian Federation



Audited entity: Open Joint Stock Company "BANK URALSIB".

Registered by the Central Bank of the Russian Federation on 8 April 1999, Registration No. 2275.

Entered in the Unified State Register of Legal Entities on 8 August 2002 by the Authority of the Ministry of Taxes and Duties of the Russian Federation in the Republic of Bashkortostan, Registration No. 1020280000190, Certificate series 02 No. 004606023.

Address of the audited entity: 8, Efremova Street, Moscow, Russian Federation, 119048.

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

**Interim condensed consolidated statement of financial position****As of June 30, 2014***(Thousands of Russian Rubles)*

|  | <i>Notes</i> | <i>June 30, 2014<br/>(Unaudited)</i> | <i>December 31,<br/>2013</i> |
|--|--------------|--------------------------------------|------------------------------|
| <b>Assets</b>  |              |                                      |                              |
| Cash and cash equivalents                                      | 5            | 38 442 076                           | 56 080 385                   |
| Obligatory reserves with the Central Bank                      |              | 2 533 619                            | 2 920 152                    |
| Amounts due from credit institutions                           | 6            | 1 112 299                            | 1 472 422                    |
| Available-for-sale securities                                  | 7            | 36 586 582                           | 37 775 261                   |
| Held-to-maturity securities                                    |              | 9 658                                | 44 715                       |
| Derivative financial assets                                    | 8            | 265 606                              | 45 175                       |
| Loans to customers   | 9            | 219 945 226                          | 226 217 616                  |
| Net investments in finance leases                              | 10           | 8 288 164                            | 16 454 323                   |
| Investment property  |              | 17 307 717                           | 19 580 724                   |
| Property and equipment   |              | 20 804 582                           | 13 077 166                   |
| Goodwill   |              | 4 527 406                            | 4 527 406                    |
| Other assets   |              | 14 358 556                           | 15 153 650                   |
| <b>Total assets</b>  |              | <b>364 181 491</b>                   | <b>393 348 995</b>           |
| <b>Liabilities</b>   |              |                                      |                              |
| Derivative financial liabilities                               | 8            | 53 022                               | 41 031                       |
| Amounts due to credit institutions                             | 11           | 46 042 296                           | 49 328 128                   |
| Amounts due to customers                                       | 12           | 249 415 410                          | 263 332 299                  |
| Promissory notes issued  |              | 2 642 568                            | 4 986 423                    |
| Other borrowed funds   | 13           | 20 353 371                           | 29 593 054                   |
| Other liabilities  |              | 3 653 087                            | 3 663 257                    |
| <b>Total liabilities</b>                                       |              | <b>322 159 754</b>                   | <b>350 944 192</b>           |
| <b>Equity</b>  |              |                                      |                              |
| Share capital  | 14           | 42 012 253                           | 41 445 862                   |
| Additional paid-in capital                                     | 14           | 869 720                              | -                            |
| Revaluation reserve for available-for-sale securities          |              | 389 043                              | 403 971                      |
| Revaluation surplus for buildings                              |              | 3 464 555                            | 3 464 555                    |
| Accumulated losses   |              | (3 960 087)                          | (2 304 071)                  |
| <b>Total equity attributable to shareholders of the Parent</b> |              | <b>42 775 484</b>                    | <b>43 010 317</b>            |
| Non-controlling interests                                      |              | (753 747)                            | (605 514)                    |
| <b>Total equity</b>  |              | <b>42 021 737</b>                    | <b>42 404 803</b>            |
| <b>Total equity and liabilities</b>                            |              | <b>364 181 491</b>                   | <b>393 348 995</b>           |

Signed and authorised for release on behalf of the Management Board of the Bank

Ilkka S. Salonen

Renat S. Koneev

August 28, 2014



Chairman of the Management Board

Chief Accountant

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

**Interim condensed consolidated income statement****For the six-month period ended June 30, 2014***(Thousands of Russian Rubles)*

|   | Notes       | For the six-month period<br>ended June 30, |                     |
|---|-------------|--|---------------------|
|   |             | 2014<br>(Unaudited)                        | 2013<br>(Unaudited) |
| <b>Interest income</b>  |             |  |                     |
| Loans to customers  |             | 15 133 886                                 | 15 103 389          |
| Net investments in finance leases                                       |             | 1 298 466                                  | 1 268 206           |
| Securities  |             | 638 892                                    | 808 704             |
| Amounts due from credit institutions                                    |             | 216 756                                    | 458 694             |
|   |             | <u>17 288 000</u>                          | <u>17 638 993</u>   |
| <b>Interest expense</b>   |             |  |                     |
| Amounts due to customers  |             | (5 899 841)                                | (7 313 405)         |
| Amounts due to credit institutions                                      |             | (1 654 392)                                | (1 316 465)         |
| Other borrowed funds  |             | (1 341 940)                                | (1 747 369)         |
| Promissory notes issued   |             | (141 154)                                  | (350 059)           |
|   |             | <u>(9 037 327)</u>                         | <u>(10 727 298)</u> |
| <b>Net interest income</b>  |             |  |                     |
| Charge for impairment of interest earning assets                        | 6, 7, 9, 10 | 8 250 673                                  | 6 911 695           |
|   |             | <u>(2 167 582)</u>                         | <u>(2 585 459)</u>  |
| <b>Net interest income after impairment of interest earning assets</b>  |             | <u>6 083 091</u>                           | <u>4 326 236</u>    |
| <b>Fee and commission income</b>  |             |  |                     |
| Fee and commission income   |             | 5 346 855                                  | 4 898 439           |
| Fee and commission expense  |             | (2 388 722)                                | (1 970 007)         |
| <b>Net fee and commission income</b>                                    | 15          | <u>2 958 133</u>                           | <u>2 928 432</u>    |
| Net realised gains from available-for-sale securities                   |             | 358 361                                    | 76 724              |
| Net gains from trading securities                                       |             | -  | 27 118              |
| Charge for impairment of equity investments                             | 7           | -  | (3 001)             |
| Net gains from foreign currencies                                       |             | 231 672                                    | 908 322             |
| Net gains (losses) from precious metals                                 |             | 108 879                                    | (131 143)           |
| Net (losses) gains from revaluation and disposal of investment property |             | (381 420)                                  | 77 706              |
| Net losses from impairment and disposal of inventory                    |             | (121 301)                                  | (296 478)           |
| Net losses from impairment of property and equipment                    | 10          | (492 495)                                  | -                   |
| Other income  |             | 1 016 710                                  | 1 429 243           |
| <b>Other non interest income</b>  |             | <u>720 406</u>                             | <u>2 088 491</u>    |
| <b>Personnel expenses</b>   |             |  |                     |
| Personnel expenses  | 16          | (5 980 929)                                | (6 609 350)         |
| Administrative and operating expenses                                   | 16          | (4 594 887)                                | (4 137 727)         |
| Depreciation and amortisation   |             | (528 430)                                  | (596 604)           |
| Charge for impairment of other assets                                   |             | (127 806)                                  | (10 659)            |
| <b>Other non interest expense</b>                                       |             | <u>(11 232 052)</u>                        | <u>(11 354 340)</u> |
| <b>Loss before income tax expense</b>                                   |             |  |                     |
|   |             | <u>(1 470 422)</u>                         | <u>(2 011 181)</u>  |
| Income tax (expense) benefit  |             | (39 058)                                   | 260 159             |
| <b>Loss for the period*</b>   |             | <u>(1 509 480)</u>                         | <u>(1 751 022)</u>  |
| Attributable to:  |             |  |                     |
| - shareholders of the Parent  |             | (1 362 045)                                | (1 761 090)         |
| - non-controlling interests   |             | (147 435)                                  | 10 068              |
|   |             | <u>(1 509 480)</u>                         | <u>(1 751 022)</u>  |

Ilkka S. Salonen

Chairman of the Management Board

Renat S. Koneev

Chief Accountant

August 28, 2014

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

\* Profit of the Bank before intra-group elimination of interest on other contributions from participants and dividends received from URALSIB Leasing Group, net of consolidated loss of URALSIB Leasing Group for the six-month period ended June 30, 2014 comprises RUB 20 593 (six-month period ended June 30, 2013 – loss of RUB 1 443 028). Refer to Note 4.

**Interim condensed consolidated statement of comprehensive income****For the six-month period ended June 30, 2014***(Thousands of Russian Rubles)*

|   | <i>For the six-month period<br/>ended June 30,</i> |                             |
|---|--|-----------------------------|
|   | <i>2014<br/>(Unaudited)</i>                        | <i>2013<br/>(Unaudited)</i> |
| <b>Loss for the period</b>  | <b>(1 509 480)</b>                                 | <b>(1 751 022)</b>          |
| <b>Other comprehensive loss</b>   |  |                             |
| <i>Items that are or may be reclassified to profit or loss</i>  |  |                             |
| Revaluation reserve for available-for-sale securities:  |  |                             |
| - Net change in fair value of available-for-sale securities, net of tax                               | 271 761  | (13 961)                    |
| - Net change in fair value of available-for-sale securities transferred to profit or loss, net of tax | (286 689)  | 3 564                       |
| <b>Total other comprehensive loss, net of tax</b>   | <b>(14 928)</b>                                    | <b>(10 397)</b>             |
| <b>Total comprehensive loss for the period</b>  | <b>(1 524 408)</b>                                 | <b>(1 761 419)</b>          |
| Attributable to:  |  |                             |
| - shareholders of the Parent  | (1 376 973)  | (1 771 487)                 |
| - non-controlling interests   | (147 435)  | 10 068                      |
| <b>Total comprehensive loss for the period</b>  | <b>(1 524 408)</b>                                 | <b>(1 761 419)</b>          |

Ilkka S. Salonen

Chairman of the Management Board

Renat S. Koneev

Chief Accountant



August 28, 2014

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

## Interim condensed consolidated statement of changes in equity

For the six-month period ended June 30, 2014

(Thousands of Russian Rubles)

|  | Attributable to equity holders of the Parent |                            |   |                                   |                    |   |                           | Total equity |
|--|--|----------------------------|---|-----------------------------------|--------------------|---|---------------------------|--------------|
|  | Share capital                                | Additional paid in capital | Revaluation reserve for available-for-sale securities | Revaluation surplus for buildings | Accumulated losses | Total equity attributable to shareholders of the Parent | Non-controlling interests |              |
| Balance as of January 1, 2013  | 41 445 862                                   | -                          | 556 497   | 3 379 386                         | (17 682)           | 45 364 063  | 169 435                   | 45 533 498   |
| Total comprehensive loss for the six-month period, ended June 30, 2013 (Unaudited) | -  | -                          | (10 397)  | (2 092)                           | (1 758 998)        | (1 771 487)   | 10 068                    | (1 761 419)  |
| Charitable contributions made on behalf of shareholder (Unaudited)                 | -  | -                          | -   | -                                 | (222 590)          | (222 590)   | -                         | (222 590)    |
| Change in non-controlling interests in subsidiaries (Unaudited)                    | -  | -                          | -   | -                                 | -                  | -   | (2 840)                   | (2 840)      |
| Dividends paid (Unaudited)   | -  | -                          | -   | -                                 | (538 047)          | (538 047)   | (45 000)                  | (583 047)    |
| Balance as of June 30, 2013 (Unaudited)  | 41 445 862                                   | -                          | 546 100   | 3 377 294                         | (2 537 317)        | 42 831 939  | 131 663                   | 42 963 602   |
| Balance as of January 1, 2014  | 41 445 862                                   | -                          | 403 971   | 3 464 555                         | (2 304 071)        | 43 010 317  | (605 514)                 | 42 404 803   |
| Total comprehensive loss for the six-month period, ended June 30, 2014 (Unaudited) | -  | -                          | (14 928)  | -                                 | (1 362 045)        | (1 376 973)   | (147 435)                 | (1 524 408)  |
| Issue of ordinary shares (Unaudited) (Note 14)                                     | 566 391                                      | 869 720                    | -   | -                                 | (257 142)          | 1 178 969   | -                         | 1 178 969    |
| Charitable contributions made on behalf of shareholder (Unaudited)                 | -  | -                          | -   | -                                 | (36 829)           | (36 829)  | -                         | (36 829)     |
| Change in non-controlling interests in subsidiary (Unaudited)                      | -  | -                          | -   | -                                 | -                  | -   | (798)                     | (798)        |
| Balance as of June 30, 2014 (Unaudited)  | 42 012 253                                   | 869 720                    | 389 043   | 3 464 555                         | (3 960 087)        | 42 775 484  | (753 747)                 | 42 021 737   |

Ilkka S. Salonen

Renat S. Koneev

August 28, 2014



Chairman of the Management Board

Chief Accountant

The accompanying notes are an integral part of these interim condensed consolidated financial statements

## Interim condensed consolidated statement of cash flows

For the six-month period ended June 30, 2014

(Thousands of Russian Rubles)

|  | For the six-month period<br>ended June 30, |                     |
|--|--|---------------------|
|  | Notes                                      |                     |
|  | 2014                                       | 2013                |
|  | (Unaudited)                                | (Unaudited)         |
| <b>Cash flows from operating activities</b>  |  |                     |
| Interest received  | 17 301 331                                 | 17 822 786          |
| Interest paid  | (9 337 787)                                | (10 752 193)        |
| Fees and commissions received  | 5 347 774                                  | 4 893 498           |
| Fees and commissions paid  | (2 285 727)                                | (1 923 738)         |
| Net payments from trading and available-for-sale securities                                    | 362 596                                    | 72 766              |
| Net (payments) receipts from dealing in foreign currencies                                     | (1 383 703)                                | 621 518             |
| Net receipts (payments) from dealing in precious metals  | 26 363                                     | (233 645)           |
| Dividends received   | 619  | 450                 |
| Other income received  | 860 974                                    | 1 337 811           |
| Personnel expenses paid  | (5 908 597)                                | (6 432 413)         |
| Administrative and operating expenses paid   | (4 364 059)                                | (3 936 588)         |
| <b>Cash flows from operating activities before changes in operating assets and liabilities</b> | <b>619 784</b>                             | <b>1 470 252</b>    |
| <i>Net (increase) decrease in operating assets</i>   |  |                     |
| Amounts due from credit institutions and obligatory reserves with the Central Bank             | 776 989                                    | 7 044 625           |
| Trading securities   | -  | 422 206             |
| Available-for-sale securities  | 1 346 221                                  | (5 837 047)         |
| Loans to customers   | 5 502 881                                  | (5 803 452)         |
| Net investments in finance leases  | 1 123 694                                  | (118 733)           |
| Other assets   | 418 035                                    | (848 012)           |
| <i>Net increase (decrease) in operating liabilities</i>  |  |                     |
| Amounts due to credit institutions, other than subordinated and syndicated loans               | (3 940 394)                                | (20 617 154)        |
| Amounts due to customers   | (14 988 699)                               | 503 808             |
| Promissory notes issued  | (2 352 144)                                | (2 958 884)         |
| Other liabilities  | 15 408                                     | 452 460             |
| <b>Net used in operating activities before income tax</b>                                      | <b>(11 478 225)</b>                        | <b>(26 289 931)</b> |
| Income tax paid  | (67 105)                                   | (19 713)            |
| <b>Net cash used in operating activities</b>   | <b>(11 545 330)</b>                        | <b>(26 309 644)</b> |
| <b>Cash flows from investing activities</b>  |  |                     |
| Proceeds from repayment of securities held to maturity   | 23 368                                     | 45 658              |
| Purchase of property and equipment and intangible assets                                       | (720 513)                                  | (834 238)           |
| Proceeds from sale of property and equipment and intangible assets                             | 71 199                                     | 319 606             |
| Proceeds from sale of investment property  | 1 891 587                                  | 330 065             |
| Purchase of subsidiaries, less cash in acquired subsidiaries                                   | 22 (50 008)                                | -                   |
| Purchase of non-controlling interests in subsidiaries  | (798)                                      | (2 840)             |
| Purchase of share in investments in associate  | -  | (6 639)             |
| <b>Net cash flows from (used in) investing activities</b>                                      | <b>1 214 835</b>                           | <b>(148 388)</b>    |
| <b>Cash flows from financing activities</b>  |  |                     |
| Proceeds from issue of bonds   | 500 000                                    | 5 000 000           |
| Proceeds from sale of bonds issued previously repurchased                                      | 77 884                                     | -                   |
| Repayment of bonds issued  | (9 588 861)                                | (3 264 117)         |
| Repurchase of bonds issued   | (46 142)                                   | (323 358)           |
| Syndicated loans repaid  | (92 622)                                   | (273 681)           |
| Charitable contributions made on behalf of shareholder   | (36 829)                                   | (222 590)           |
| Dividends paid to shareholders of the Bank   | -  | (571 452)           |
| <b>Net cash (used in) from financing activities</b>  | <b>(9 186 570)</b>                         | <b>344 802</b>      |
| Effect of exchange rates changes on cash and cash equivalents                                  | 1 878 756                                  | 1 483 129           |
| <b>Net decrease in cash and cash equivalents</b>   | <b>(17 638 309)</b>                        | <b>(24 630 101)</b> |
| Cash and cash equivalents, beginning   | 56 080 385                                 | 77 070 294          |
| <b>Cash and cash equivalents, ending</b>   | <b>38 442 076</b>                          | <b>52 440 193</b>   |

Ilkka S. Salonen

Chairman of the Management Board

Renat S. Koneev

Chief Accountant

August 28, 2014

The accompanying notes are an integral part of these interim condensed consolidated financial statements

## 1. Principal activities

These interim condensed consolidated financial statements include the financial statements of Open Joint Stock Company “BANK URALSIB” (the Parent, also – OJSC “URALSIB”) and its subsidiaries (together referred to as the “Bank”).

The principal activities of the Bank are deposit taking and customer account maintenance, lending and issuing guarantees, cash and settlement transactions, transactions with securities, asset management, investment banking and foreign exchange. The Bank’s leasing subsidiary provides finance leases primary to companies in Russia.

The activities of the Bank are regulated by the Central Bank of the Russian Federation (“CBR”). The Bank has a general banking license and is a member of the state deposit insurance system in the Russian Federation.

The Bank operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

### Subsidiaries and branches

OJSC “URALSIB” was established in 1993 in the Russian Federation, where it currently has 13 branches from which it conducts business. The registered address of the head office is Moscow, 119048, Efremova Street, 8. The majority of the assets and liabilities are located in the Russian Federation. The average number of people employed during the six-month period ended June 30, 2014 was 13 036 (2013: 13 714). The interim condensed consolidated financial statements include the following main incorporated subsidiaries:

| <i>Subsidiary</i>                              | <i>Control, %</i>                    |                              | <i>Country</i> | <i>Date of establishment</i> | <i>Industry</i>            |
|--|--------------------------------------|------------------------------|----------------|------------------------------|----------------------------|
|  | <i>June 30, 2014<br/>(Unaudited)</i> | <i>December 31,<br/>2013</i> |                |                              |                            |
| LLC “Ufa-City”                                 | 100,00%                              | 100,00%                      | Russia         | April 29, 2002               | Construction               |
| LLC “Amador”                                   | -                                    | 100,00%                      | Russia         | April 4, 2009                | Investments in land        |
| CJSC “Krasnogorskstroykomplekt”                | 100,00%                              | 100,00%                      | Russia         | July 19, 2007                | Investments in land        |
| LLC “Sportventure Moskva”                      | 100,00%                              | 100,00%                      | Russia         | July 19, 1993                | Investments in land        |
| CJSC “Rivas”                                   | 100,00%                              | 100,00%                      | Russia         | July 23, 2007                | Investments in land        |
| CJSC “Zemelny Trust”                           | 99,90%                               | 99,90%                       | Russia         | January 21, 2002             | Investments in land        |
| CJSC “Astretsovo”                              | 91,22%                               | 91,22%                       | Russia         | April 1, 1991                | Investments in land        |
| CJSC “Miranda”                                 | 100,00%                              | 100,00%                      | Russia         | November 29, 2007            | Investments in land        |
| LLC “Oberon”                                   | 100,00%                              | 100,00%                      | Russia         | November 29, 2007            | Investments in land        |
| CJSC “Mortgage Agent Uralsib 01”               | 100,00%                              | 100,00%                      | Russia         | October 26, 2011             | Finance services           |
| LLC “RGO Voronezh”                             | 99,90%                               | 99,90%                       | Russia         | May 12, 2012                 | Investments in real estate |
| LLC “ORTO-KHAUZ”                               | 100,00%                              | 100,00%                      | Russia         | January 26, 2005             | Investments in real estate |
| LLC “Tolstoy-M”                                | 100,00%                              | 100,00%                      | Russia         | September 5, 2013            | Investments in real estate |
| OJSC “Bashprombank”                            | 99,99%                               | 49,99%                       | Russia         | November 28, 1990            | Banking                    |
| <b>Members of Leasing Group Uralsib (“LG”)</b> |                                      |                              |                |                              |                            |
| LLC “URALSIB Leasing Company”                  | 87,61%                               | 87,61%                       | Russia         | October 1, 2000              | Leasing                    |
| Hambridge Investments Ltd                      | 100,00%                              | 100,00%                      | Cyprus         | July 20, 2004                | Leasing                    |

On January 20, 2014 the Bank obtained control over its subsidiary OJSC “Bashprombank” (BPB) by acquiring 49,99996% of its shares (Refer to Note 20).

In January 2014 CJSC “Krasnogorskstroykomplekt” was merged with LLC “Amador”.

LLC “URALSIB Leasing Company” was registered in 2000 in Russia. Its main office is in Moscow and it has 48 branches (2013: 45).

The interim condensed consolidated financial statements also include the following unincorporated subsidiaries:

| <i>Subsidiary</i>   | <i>Control, %</i>                    |                          | <i>Country</i> | <i>Date of establishment</i> | <i>Industry</i> |
|---|--------------------------------------|--------------------------|----------------|------------------------------|-----------------|
|   | <i>June 30, 2014<br/>(Unaudited)</i> | <i>December 31, 2013</i> |                |                              |                 |
| Closed Unit Investment Fund of Property “URALSIB - ARENDA”                      | 100,00%                              | 100,00%                  | Russia         | November 1, 2007             | Investment      |
| Closed Unit Investment Fund of Real Estate “URALSIB –Investment in real estate” | 100,00%                              | 100,00%                  | Russia         | August 5, 2008               | Investment      |
| Closed Unit Investment Fund of Real Estate “Construction Investments”           | 99,57%                               | 99,55%                   | Russia         | October 13, 2004             | Investment      |
| Closed Unit Investment Fund of Real Estate “URALSIB –Land investments”          | 99,54%                               | 99,54%                   | Russia         | February 18, 2008            | Investment      |
| Closed Unit Investment Fund of Real Estate “URALSIB – Development of Regions”   | 100,00%                              | 100,00%                  | Russia         | December 9, 2008             | Investment      |
| Closed Unit Investment Fund of Stock “Strategic”                                | 100,00%                              | 100,00%                  | Russia         | August 19, 2009              | Investment      |
| Closed Unit Investment Fund of Stock “Active-City”                              | 100,00%                              | 100,00%                  | Russia         | November 12, 2009            | Investment      |

The effects on the financial result of the Bank from acquisition of the shares of closed unit investment funds during the six-month period ended June 30, 2014 are not significant.

#### Non-controlling interests in subsidiaries

The following table summarizes the information relating to the Bank’s subsidiaries that have material non-controlling interests (“NCI”), before any intra-group eliminations, as of June 30, 2014 and December 31, 2013 and for the six-month periods ended June 30, 2014 and June 30, 2013 respectively:

#### Leasing Group Uralsib

|                                   | <u>June 30, 2014<br/>(Unaudited)</u> | <u>December 31,<br/>2013</u> |
|-----------------------------------|--------------------------------------|------------------------------|
| Cash and cash equivalents         | 1 015 546                            | 2 390 884                    |
| Loans to customers                | 1 430 018                            | 2 273 001                    |
| Net investments in finance leases | 8 288 164                            | 16 454 323                   |
| Goodwill                          | 137 919                              | 137 919                      |
| Current tax assets                | 101 547                              | 105 510                      |
| Deferred tax assets               | 370 824                              | 370 824                      |
| Prepaid operating taxes           | 145 045                              | 251 053                      |
| Inventories                       | 532 946                              | 636 583                      |
| Investment property               | 217 386                              | 430 175                      |
| Property and equipment            | 6 599 981                            | 147 349                      |
| Other assets                      | 1 059 984                            | 1 596 029                    |
| Borrowed funds                    | (9 889 165)                          | (10 361 806)                 |
| Debt securities issued            | (10 217 067)                         | (12 958 115)                 |
| Other liabilities                 | (894 469)                            | (1 045 001)                  |
| <b>Equity</b>                     | <b>(1 101 341)</b>                   | <b>428 728</b>               |
| <b>Equity attributable to NCI</b> | <b>(814 274)</b>                     | <b>(667 558)</b>             |

|  | <i>For the six-month period<br/>ended June 30,</i> |                             |
|--|--|-----------------------------|
|  | <i>2014<br/>(Unaudited)</i>                        | <i>2013<br/>(Unaudited)</i> |
| Net interest income                              | 351 431  | 312 216                     |
| Charge for impairment of interest earning assets | (193 897)  | (138 698)                   |
| Net fee and commission expense                   | (65 402)   | 802                         |
| Non interest income                              | 144 133  | 635 179                     |
| Operating expense                                | (1 420 038)  | (722 238)                   |
| Income tax expense                               | -  | (5 199)                     |
| <b>Loss</b>                                      | <b>(1 183 773)</b>                                 | <b>82 062</b>               |
| <b>Total comprehensive loss</b>                  | <b>(1 183 771)</b>                                 | <b>82 063</b>               |
| <b>Loss allocated to NCI</b>                     | <b>(146 717)</b>                                   | <b>10 171</b>               |
| <b>Total comprehensive loss allocated to NCI</b> | <b>(146 717)</b>                                   | <b>10 171</b>               |
| Cash flows from operating activities             | 2 084 261  | 496 825                     |
| Cash flows from (used in) investment activities  | 160 794  | (1 176)                     |
| Cash flows (used in) from financing activities   | (3 653 510)  | 435 169                     |
| <b>Dividends paid to NCI</b>                     | <b>-</b>   | <b>(45 000)</b>             |

The following table summarizes the reconciliation of net assets of Leasing Group Uralsib with the Bank’s NCI in it:

#### Leasing Group Uralsib

|   | <i>June 30, 2014<br/>(Unaudited)</i> | <i>December 31,<br/>2013</i> |
|---|--------------------------------------|------------------------------|
| Equity                                      | (1 101 341)                          | 428 728                      |
| Less other contribution from OJSC “URALSIB” | (5 330 645)                          | (5 676 947)                  |
| Less goodwill                               | (137 919)                            | (137 919)                    |
|   | <b>(6 569 905)</b>                   | <b>(5 386 138)</b>           |
| <b>Carrying amount of NCI (12.39%)</b>      | <b>(814 274)</b>                     | <b>(667 558)</b>             |

Leasing Group Uralsib has its principal place of business in Russia.

#### Structured entity

CJSC “Mortgage Agent Uralsib 01” (MA-1) is a structured entity established to facilitate the Bank’s issue of mortgage backed securities (refer to note 13). This entity is not owned by the Bank. Control arises from practical ability to direct the relevant activities of MA-1 and the size of its exposure to the variability of returns of MA-1.

#### Shareholders

The major shareholder of the Bank is OJSC “Financial Corporation URALSIB”. Related party transactions are detailed in note 18.

The following shareholders held the issued shares of Open Joint Stock Company “BANK URALSIB”:

| Shareholder                          | <i>June 30, 2014<br/>% (Unaudited)</i> | <i>December 31, 2013<br/>%</i> |
|--------------------------------------|--|--------------------------------|
| OJSC “Financial Corporation URALSIB” | 97,20                                  | 97,14                          |
| Other                                | 2,80                                   | 2,86                           |
| <b>Total</b>                         | <b>100,00</b>                          | <b>100,00</b>                  |

The Bank is ultimately controlled by Mr. Nikolay A. Tsvetkov.

#### Russian business environment

The Bank’s operations are primarily located in the Russian Federation. Consequently, the Bank is exposed to the economic and financial markets of the Russian Federation, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation. In addition, the contraction felt after the 2008 economic downturn in the capital and credit markets and the impact of this on the Russian economy further increased the level of economic uncertainty in the environment.

In March, April and July 2014 the United States of America and the European Union imposed sanctions against some Russian public officials, entrepreneurs and companies. These actions, especially in the case of further tightening, may have a negative impact on the Russian economy caused by limited access of Russian business to foreign capital markets and exports, increase of capital outflows, rouble devaluation and other negative consequences. At the current moment it is difficult to assess the impact of these events on the operations and financial position of the Bank.

The interim condensed consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and financial position of the Bank. The future business environment may differ from management's assessment.

## **2. Basis of preparation**

### **Statement of compliance**

These interim condensed consolidated financial statements for the six-month period ended June 30, 2014 (the interim condensed consolidated financial statements) are prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### **Basis of measurement**

These interim condensed consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss, available-for-sale securities and investment property are stated at fair value, and buildings are stated at revalued amounts.

### **Functional and presentation currency**

The functional currency of the Bank and the majority of its subsidiaries is the Russian Ruble ("RUB") as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these interim condensed consolidated financial statements. Financial information presented in RUB is rounded to the nearest thousand, except where indicated.

### **Use of estimates and judgments**

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities, income and expense, and the disclosure of contingent assets and liabilities to prepare these interim condensed consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

## **3. Summary of accounting policies**

The accounting policies applied by the Bank in these interim condensed consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2013 as described in those consolidated financial statements.

Certain amendments to IFRS became effective from 1 January 2014 and have been adopted by the Bank since that date. These changes do not have a significant effect on the interim condensed consolidated financial statements.

## **4. Segment analysis**

Management has ascertained and designated the operating segments of the Bank based on the reports regularly reviewed by the Management Board in making strategic decisions. All operating segments of the Bank derive their revenue - as various types of financial income - primarily from sources in the Russian Federation. Because of relatively similar business environment throughout the country, management emphasizes the "product line" analysis approach rather than geographical segmentation. All of the Bank's business activities and operating segments are reported within the reportable segments. The Management Board considers the business based on the following operating segments:

- 1 **Corporate banking:** full range of banking services to large and medium corporate entities including commercial lending and deposit taking, settlements and cash transactions, as well as trade finance and transactions with precious metals.
- 2 **Retail banking:** full range of banking services to individuals, such as deposit taking and lending to individuals, money transfer and foreign exchange services and a range of banking card products.
- 3 **Small business:** full range of banking services to individual entrepreneurs and small business entities, such as lending, settlements and cash transactions, deposit taking.
- 4 **Leasing:** leasing transactions performed by LG.
- 5 **Financial services and markets:** primary and secondary equity and debt capital markets activities, brokerage services and securities trading, including repurchase agreements transactions and derivative transactions, placement and raising of funds at interbank market and Bank's funding through debt securities issues and subordinated loans.
- 6 **Private banking and asset management:** full range of banking services to high net worth individuals, including their savings management and financial consulting; trust management, services to corporate and private clients through fiduciary and collective investment schemes including open-end mutual funds which are distributed through the Bank's regional network.
- 7 **Treasury and asset-liability management ("ALM") unit:** treasury places and raises funds on money markets and conducts foreign exchange transactions. This segment is also responsible for accumulation and further distribution of all funds raised by other segments.
- 8 **Corporate investments and other transactions:** corporate transactions that are not conducted by and attributed to any business segment. This segment is responsible for transactions with related parties of the Bank and certain securities transactions. This segment is responsible for managing the Bank's capital.
- 9 **Corporate center:** expenses incurred by the central administrative divisions of the Bank, Head Office expenditures and indirect overhead expenses such as the marketing of the brand, which is common to all reportable segments. It also carries out service transactions that are not related to the main business activity of the Bank, such as management of real estate.

In 2014 the Management decided to transfer duties on placement and raising of funds at interbank market and Bank's funding through debt securities issues and subordinated loans from "Treasury and asset-liability management ("ALM") unit" segment to "Financial services and markets" segment, which was also renamed from "Investment banking" segment.

The segment reporting is submitted to the Management Board on a regular basis as part of the management reporting. It is used to assess the effectiveness of the segments and to assist in taking decisions on the allocation of resources. In accordance with internal methodology, equity is allocated to the corporate investments and other transactions segment.

#### **Changes in accounting policies for segment reporting**

In 2014 the Bank revised the accounting policy for segment reporting following the Management's intention to transform management reporting principles to "IFRS-basis". The main principles for measurement of assets and liabilities and recognition of income and expenses were amended to conform to IFRS in all material respects. The presentation of comparative information as of December 31, 2013 and for the six-month period ended June 30, 2013 is amended for these changes.

#### **Information about major customers**

Substantially all revenues from external customers are from residents of the Russian Federation. Substantially all of non-current assets are located in the Russian Federation.

**Information on losses related to operations of URALSIB Leasing Group included in the interim condensed consolidated financial statements prepared in accordance with IFRS**

The table below provides information on results of operations and intra-group equity transactions related to URALSIB Leasing Group ("LG") which are included in loss for the period presented in the interim condensed consolidated income statement:

|   | <i>For the six-month period ended<br/>June 30,</i> |                             |
|---|--|-----------------------------|
|   | <i>2014<br/>(Unaudited)</i>                        | <i>2013<br/>(Unaudited)</i> |
| Profit (loss) of the Bank before elimination of interest on other contributions from participants and dividends received from LG, net of loss of LG | 20 593   | (1 443 028)                 |
| (Loss) profit of LG   | (1 183 773)  | 82 062                      |
| Elimination of interest on other contributions from participants and dividends received from LG   | (346 300)  | (390 056)                   |
| <b>Loss for the period as presented in the interim condensed consolidated income statement</b>  | <b>(1 509 480)</b>                                 | <b>(1 751 022)</b>          |

A reconciliation of total segmental loss before income tax expense as measured in the management accounting to the total loss before income tax as presented in these interim condensed consolidated financial statements is provided below.

|   | <i>For the six-month period ended<br/>June 30,</i> |                             |
|---|--|-----------------------------|
|   | <i>2014<br/>(Unaudited)</i>                        | <i>2013<br/>(Unaudited)</i> |
| <b>Loss before income tax expense per management accounting</b>     | <b>(1 338 323)</b>                                 | <b>(1 940 887)</b>          |
| Consolidation adjustments   | (6 430)  | (16 652)                    |
| Interest and commission accruals                                    | (4 133)  | (2 552)                     |
| Personnel, administrative and operating expenses accrued            | (179 797)  | (273 296)                   |
| Adjustment of impairment allowance                                  | (2 502)  | (4 075)                     |
| Other adjustments   | 60 763   | 226 281                     |
| <b>Loss before income tax expense per IFRS financial statements</b> | <b>(1 470 422)</b>                                 | <b>(2 011 181)</b>          |

A reconciliation of total segmental assets/liabilities as measured in the management accounting to the total assets/liabilities as presented in these interim condensed consolidated financial statements is provided below.

|   | <i>June 30, 2014 (Unaudited)</i> |                    | <i>December 31, 2013</i> |                    |
|---|----------------------------------|--------------------|--------------------------|--------------------|
|   | <i>Assets</i>                    | <i>Liabilities</i> | <i>Assets</i>            | <i>Liabilities</i> |
| <b>Total assets/ liabilities per management accounting (unaudited)</b>      | <b>364 581 967</b>               | <b>322 139 355</b> | <b>393 966 121</b>       | <b>350 983 641</b> |
| Consolidation adjustments   | 7 127                            | 6 395              | 10 027                   | 6 854              |
| Revaluation and other adjustments to property and equipment                 | 363 287                          | -                  | (101 062)                | -                  |
| Adjustment of current and deferred tax assets and liabilities               | 73 894                           | 714                | 144 419                  | -                  |
| Accrual of administrative and operating expenses                            | (870 131)                        | 7 223              | (695 727)                | (54 987)           |
| Adjustments to impairment allowances  | 663                              | -                  | (315)                    | -                  |
| Accrual of employee compensation payable                                    | -                                | (2 056)            | -                        | -                  |
| Other adjustments   | 24 684                           | 8 123              | 25 532                   | 8 684              |
| <b>Total assets/ liabilities per IFRS consolidated financial statements</b> | <b>364 181 491</b>               | <b>322 159 754</b> | <b>393 348 995</b>       | <b>350 944 192</b> |

*(Thousands of Russian Rubles)*

Segment breakdown of assets and liabilities as of June 30, 2014 is set out below (unaudited):

|   | Corporate<br>banking | Retail<br>banking  | Small<br>business | Leasing           | Financial<br>services<br>and<br>markets | Private<br>banking and<br>asset<br>management | Treasury<br>and ALM<br>unit | Corporate<br>investments<br>and other<br>transactions | Corporate<br>center | Intersegmental<br>transactions | Total              |
|---|----------------------|--------------------|-------------------|-------------------|---|---|-----------------------------|---|---------------------|--------------------------------|--------------------|
| <b>Assets</b>                             |                      |                    |                   |                   |   |   |                             |   |                     |                                |                    |
| Cash and cash equivalents                 | 875                  | 1 988 094          | -                 | 1 016 116         | 4 258 245                               | -   | 30 276 190                  | 1 167 599   | -                   | (262 502)                      | 38 444 617         |
| Obligatory reserves with the Central Bank | -                    | -                  | -                 | -                 | -                                       | -   | 2 533 619                   | -   | -                   | -                              | 2 533 619          |
| Amounts due from credit institutions      | -                    | 361 198            | -                 | -                 | 526 632                                 | -   | 7 194                       | 217 276   | -                   | -                              | 1 112 300          |
| Available-for-sale securities             | -                    | -                  | -                 | -                 | 13 909 526                              | -   | -                           | 22 677 060  | -                   | -                              | 36 586 586         |
| Held-to-maturity securities               | -                    | -                  | -                 | -                 | 9 659                                   | -   | -                           | -   | -                   | -                              | 9 659              |
| Derivative financial assets               | 87 098               | -                  | -                 | -                 | 699                                     | -   | 177 809                     | -   | -                   | -                              | 265 606            |
| Loans to customers                        | 80 398 634           | 123 487 269        | 11 901 427        | -                 | -                                       | 70 033  | -                           | 5 826 075   | -                   | (1 746 367)                    | 219 937 071        |
| Net investments in finance leases         | -                    | -                  | -                 | 8 288 164         | -                                       | -   | -                           | -   | -                   | -                              | 8 288 164          |
| Investment property                       | 287 786              | -                  | -                 | 217 386           | -                                       | -   | -                           | 16 349 538  | -                   | -                              | 16 854 710         |
| Property and equipment                    | -                    | -                  | -                 | 6 599 981         | -                                       | -   | -                           | 14 336 559  | -                   | -                              | 20 936 540         |
| Goodwill                                  | -                    | -                  | -                 | -                 | -                                       | -   | -                           | -   | 4 527 406           | -                              | 4 527 406          |
| Other assets                              | 1 679 413            | 471 112            | 62 815            | 1 833 088         | 1 033                                   | -   | 149 285                     | 8 216 466   | 2 672 477           | -                              | 15 085 689         |
| <b>Total assets</b>                       | <b>82 453 806</b>    | <b>126 307 673</b> | <b>11 964 242</b> | <b>17 954 735</b> | <b>18 705 794</b>                       | <b>70 033</b>                                 | <b>33 144 097</b>           | <b>68 790 573</b>                                     | <b>7 199 883</b>    | <b>(2 008 869)</b>             | <b>364 581 967</b> |
| <b>Liabilities</b>                        |                      |                    |                   |                   |   |   |                             |   |                     |                                |                    |
| Derivative financial liabilities          | 6 375                | -                  | -                 | -                 | 30                                      | -   | 46 617                      | -   | -                   | -                              | 53 022             |
| Amounts due to credit institutions        | 250 634              | 4 699 764          | -                 | 8 396 185         | 28 634 057                              | 245 107                                       | 5 524 130                   | 41 103  | -                   | (1 748 637)                    | 46 042 343         |
| Amounts due to customers                  | 52 206 620           | 133 615 922        | 37 924 699        | 1 492 981         | 470 381                                 | 15 669 451                                    | 567 821                     | 7 727 713   | -                   | (260 232)                      | 249 415 356        |
| Promissory notes issued                   | 945 763              | 34 510             | 5 063             | -                 | 1 478 912                               | -   | -                           | 178 320   | -                   | -                              | 2 642 568          |
| Other borrowed funds                      | -                    | 2 266 874          | -                 | 9 855 972         | 8 230 573                               | -   | -                           | -   | -                   | -                              | 20 353 419         |
| Other liabilities                         | 14 194               | 332 310            | 6 963             | 894 472           | 23 623                                  | 16 914  | 474 240                     | 686 481   | 1 183 450           | -                              | 3 632 647          |
| <b>Total liabilities</b>                  | <b>53 423 586</b>    | <b>140 949 380</b> | <b>37 936 725</b> | <b>20 639 610</b> | <b>38 837 576</b>                       | <b>15 931 472</b>                             | <b>6 612 808</b>            | <b>8 633 617</b>                                      | <b>1 183 450</b>    | <b>(2 008 869)</b>             | <b>322 139 355</b> |

*(Thousands of Russian Rubles)*

Segment breakdown of assets and liabilities as of December 31, 2013 is set out below:

|   | Corporate<br>banking | Retail<br>banking  | Small<br>business | Leasing           | Financial<br>services and<br>markets | Private<br>banking and<br>asset<br>management | Treasury<br>and ALM<br>unit | Corporate<br>investments<br>and other<br>transactions | Corporate<br>center | Intersegmental<br>transactions | Total              |
|---|----------------------|--------------------|-------------------|-------------------|--------------------------------------|---|-----------------------------|---|---------------------|--------------------------------|--------------------|
| <b>Assets</b>                             |                      |                    |                   |                   |                                      |   |                             |   |                     |                                |                    |
| Cash and cash equivalents                 | 343                  | 2 233 771          | -                 | 2 398 340         | 266 364                              | -   | 52 269 258                  | 638 044   | -                   | (1 696 898)                    | 56 109 222         |
| Obligatory reserves with the Central Bank | -                    | -                  | -                 | -                 | -                                    | -   | 2 920 152                   | -   | -                   | -                              | 2 920 152          |
| Amounts due from credit institutions      | -                    | 336 083            | -                 | -                 | 17 618                               | -   | 909 502                     | 209 221   | -                   | -                              | 1 472 424          |
| Available-for-sale securities             | -                    | -                  | -                 | -                 | 21 625 217                           | -   | -                           | 16 149 896  | -                   | -                              | 37 775 113         |
| Held-to-maturity securities               | -                    | -                  | -                 | -                 | 44 715                               | -   | -                           | -   | -                   | -                              | 44 715             |
| Derivative financial assets               | 3 514                | -                  | -                 | -                 | 22 838                               | -   | 18 823                      | -   | -                   | -                              | 45 175             |
| Loans to customers                        | 86 708 895           | 122 692 052        | 12 012 893        | 842 654           | 18 879                               | 74 790  | 337 147                     | 3 868 863   | -                   | (376 027)                      | 226 180 146        |
| Net investments in finance leases         | -                    | -                  | -                 | 16 454 323        | -                                    | -   | -                           | -   | -                   | -                              | 16 454 323         |
| Investment property                       | 277 785              | -                  | -                 | 430 175           | -                                    | -   | -                           | 18 419 757  | -                   | -                              | 19 127 717         |
| Property and equipment                    | -                    | -                  | -                 | 147 350           | -                                    | -   | -                           | 11 732 464  | 1 797 057           | -                              | 13 676 871         |
| Goodwill                                  | -                    | -                  | -                 | -                 | -                                    | -   | -                           | -   | 4 527 406           | -                              | 4 527 406          |
| Other assets                              | 984 976              | 605 695            | 15 746            | 2 960 005         | 1 503 566                            | 2   | 165 053                     | 4 201 054   | 5 197 223           | (463)                          | 15 632 857         |
| <b>Total assets</b>                       | <b>87 975 513</b>    | <b>125 867 601</b> | <b>12 028 639</b> | <b>23 232 847</b> | <b>23 499 197</b>                    | <b>74 792</b>                                 | <b>56 619 935</b>           | <b>55 219 299</b>                                     | <b>11 521 686</b>   | <b>(2 073 388)</b>             | <b>393 966 121</b> |
| <b>Liabilities</b>                        |                      |                    |                   |                   |                                      |   |                             |   |                     |                                |                    |
| Derivative financial liabilities          | 41 031               | -                  | -                 | -                 | -                                    | -   | -                           | -   | -                   | -                              | 41 031             |
| Amounts due to credit institutions        | -                    | 8 296 009          | -                 | 8 750 587         | 9 312 496                            | 693 019                                       | 14 463 563                  | 8 188 482   | -                   | (376 027)                      | 49 328 129         |
| Amounts due to customers                  | 59 165 950           | 137 866 449        | 44 325 913        | 1 611 219         | 1 766                                | 15 572 591                                    | 1 892 748                   | 4 593 029   | -                   | (1 697 361)                    | 263 332 304        |
| Promissory notes issued                   | 1 286 992            | 104 395            | 28 416            | 32 032            | -                                    | -   | 3 356 791                   | 177 797   | -                   | -                              | 4 986 423          |
| Other borrowed funds                      | -                    | 2 812 673          | -                 | 12 532 568        | -                                    | -   | -                           | 14 247 926  | -                   | -                              | 29 593 167         |
| Other liabilities                         | 113 671              | 447 044            | 46 675            | 1 045 001         | 21 159                               | 26 822  | 356 701                     | 828 830   | 816 684             | -                              | 3 702 587          |
| <b>Total liabilities</b>                  | <b>60 607 644</b>    | <b>149 526 570</b> | <b>44 401 004</b> | <b>23 971 407</b> | <b>9 335 421</b>                     | <b>16 292 432</b>                             | <b>20 069 803</b>           | <b>28 036 064</b>                                     | <b>816 684</b>      | <b>(2 073 388)</b>             | <b>350 983 641</b> |

*(Thousands of Russian Rubles)*

Segment information for the main reportable segments for the six-month period ended June 30, 2014 is set out below (unaudited):

|  | Corporate banking  | Retail banking      | Small business   | Leasing            | Financial services and markets | Private banking and asset management | Treasury and ALM unit | Corporate investments and other transactions | Corporate center   | Intersegmental transactions | Total               |
|--|--------------------|---------------------|------------------|--------------------|--------------------------------|--------------------------------------|-----------------------|--|--------------------|-----------------------------|---------------------|
| <b>Interest income</b>   |                    |                     |                  |                    |                                |                                      |                       |  |                    |                             |                     |
| Loans to customers   | 4 460 520          | 9 721 179           | 886 697          | 21 516             | 30 676                         | 4 936                                | 24                    | 214 885                                      | -                  | (45 523)                    | 15 294 910          |
| Net investments in finance leases  | -                  | -                   | -                | 1 298 466          | -                              | -                                    | -                     | -  | -                  | -                           | 1 298 466           |
| Securities   | -                  | -                   | -                | -                  | 537 452                        | -                                    | -                     | 465 144                                      | -                  | (363 745)                   | 638 851             |
| Amounts due from credit institutions   | 5                  | 16 244              | -                | 32 391             | 59 566                         | -                                    | 51 866                | 62 768                                       | -                  | (9 003)                     | 213 837             |
| Transfer income  | 2 224 858          | 5 269 069           | 1 514 429        | -                  | 2 249 291                      | 589 474                              | 13 986 492            | 283 407                                      | -                  | (26 117 020)                | -                   |
|  | <b>6 685 383</b>   | <b>15 006 492</b>   | <b>2 401 126</b> | <b>1 352 373</b>   | <b>2 876 985</b>               | <b>594 410</b>                       | <b>14 038 382</b>     | <b>1 026 204</b>                             | -                  | <b>(26 535 291)</b>         | <b>17 446 064</b>   |
| <b>Interest expense</b>  |                    |                     |                  |                    |                                |                                      |                       |  |                    |                             |                     |
| Amounts due to customers   | (1 193 827)        | (3 755 631)         | (170 185)        | (46 276)           | (3 079)                        | (467 588)                            | -                     | (270 211)                                    | -                  | 9 003                       | (5 897 794)         |
| Amounts due to credit institutions   | -                  | (104 318)           | -                | (599 811)          | (657 169)                      | -                                    | -                     | -  | -                  | 363 732                     | (997 566)           |
| Promissory notes issued  | (8 735)            | (10 940)            | (8 123)          | (413 592)          | (1 058 222)                    | (5 980)                              | (191 276)             | -  | -                  | 45 523                      | (1 651 345)         |
| Other borrowed funds   | (25 232)           | (5 259)             | (156)            | (968)              | (109 539)                      | -                                    | -                     | -  | -                  | -                           | (141 154)           |
| Transfer expense   | (3 824 352)        | (6 964 389)         | (687 418)        | -                  | (359 592)                      | (12 021)                             | (12 870 163)          | (1 399 085)                                  | -                  | 26 117 020                  | -                   |
|  | <b>(5 052 146)</b> | <b>(10 840 537)</b> | <b>(865 882)</b> | <b>(1 060 647)</b> | <b>(2 187 601)</b>             | <b>(485 589)</b>                     | <b>(13 061 439)</b>   | <b>(1 669 296)</b>                           | -                  | <b>26 535 278</b>           | <b>(8 687 859)</b>  |
| <b>Net interest income (expense)</b>   | <b>1 633 237</b>   | <b>4 165 955</b>    | <b>1 535 244</b> | <b>291 726</b>     | <b>689 384</b>                 | <b>108 821</b>                       | <b>976 943</b>        | <b>(643 092)</b>                             | -                  | <b>(13)</b>                 | <b>8 758 205</b>    |
| (Charge for) recovery of impairment of interest earning assets                   | (445 540)          | (1 415 061)         | (96 312)         | (193 897)          | 1 633                          | 19                                   | (631)                 | (205 230)                                    | -                  | -                           | (2 355 019)         |
| <b>Net interest income (expense) after impairment of interest earning assets</b> | <b>1 187 697</b>   | <b>2 750 894</b>    | <b>1 438 932</b> | <b>97 829</b>      | <b>691 017</b>                 | <b>108 840</b>                       | <b>976 312</b>        | <b>(848 322)</b>                             | -                  | <b>(13)</b>                 | <b>6 403 186</b>    |
| Fee and commission income  | 531 718            | 3 611 532           | 1 127 856        | 1 596              | 22 694                         | 8 024                                | 21 334                | 20 838                                       | -                  | -                           | 5 345 592           |
| Fee and commission expense   | (43 881)           | (1 986 185)         | (72 926)         | (66 505)           | (24 878)                       | (2 117)                              | (10 837)              | (162 157)                                    | (18 000)           | -                           | (2 387 486)         |
| Intersegment fee income  | 107 654            | 525 069             | -                | -                  | 2 655                          | 7 171                                | -                     | -  | -                  | (466 557)                   | 175 992             |
| Intersegment fee expense   | (4 505)            | (530 092)           | (50 046)         | -                  | (31 174)                       | (748)                                | (25 984)              | -  | -                  | 466 557                     | (175 992)           |
| <b>Net fee and commission income (expense)</b>                                   | <b>590 986</b>     | <b>1 620 324</b>    | <b>1 004 884</b> | <b>(64 909)</b>    | <b>(30 703)</b>                | <b>12 330</b>                        | <b>(15 487)</b>       | <b>(141 319)</b>                             | <b>(18 000)</b>    | -                           | <b>2 958 106</b>    |
| Net gains (losses) on available-from-sale securities                             | -                  | 482 321             | -                | -                  | (149 282)                      | -                                    | -                     | 25 330                                       | -                  | 13                          | 358 382             |
| Charge for impairment of equity investments                                      | -                  | -                   | -                | -                  | -                              | -                                    | -                     | -  | -                  | -                           | -                   |
| Net gains (losses) from foreign currency   | 97 753             | 192 797             | 23 304           | 20 369             | -                              | 382                                  | (134 842)             | 17 374                                       | -                  | -                           | 217 137             |
| Net gains from transactions with precious metals                                 | 108 724            | -                   | -                | -                  | -                              | -                                    | -                     | -  | -                  | -                           | 108 724             |
| Net gains (losses) from revaluation and disposal of investment property          | 573                | -                   | -                | (47 536)           | -                              | (6 429)                              | -                     | (328 028)                                    | -                  | -                           | (381 420)           |
| Net (losses) gains from impairment and disposal of inventory                     | (45 885)           | 5 661               | (5 799)          | (568 095)          | -                              | -                                    | -                     | -  | -                  | -                           | (614 118)           |
| Other income (expense)   | 108 200            | 295 712             | 39 407           | 160 082            | 207                            | 3 462                                | -                     | 4 878  | 540 786            | (449 175)                   | 703 559             |
|  | <b>269 365</b>     | <b>976 491</b>      | <b>56 912</b>    | <b>(435 180)</b>   | <b>(149 075)</b>               | <b>(2 585)</b>                       | <b>(134 842)</b>      | <b>(280 446)</b>                             | <b>540 786</b>     | <b>(449 162)</b>            | <b>392 264</b>      |
| Personnel expenses   | (500 955)          | (1 356 919)         | (347 341)        | (313 535)          | (46 389)                       | (68 096)                             | (27 219)              | (28 956)                                     | (3 111 017)        | -                           | (5 800 427)         |
| Administrative and operating expenses  | (55 565)           | (1 216 722)         | (55 842)         | (588 346)          | (9 430)                        | (50 438)                             | (26 307)              | (209 157)                                    | (2 889 162)        | 449 175                     | (4 651 794)         |
| Depreciation and amortisation  | (18 872)           | (92 343)            | (21 469)         | (29 676)           | (1 351)                        | (2 759)                              | (1 379)               | (854)  | (307 547)          | -                           | (476 250)           |
| (Charge for) recovery of impairment of other assets                              | (32 492)           | (199 302)           | (20 901)         | 90 339             | -                              | (235)                                | 27 756                | (26 855)                                     | (1 718)            | -                           | (163 408)           |
|  | <b>(607 884)</b>   | <b>(2 865 286)</b>  | <b>(445 553)</b> | <b>(841 218)</b>   | <b>(57 170)</b>                | <b>(121 528)</b>                     | <b>(27 149)</b>       | <b>(265 822)</b>                             | <b>(6 309 444)</b> | <b>449 175</b>              | <b>(11 091 879)</b> |
| <b>Profit (loss) before income tax expense</b>                                   | <b>1 440 164</b>   | <b>2 482 423</b>    | <b>2 055 175</b> | <b>(1 243 478)</b> | <b>454 069</b>                 | <b>(2 943)</b>                       | <b>798 834</b>        | <b>(1 535 909)</b>                           | <b>(5 786 658)</b> | -                           | <b>(1 338 323)</b>  |
| Income tax expense   | -                  | -                   | -                | -                  | -                              | -                                    | -                     | (105 606)                                    | -                  | -                           | (105 606)           |
| <b>Profit (loss) for the period</b>  | <b>1 440 164</b>   | <b>2 482 423</b>    | <b>2 055 175</b> | <b>(1 243 478)</b> | <b>454 069</b>                 | <b>(2 943)</b>                       | <b>798 834</b>        | <b>(1 641 515)</b>                           | <b>(5 786 658)</b> | -                           | <b>(1 443 929)</b>  |
| <b>External revenue</b>  | <b>4 992 243</b>   | <b>13 831 276</b>   | <b>2 014 553</b> | <b>1 353 969</b>   | <b>501 106</b>                 | <b>12 960</b>                        | <b>73 224</b>         | <b>788 965</b>                               | -                  | -                           | <b>23 568 296</b>   |

*(Thousands of Russian Rubles)*

Segment information for the main reportable segments for the six-month period ended June 30, 2013 is set out below (unaudited):

|  | Corporate<br>banking | Retail<br>banking  | Small<br>business | Leasing            | Financial<br>services and<br>markets | Private<br>banking and<br>asset<br>management | Treasury<br>and ALM<br>unit | Corporate<br>investments<br>and other<br>transactions | Corporate<br>center | Intersegmental<br>transactions | Total               |
|--|----------------------|--------------------|-------------------|--------------------|--------------------------------------|---|-----------------------------|---|---------------------|--------------------------------|---------------------|
| <b>Interest income</b>   |                      |                    |                   |                    |                                      |   |                             |   |                     |                                |                     |
| Loans to customers   | 5 894 357            | 7 984 856          | 945 740           | 13 066             | 66 758                               | 6 652   | 4 897                       | 306 864   | -                   | (5 723)                        | 15 217 467          |
| Net investments in finance leases  | -                    | -                  | -                 | 1 268 206          | -                                    | -   | -                           | -   | -                   | -                              | 1 268 206           |
| Securities   | -                    | -                  | -                 | -                  | 884 000                              | -   | 279 063                     | -   | -                   | (352 907)                      | 810 156             |
| Amounts due from credit institutions   | -                    | 14 955             | -                 | 81 685             | 29 544                               | -   | 321 872                     | 81 798  | -                   | (71 162)                       | 458 692             |
| Transfer income  | 3 711 540            | 5 630 415          | 1 437 474         | -                  | -                                    | 680 802                                       | 15 408 700                  | 2 091 777   | -                   | (28 960 708)                   | -                   |
|  | <b>9 605 897</b>     | <b>13 630 226</b>  | <b>2 383 214</b>  | <b>1 362 957</b>   | <b>980 302</b>                       | <b>687 454</b>                                | <b>16 014 532</b>           | <b>2 480 439</b>                                      | -                   | <b>(29 390 500)</b>            | <b>17 754 521</b>   |
| <b>Interest expense</b>  |                      |                    |                   |                    |                                      |   |                             |   |                     |                                |                     |
| Amounts due to customers   | (2 473 576)          | (3 761 260)        | (127 756)         | (108 284)          | (1 442)                              | (559 944)                                     | (94 693)                    | (253 371)   | -                   | 69 848                         | (7 310 478)         |
| Amounts due to credit institutions   | -                    | (151 317)          | -                 | (593 255)          | -                                    | -   | (3 639)                     | (1 006 486)   | -                   | 8 549                          | (1 746 148)         |
| Promissory notes issued  | (2 166)              | (6 592)            | -                 | (326 170)          | (54 264)                             | (8 983)                                       | (653 772)                   | (273 171)   | -                   | 7 037                          | (1 318 081)         |
| Other borrowed funds   | (34 274)             | (3 666)            | (2 157)           | (83 019)           | -                                    | -   | (226 245)                   | -   | -                   | -                              | (349 361)           |
| Transfer expense   | (5 620 065)          | (5 484 895)        | (678 324)         | -                  | (399 312)                            | (7 432)                                       | (14 912 056)                | (1 388 746)   | (469 878)           | 28 960 708                     | -                   |
|  | <b>(8 130 081)</b>   | <b>(9 407 730)</b> | <b>(808 237)</b>  | <b>(1 110 728)</b> | <b>(455 018)</b>                     | <b>(576 359)</b>                              | <b>(15 890 405)</b>         | <b>(2 921 774)</b>                                    | <b>(469 878)</b>    | <b>29 046 142</b>              | <b>(10 724 068)</b> |
| <b>Net interest income (expense)</b>   | <b>1 475 816</b>     | <b>4 222 496</b>   | <b>1 574 977</b>  | <b>252 229</b>     | <b>525 284</b>                       | <b>111 095</b>                                | <b>124 127</b>              | <b>(441 335)</b>                                      | <b>(469 878)</b>    | <b>(344 358)</b>               | <b>7 030 453</b>    |
| Charge for of impairment of interest earning assets                                  | (1 510 303)          | (779 843)          | (75 356)          | (138 699)          | (9 384)                              | (9 469)                                       | (1 663)                     | (201 405)   | -                   | -                              | (2 726 122)         |
| <b>Net interest (expense) income after<br/>impairment of interest earning assets</b> | <b>(34 487)</b>      | <b>3 442 653</b>   | <b>1 499 621</b>  | <b>113 530</b>     | <b>515 900</b>                       | <b>101 626</b>                                | <b>122 464</b>              | <b>(642 740)</b>                                      | <b>(469 878)</b>    | <b>(344 358)</b>               | <b>4 304 331</b>    |
| Fee and commission income  | 653 661              | 3 078 516          | 1 052 191         | 54 965             | 443                                  | 4 304   | 29 883                      | 26 479  | -                   | (1 990)                        | 4 898 452           |
| Fee and commission expense   | (59 496)             | (1 629 770)        | (14 634)          | (48 955)           | (145)                                | (100)   | (44 983)                    | (264 417)   | -                   | -                              | (2 062 500)         |
| Intersegment fee income  | 255 861              | 265 788            | -                 | -                  | -                                    | 7 570   | 5 032                       | 51 279  | -                   | (585 530)                      | -                   |
| Intersegment fee expense   | (129 023)            | (264 578)          | (43 056)          | -                  | -                                    | (383)   | (126 384)                   | (22 106)  | -                   | 585 530                        | -                   |
| <b>Net fee and commission income (expense)</b>                                       | <b>721 003</b>       | <b>1 449 956</b>   | <b>994 501</b>    | <b>6 010</b>       | <b>298</b>                           | <b>11 391</b>                                 | <b>(136 452)</b>            | <b>(208 765)</b>                                      | -                   | <b>(1 990)</b>                 | <b>2 835 952</b>    |
| Net gains from trading securities  | -                    | -                  | -                 | -                  | -                                    | -   | 27 119                      | -   | -                   | -                              | 27 119              |
| Net (losses) gains on available-from-sale securities                                 | -                    | -                  | -                 | -                  | (9 072)                              | -   | -                           | 86 160  | -                   | (366)                          | 76 722              |
| Net gains (losses) from foreign currency   | 221 923              | 111 221            | 47 031            | (250 712)          | -                                    | -   | 742 604                     | -   | -                   | -                              | 872 067             |
| Net losses gains from transactions with precious metals                              | (131 143)            | -                  | -                 | -                  | -                                    | -   | -                           | -   | -                   | -                              | (131 143)           |
| Net (losses) gains from revaluation and disposal of investment property              | -                    | -                  | -                 | (41 752)           | -                                    | -   | -                           | 118 120   | -                   | -                              | 76 368              |
| Net (losses) gains from impairment and disposal of inventory                         | (4 935)              | 843                | (8 104)           | (238 740)          | -                                    | -   | -                           | (50 569)  | 2 335               | -                              | (299 170)           |
| Other income (expense)   | 157 470              | 243 529            | 45 924            | 733 834            | 2 610                                | 1 757   | 145                         | 10 753  | 721 917             | (267 848)                      | 1 650 091           |
|  | <b>243 315</b>       | <b>355 593</b>     | <b>84 851</b>     | <b>202 630</b>     | <b>(6 462)</b>                       | <b>1 757</b>                                  | <b>769 868</b>              | <b>164 464</b>  | <b>724 252</b>      | <b>(268 214)</b>               | <b>2 272 054</b>    |
| Personnel expenses   | (612 735)            | (1 363 243)        | (377 193)         | (322 187)          | (24 876)                             | (81 934)                                      | (69 758)                    | (52 997)  | (3 528 850)         | -                              | (6 433 773)         |
| Administrative and operating expenses  | (91 367)             | (1 129 253)        | (165 387)         | (275 734)          | (8 582)                              | (52 661)                                      | (30 893)                    | (150 041)   | (3 072 329)         | 614 562                        | (4 361 685)         |
| Depreciation and amortisation  | (25 315)             | (91 287)           | (24 394)          | (3 950)            | (856)                                | (3 675)                                       | (2 613)                     | (6 441)   | (407 524)           | -                              | (566 055)           |
| (Charge for) recovery of impairment of other assets                                  | (388 837)            | (12 045)           | (1 841)           | 155 986            | -                                    | (655)   | 218 302                     | 36 501  | 878                 | -                              | 8 289               |
|  | <b>(1 118 254)</b>   | <b>(2 595 828)</b> | <b>(568 815)</b>  | <b>(445 885)</b>   | <b>(34 314)</b>                      | <b>(138 925)</b>                              | <b>115 038</b>              | <b>(172 978)</b>                                      | <b>(7 007 825)</b>  | <b>614 562</b>                 | <b>(11 353 224)</b> |
| <b>(Loss) profit before income tax expense</b>                                       | <b>(188 423)</b>     | <b>2 652 374</b>   | <b>2 010 158</b>  | <b>(123 715)</b>   | <b>475 422</b>                       | <b>(24 151)</b>                               | <b>870 918</b>              | <b>(860 019)</b>                                      | <b>(6 753 451)</b>  | -                              | <b>(1 940 887)</b>  |
| Income tax benefit   | -                    | -                  | -                 | -                  | -                                    | -   | -                           | 260 161   | -                   | -                              | 260 161             |
| <b>(Loss) profit for the period</b>  | <b>(188 423)</b>     | <b>2 652 374</b>   | <b>2 010 158</b>  | <b>(123 715)</b>   | <b>475 422</b>                       | <b>(24 151)</b>                               | <b>870 918</b>              | <b>(599 858)</b>                                      | <b>(6 753 451)</b>  | -                              | <b>(1 680 726)</b>  |
| <b>External revenue</b>  | <b>6 548 018</b>     | <b>11 078 327</b>  | <b>1 997 931</b>  | <b>1 417 922</b>   | <b>971 673</b>                       | <b>10 956</b>                                 | <b>662 834</b>              | <b>501 301</b>  | -                   | -                              | <b>23 188 962</b>   |

## 5. Cash and cash equivalents

Cash and cash equivalents comprise:

|   | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|---|--|------------------------------------|
| <b>Cash on hand</b>   | 19 837 708                                 | 21 508 523                         |
| <b>Current accounts with the CBR</b>  | 7 465 940                                  | 12 150 918                         |
| <b>Time deposits with credit institutions up to 90 days</b>                                   |  |                                    |
| -Other Russian banks  | 3 289 604                                  | 3 128 305                          |
| -Other foreign banks  | 1 309 893                                  | 178 892                            |
| -OECD banks   | 156 527                                    | 1 282 862                          |
| -Largest 30 Russian banks   | 4 117                                      | 801                                |
| <b>Current accounts with credit institutions</b>  |  |                                    |
| -OECD banks   | 1 693 638                                  | 14 547 167                         |
| -Other Russian banks  | 1 690 228                                  | 1 717 930                          |
| -Largest 30 Russian banks   | 615 347                                    | 676 885                            |
| -Other foreign banks  | 37 890                                     | 12 561                             |
| <b>Reverse repurchase agreements with credit and other finance institutions up to 90 days</b> |  |                                    |
| -Other Russian banks  | 1 059 415                                  | 638 154                            |
| -Largest 30 Russian banks   | 150 000                                    | -                                  |
| -Other Russian finance institutions   | 56 330                                     | -                                  |
| <b>Accounts with stock exchanges</b>  | 1 075 439                                  | 237 387                            |
| <b>Cash and cash equivalents</b>  | <b>38 442 076</b>                          | <b>56 080 385</b>                  |

Corporate and municipal bonds and corporate shares totalling RUB 1 421 553 (2013: RUB 701 694) were pledged under reverse repurchase agreements.

No cash and cash equivalents are past due or impaired.

## 6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

|  | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|--|--|------------------------------------|
| <b>Time deposits with original maturity of more than 90 days or past due</b> |  |                                    |
| -Other Russian banks   | 585 408                                    | 953 018                            |
| -Largest 30 Russian banks  | 361 198                                    | 336 083                            |
| -Other foreign banks   | 220 457                                    | 239 178                            |
|  | <b>1 167 063</b>                           | <b>1 528 279</b>                   |
| Less allowance for impairment  | (54 764)                                   | (55 857)                           |
| <b>Amounts due from credit institutions</b>                                  | <b>1 112 299</b>                           | <b>1 472 422</b>                   |

As of June 30, 2014 the gross amount of past due amounts due from credit institutions is RUB 54 764 (2013 – RUB 55 857).

The movements in allowance for impairment of amounts due from credit institutions are as follows:

|                                  | <i>For the six-month period</i><br><i>ended June 30,</i> |                    |
|----------------------------------|--|--------------------|
|                                  | <i>2014</i>  | <i>2013</i>        |
|                                  | <i>(Unaudited)</i>                                       | <i>(Unaudited)</i> |
| <b>As of January 1</b>           | 55 857   | 58 418             |
| (Recovery) charge (Unaudited)    | (1 093)  | 2 103              |
| <b>As of June 30 (Unaudited)</b> | <b>54 764</b>  | <b>60 521</b>      |

## 7. Available-for-sale securities

Available-for-sale securities comprise:

|   | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|---|--|------------------------------------|
| Corporate shares  | 20 260 540                                 | 20 174 478                         |
| Corporate Ruble bonds   | 8 070 868                                  | 7 259 119                          |
| <i>Rated from BBB- to BBB+</i>  | 4 515 971                                  | 5 097 133                          |
| <i>Rated from BB- to BB+</i>  | 214 844                                    | 96 951                             |
| <i>Rated below B+</i>   | 1 501 959                                  | 226 550                            |
| <i>Not rated</i>  | 1 838 094                                  | 1 838 485                          |
| Russian Government bonds  | 4 458 022                                  | 4 653 346                          |
| Corporate Eurobonds   | 3 896 023                                  | 5 230 746                          |
| <i>Rated from BBB- to BBB+</i>  | 2 890 242                                  | 4 212 589                          |
| <i>Rated from BB- to BB+</i>  | 2 822                                      | 9 075                              |
| <i>Rated below B+</i>   | 1 002 959                                  | 1 009 082                          |
| Units in closed unit investment funds   | 487 896                                    | 560 942                            |
| Government bonds of foreign countries   | -  | 481 039                            |
| <i>Rated from AAA- to AAA+</i>  | -  | 481 039                            |
| Share participation in limited liability companies and other equity investments | 124 519                                    | 124 519                            |
| Municipal and government bonds  | 72 589                                     | 74 947                             |
|   | <b>37 370 457</b>                          | <b>38 559 136</b>                  |
| Less allowance for impairment   | (783 875)                                  | (783 875)                          |
| <b>Available-for-sale securities</b>  | <b>36 586 582</b>                          | <b>37 775 261</b>                  |

Rating are based on the ratings from Standard and Poor`s if they exist, otherwise, Fitch or Moody's equivalents are used.

The 92.7% investment in OJSC “Holding Insurance Group Uralsib” (“IG”) is accounted at cost of RUB 19 468 556 (2013 – 19 468 556) and is included in corporate shares above. The purpose of holding this investment is to facilitate a subsequent sale to a third party, which is expected to occur in one single transaction. The Bank entered into a series of agreements with a related party that effectively gives the related party the power to direct the relevant activities of IG, including the power to appoint and remove the majority of the Board of Directors. Accordingly, the Bank continues to account for this investment as “Available-for-sale securities”.

As the result of the impairment testing of investment in IG as of June 30, 2014 no impairment losses are recognised.

The gross amount of impaired available-for-sale securities as of June 30, 2014 is RUB 908 210, for which a RUB 783 875 impairment allowance is created (2013 - RUB 908 210 and RUB 783 875, respectively).

The movements in allowance for impairment of available-for-sale securities are as follows:

|                                  | <i>For the six-month period</i><br><i>ended June 30,</i> |                    |
|----------------------------------|--|--------------------|
|                                  | <i>2014</i>  | <i>2013</i>        |
|                                  | <i>(Unaudited)</i>                                       | <i>(Unaudited)</i> |
| <b>As of January 1</b>           | <b>783 875</b>   | <b>1 231 363</b>   |
| Recovery (Unaudited)             | -  | (1 197)            |
| Amounts written off (Unaudited)  | -  | (533 047)          |
| <b>As of June 30 (Unaudited)</b> | <b>783 875</b>   | <b>697 119</b>     |

For the six-month period ended June 30, 2013 the charge for impairment includes impairment on equity investments of RUB 3 001 and recovery of impairment on interest earning assets of RUB 4 198, respectively.

### Transferred financial assets that are not derecognized in their entirety

The Bank has transactions to sell securities under agreements to repurchase.

The securities lent or sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Bank, but the counterparty has an obligation to return the securities at the maturity of the contract. The Bank has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Bank recognises a financial liability for cash received as collateral included in amounts due to credit

institutions (note 11). These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

Transferred available-for-sale securities that are not derecognised in their entirety comprise:

|   | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|---|--|------------------------------------|
| Carrying amount of available-for-sale securities              | 8 596 260                                  | 9 810 132                          |
| <i>Corporate Ruble bonds</i>                                  | 5 204 385                                  | 3 901 858                          |
| <i>Russian Government bonds</i>                               | 1 855 017                                  | 4 149 760                          |
| <i>Corporate Eurobonds</i>                                    | 1 464 269                                  | 1 758 514                          |
| <i>Municipal bonds</i>  | 72 589                                     | -                                  |
| Carrying amount of associated financial liabilities (note 11) | 7 908 225                                  | 9 312 495                          |

## 8. Derivative financial instruments

The Bank enters into derivative financial instruments for trading purposes. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

The outstanding deals with derivative financial instruments are as follows:

|  | <i>June 30, 2014 (Unaudited)</i> |                    |                  | <i>December 31, 2013</i>   |                    |                  |
|--|----------------------------------|--------------------|------------------|----------------------------|--------------------|------------------|
|  | <i>Notional<br/>amount</i>       | <i>Fair values</i> |                  | <i>Notional<br/>amount</i> | <i>Fair values</i> |                  |
|  |                                  | <i>Asset</i>       | <i>Liability</i> |                            | <i>Asset</i>       | <i>Liability</i> |
| <b>Precious metals contracts</b>             |                                  |                    |                  |                            |                    |                  |
| Forwards and Swaps – foreign counterparties  | 2 160 944                        | 35 320             | 4 307            | 2 099 521                  | 3 514              | 41 031           |
| <b>Foreign exchange contracts</b>            |                                  |                    |                  |                            |                    |                  |
| Forwards and Swaps – domestic counterparties | 25 354 225                       | 164 015            | 6 385            | 2 303 336                  | 18 823             | -                |
| Forwards and Swaps – foreign counterparties  | 10 365 894                       | 65 749             | 42 300           | -                          | -                  | -                |
| <b>Equity contracts</b>                      |                                  |                    |                  |                            |                    |                  |
| Forwards – foreign counterparties            | 45 206                           | 22                 | 30               | -                          | -                  | -                |
| Forwards – domestic counterparties           | 555 918                          | 500                | -                | 1 477 065                  | 22 838             | -                |
| <b>Total derivative assets/liabilities</b>   | <b>38 482 187</b>                | <b>265 606</b>     | <b>53 022</b>    | <b>5 879 922</b>           | <b>45 175</b>      | <b>41 031</b>    |

## 9. Loans to customers

Loans to customers comprise:

|                                    | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|------------------------------------|--|------------------------------------|
| Loans to individuals, gross        | 133 097 590                                | 131 107 534                        |
| Less allowance for loan impairment | (7 989 933)                                | (6 570 812)                        |
| Loans to individuals, net          | <b>125 107 657</b>                         | <b>124 536 722</b>                 |
| Loans to corporate entities, gross | 100 023 613                                | 106 896 695                        |
| Less allowance for loan impairment | (16 707 042)                               | (16 894 954)                       |
| Loans to corporate entities, net   | <b>83 316 571</b>                          | <b>90 001 741</b>                  |
| Loans to small entities, gross     | 12 643 686                                 | 12 765 086                         |
| Less allowance for loan impairment | (1 122 688)                                | (1 085 933)                        |
| Loans to small entities, net       | <b>11 520 998</b>                          | <b>11 679 153</b>                  |
| <b>Total loans to customers</b>    | <b>219 945 226</b>                         | <b>226 217 616</b>                 |

Loans to customers by class are presented below:

|                                    | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|------------------------------------|--|------------------------------------|
| Loans to individuals:              |  |                                    |
| Consumer lending                   | 48 396 286                                 | 44 779 966                         |
| Residential mortgages              | 43 953 160                                 | 45 101 797                         |
| Auto loans                         | 27 425 302                                 | 28 876 690                         |
| Credit cards                       | 11 630 771                                 | 10 586 404                         |
| Other loans to individuals         | 1 692 071                                  | 1 762 677                          |
| Loans to corporate entities        | 100 023 613                                | 106 896 695                        |
| Loans to small entities            | 12 643 686                                 | 12 765 086                         |
| <b>Gross loans to customers</b>    | <b>245 764 889</b>                         | <b>250 769 315</b>                 |
| Less allowance for loan impairment | (25 819 663)                               | (24 551 699)                       |
| <b>Loans to customers</b>          | <b>219 945 226</b>                         | <b>226 217 616</b>                 |

A reconciliation of the allowance for impairment of loans to customers by classes is as follows:

|  | <i>Residential</i><br><i>mortgages</i> | <i>Consumer</i><br><i>lending</i> | <i>Auto</i><br><i>loans</i> | <i>Credit cards</i> | <i>Other loans</i><br><i>to</i><br><i>individuals</i> | <i>Corporate</i><br><i>lending</i> | <i>Loans to</i><br><i>small</i><br><i>entities</i> | <i>Total</i>      |
|--|--|-----------------------------------|-----------------------------|---------------------|---|------------------------------------|--|-------------------|
| <b>As of January 1, 2014</b>                     | <b>1 841 440</b>                       | <b>2 665 783</b>                  | <b>746 684</b>              | <b>866 062</b>      | <b>450 843</b>  | <b>16 894 954</b>                  | <b>1 085 933</b>                                   | <b>24 551 699</b> |
| (Recovery) charge<br>(Unaudited)                 | (90 947)                               | 957 120                           | 231 370                     | 337 112             | (6 755)   | 483 959                            | 66 026   | <b>1 977 885</b>  |
| Amounts written off<br>(Unaudited)               | (8 653)                                | (126)                             | -                           | -                   | -   | (671 871)                          | (29 271)   | <b>(709 921)</b>  |
| <b>As of June 30, 2014</b><br><b>(Unaudited)</b> | <b>1 741 840</b>                       | <b>3 622 777</b>                  | <b>978 054</b>              | <b>1 203 174</b>    | <b>444 088</b>  | <b>16 707 042</b>                  | <b>1 122 688</b>                                   | <b>25 819 663</b> |
| <b>As of January 1, 2013</b>                     | <b>2 164 730</b>                       | <b>2 305 739</b>                  | <b>586 293</b>              | <b>326 549</b>      | <b>518 049</b>  | <b>17 111 487</b>                  | <b>1 513 178</b>                                   | <b>24 526 025</b> |
| Charge (recovery)<br>(Unaudited)                 | 41 367                                 | 317 606                           | 126 632                     | 239 192             | 68 925  | 1 773 128                          | (114 895)  | <b>2 451 955</b>  |
| Amounts written off<br>(Unaudited)               | -                                      | -                                 | -                           | -                   | -   | (513 411)                          | (382 157)  | <b>(895 568)</b>  |
| <b>As of June 30, 2013</b><br><b>(Unaudited)</b> | <b>2 206 097</b>                       | <b>2 623 345</b>                  | <b>712 925</b>              | <b>565 741</b>      | <b>586 974</b>  | <b>18 371 204</b>                  | <b>1 016 126</b>                                   | <b>26 082 412</b> |

#### Concentration of loans to customers

As of June 30, 2014, the Bank has a concentration of loans totalling RUB 22 856 248 due from the ten largest third party borrowers (9% of gross loan portfolio) (2013 – RUB 21 449 756 or 9%). An allowance for impairment of RUB 6 515 445 (2013 – RUB 6 524 544) is recognised against these loans.

#### Reverse repurchase agreements

There are no outstanding balances of loans granted under reverse repurchase agreements as of June 30, 2014 (2013 – RUB 1 075 584 which were fully placed with related counterparties and collateralised by corporate shares with the fair value of RUB 1 311 674).

#### Changes in accounting estimates

During 2014 the Bank adjusted its internal model on estimation of loan impairment for loans to individuals in terms of loss given default (LGD) by expanding analyzed time period for assessment of consideration received on defaulted loans from two to four years. Application of the unadjusted approach for estimation of loan impairment to loans to individuals as of June 30, 2014 would have increased allowance for loan impairment by RUB 1 222 190.

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

|  | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|--|--|------------------------------------|
| Individuals  | 133 097 590                                | 131 107 534                        |
| Trading enterprises                                | 49 288 361                                 | 54 165 101                         |
| Construction and transactions with real estate     | 19 441 332                                 | 17 951 993                         |
| Manufacturing                                      | 7 325 185                                  | 8 310 336                          |
| Food processing                                    | 6 744 386                                  | 7 655 681                          |
| Gold mining  | 6 085 003                                  | 5 682 406                          |
| Metallurgy   | 5 908 614                                  | 5 245 705                          |
| Financial services, other than credit institutions | 4 547 445                                  | 5 293 754                          |
| Transport  | 3 061 096                                  | 3 650 790                          |
| Forest industry                                    | 1 732 044                                  | 1 779 623                          |
| Services   | 1 702 459                                  | 1 690 713                          |
| Machine-building                                   | 759 161                                    | 1 315 698                          |
| Oil and gas  | 694 377                                    | 1 546 537                          |
| Agriculture  | 629 626                                    | 958 124                            |
| Light industry                                     | 464 121                                    | 382 403                            |
| Chemical   | 400 307                                    | 404 495                            |
| Energy   | 113 690                                    | 79 543                             |
| Telecommunication                                  | 38 850                                     | 85 461                             |
| Other  | 3 731 242                                  | 3 463 418                          |
| <b>Total loans to customers, gross</b>             | <b>245 764 889</b>                         | <b>250 769 315</b>                 |

#### Reclassification of comparative information

During 2014 the Bank reconsidered the classification of loans issued under "express-lending" programme from other loans to individuals to consumer lending. Comparative information has been reclassified to conform to changes in presentation in the current period. The effect of these changes in presentation as of December 31, 2013 is as follows:

|   | <b>As previously<br/>reported</b> | <b>Reclassification</b> | <b>Reclassified</b> |
|---|-----------------------------------|-------------------------|---------------------|
| <b>Loans to individuals, gross</b>                      |                                   |                         |                     |
| Consumer lending  | 42 666 486                        | 2 113 480               | 44 779 966          |
| Other loans to individuals                              | 3 876 157                         | (2 113 480)             | 1 762 677           |
| <b>Allowance for impairment of loans to individuals</b> |                                   |                         |                     |
| Consumer lending  | (1 994 809)                       | (670 974)               | (2 665 783)         |
| Other loans to individuals                              | (1 121 817)                       | 670 974                 | (450 843)           |

#### 10. Net investments in finance leases

Net investments in finance leases comprise:

|  | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|--|--|------------------------------------|
| Gross investments in finance leases      | 11 159 967                                 | 22 591 210                         |
| Less unearned finance lease income       | (2 143 031)                                | (5 333 920)                        |
|  | <b>9 016 936</b>                           | <b>17 257 290</b>                  |
| Less allowance for impairment            | (728 772)                                  | (802 967)                          |
| <b>Net investments in finance leases</b> | <b>8 288 164</b>                           | <b>16 454 323</b>                  |

Net investments in finance leases generally comprise lease contracts on various types of equipment and vehicles.

Future minimum lease payments to be received following June 30, 2014 and December 31, 2013 are disclosed below:

|  | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|--|--|------------------------------------|
| Within 1 year                            | 6 606 778                                  | 8 292 490                          |
| From 1 to 5 years                        | 4 553 188                                  | 14 298 717                         |
| More than 5 years                        | 1  | 3                                  |
| <b>Minimum lease payments receivable</b> | <b>11 159 967</b>                          | <b>22 591 210</b>                  |

The movements in allowance for impairment of investments in finance leases are as follows:

|                                 | <i>For the six-month period</i><br><i>ended June 30,</i> |                    |
|---------------------------------|--|--------------------|
|                                 | <i>2014</i>  | <i>2013</i>        |
|                                 | <i>(Unaudited)</i>                                       | <i>(Unaudited)</i> |
| <b>January 1</b>                | <b>802 967</b>   | <b>653 530</b>     |
| Charge (Unaudited)              | 190 790  | 135 599            |
| Amounts written off (Unaudited) | (264 985)  | (20 087)           |
| <b>June 30 (Unaudited)</b>      | <b>728 772</b>   | <b>769 042</b>     |

In May 2014 the Bank transferred railroad wagons to operating lease which were previously held by the Bank under terminated finance lease contract. Correspondingly the Bank reclassified these assets from net investments in finance leases to property and equipment. At the date of reclassification the Bank performed impairment review which resulted in net losses from impairment of property and equipment of RUB 492 495.

#### 11. Amounts due to credit institutions

The amounts due to credit institutions comprise:

|   | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|---|--|------------------------------------|
| Time and demand deposits and loans        | 18 441 480                                 | 17 656 321                         |
| Subordinated loan                         | 8 406 454                                  | 8 215 538                          |
| Repurchase agreements with the CBR        | 7 908 225                                  | 9 312 495                          |
| Time deposits and loans from the CBR      | 5 759 967                                  | 5 008 055                          |
| Current accounts                          | 5 497 137                                  | 8 997 310                          |
| Syndicated loan                           | 29 033                                     | 138 409                            |
| <b>Amounts due to credit institutions</b> | <b>46 042 296</b>                          | <b>49 328 128</b>                  |

During 2007, the Bank received a subordinated loan of USD 250 million from an OECD bank. The contractual maturity of the subordinated loan is 2017, and the interest rate is LIBOR plus 4,95 per cent during the first 5-year period and LIBOR plus 6,45 per cent after the first five year period.

#### 12. Amounts due to customers

Amounts due to customers include the following:

|                                       | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|---------------------------------------|--|------------------------------------|
| <b>Time deposits</b>                  | <b>154 300 931</b>                         | <b>158 913 490</b>                 |
| Time deposits of corporate clients    | 38 379 765                                 | 43 640 759                         |
| Time deposits of individuals          | 115 921 166                                | 115 272 731                        |
| <b>Current accounts</b>               | <b>95 114 479</b>                          | <b>104 418 809</b>                 |
| Current accounts of corporate clients | 61 385 653                                 | 66 253 704                         |
| Current accounts of individuals       | 33 728 826                                 | 38 165 105                         |
| <b>Amounts due to customers</b>       | <b>249 415 410</b>                         | <b>263 332 299</b>                 |

As of June 30, 2014, amounts due to customers of RUB 14 924 544 or 6% of gross amount due to customers were due to the ten largest third party customers (2013 - RUB 12 189 497 or 5%).

In accordance with the Russian Civil Code, the Bank is obliged to repay time deposits of individuals upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

### 13. Other borrowed funds

Other borrowed funds comprise:

|                                   | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|-----------------------------------|--|------------------------------------|
| Bonds (LG)                        | 9 855 992                                  | 12 532 568                         |
| Bonds (OJSC "URALSIB")            | 2 289 812                                  | 8 367 745                          |
| Subordinated deposit              | 5 940 761                                  | 5 880 181                          |
| Mortgage backed securities (MA-1) | 2 266 806                                  | 2 812 560                          |
| <b>Other borrowed funds</b>       | <b>20 353 371</b>                          | <b>29 593 054</b>                  |

Bonds issued comprise the following non-convertible documentary bonds:

| <i>Issue date</i> | <i>Maturity date</i> | <i>Offer date</i> | <i>Issuer</i>  | <i>Interest payments</i> | <i>Interest rate</i> | <i>Amount of issue</i>                     |                          | <i>Carrying value</i>                      |                          |
|-------------------|----------------------|-------------------|----------------|--------------------------|----------------------|--|--------------------------|--|--------------------------|
|                   |                      |                   |                |                          |                      | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31, 2013</i> | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31, 2013</i> |
| March 2011        | February 2014        | -                 | LG             | quarterly                | 9,50%                | -  | 167 400                  | -  | 168 510                  |
| July 2011         | July 2014            | -                 | LG             | quarterly                | 8,50%                | 251 100                                    | 750 900                  | 216 163                                    | 760 105                  |
| January 2012      | January 2015         | -                 | LG             | quarterly                | 11,50%               | 2 000 000                                  | 2 000 000                | 89 657                                     | 91 695                   |
| February 2012     | February 2015        | -                 | LG             | quarterly                | 11,50%               | 750 900                                    | 1 250 700                | 762 552                                    | 1 265 622                |
| February 2012     | February 2015        | -                 | LG             | quarterly                | 11,50%               | 750 900                                    | 1 250 700                | 760 206                                    | 1 264 449                |
| February 2012     | February 2015        | -                 | LG             | quarterly                | 11,50%               | 1 500 000                                  | 1 500 000                | 98 394                                     | 89 413                   |
| March 2012        | March 2017           | September 2014    | OJSC "URALSIB" | semi-annually            | 8,75%                | 1 645 296                                  | 1 145 296                | 1 652 475                                  | 1 147 037                |
| April 2012        | April 2015           | -                 | LG             | quarterly                | 11,00%               | 667 200                                    | 1 000 400                | 679 238                                    | 1 018 390                |
| July 2012         | October 2018         | -                 | MA-1           | quarterly                | 8,75%                | 2 226 325                                  | 2 761 675                | 2 266 806                                  | 2 812 560                |
| August 2012       | August 2017          | March 2015        | OJSC "URALSIB" | semi-annually            | 9,70%                | 612 889                                    | 7 000 000                | 637 337                                    | 7 220 708                |
| December 2012     | December 2015        | -                 | LG             | quarterly                | 10,50%               | 2 000 000                                  | 2 000 000                | 98 056                                     | 102 530                  |
| December 2012     | December 2015        | -                 | LG             | quarterly                | 10,50%               | 1 500 000                                  | 1 500 000                | 185 738                                    | 192 069                  |
| March 2013        | March 2019           | March 2016        | LG             | quarterly                | 10,25%               | 3 000 000                                  | 3 000 000                | 3 001 861                                  | 3 002 719                |
| April 2013        | April 2016           | -                 | LG             | quarterly                | 11,00%               | 1 333 600                                  | 1 666 800                | 1 272 539                                  | 1 547 138                |
| November 2013     | November 2016        | -                 | LG             | quarterly                | 11,50%               | 1 666 800                                  | 2 000 000                | 1 688 168                                  | 2 026 263                |
| December 2013     | December 2016        | -                 | LG             | quarterly                | 9,00%                | 1 000 000                                  | 1 000 000                | 1 003 420                                  | 1 003 665                |
|                   |                      |                   |                |                          |                      | <b>14 412 610</b>                          | <b>23 712 873</b>        |  |                          |

Bond issues of LG were partially purchased by the Bank and are eliminated in consolidation.

In March 2014 OJSC "URALSIB" partially repaid non-convertible documentary bonds issued in August 2012 under the terms of a tender offer with a nominal value of RUB 6 387 111.

In July 2012 MA-1 issued two tranches of mortgage backed securities with a nominal value of RUB 5 375 000. Tranche A securities with a nominal amount of RUB 4 300 000 have a coupon rate of 8,75% and mature in 2045. Tranche B securities with a nominal amount of RUB 1 075 000 have a floating coupon rate and mature in 2045. Tranche B securities were purchased by OJSC "URALSIB" and thus are not recognised in these consolidated financial statements. The ultimate maturity of mortgage backed securities may be different from the contractual due to earlier repayment of the underlying mortgage loans.

In November 2008 the Bank received a subordinated deposit of RUB 6 000 000 from OJSC "Regional fund". The contractual maturity of the subordinated deposit is 2019, and the effective interest rate is 16,63%. In case of bankruptcy, the repayment of the subordinate deposit will be made after repayment in full of all other liabilities of the Bank.

#### 14. Equity

The movements in share capital for the six-month period ended June 30, 2014 are as follows:

|                          | <i>Number of<br/>ordinary shares</i> | <i>Nominal<br/>amount</i> | <i>Inflation<br/>Adjustment</i> | <i>Total</i>      |
|--------------------------|--------------------------------------|---------------------------|---------------------------------|-------------------|
| <b>December 31, 2013</b> | <b>292 575 808 568</b>               | <b>29 257 581</b>         | <b>12 188 281</b>               | <b>41 445 862</b> |
| Issue of ordinary shares | 5 663 916 168                        | 566 391                   | -                               | <b>566 391</b>    |
| <b>June 30, 2014</b>     | <b>298 239 724 736</b>               | <b>29 823 972</b>         | <b>12 188 281</b>               | <b>42 012 253</b> |

During 2014 the Bank issued and duly registered 5 663 916 168 new ordinary shares with the nominal value of RUB 566 391 in return for office buildings located in Moscow with a fair value of RUB 1 436 111 at the date of contribution. The difference of RUB 869 720 between nominal value of issued share capital and fair value of assets received from the shareholder was recognized as additional paid-in capital. Deferred tax liability of RUB 257 142 in respect of these office buildings accrued at the date of capital contribution is recognised in accumulated losses.

In accordance with Russian legislation, dividends may only be declared to the shareholders of the Parent from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with Russian Accounting Legislation.

The share capital of the Parent was contributed by the shareholders in Russian Rubles and they are entitled to dividends and any capital distribution in Russian Rubles.

#### 15. Net fee and commission income

Net fee and commission income comprises:

|   | <i>For the six-month period<br/>ended June 30,</i> |                             |
|---|--|-----------------------------|
|   | <i>2014<br/>(Unaudited)</i>                        | <i>2013<br/>(Unaudited)</i> |
| <b>Fee and commission income</b>        |  |                             |
| Settlement transactions                 | 3 861 228  | 3 240 819                   |
| Cash transactions                       | 1 111 797  | 1 197 564                   |
| Guarantees and letters of credit        | 171 653  | 214 091                     |
| Foreign exchange transactions           | 158 350  | 165 629                     |
| Securities transactions                 | 17 771   | 22 619                      |
| Agent fees for insurance                | 1 596  | 49 757                      |
| Other                                   | 24 460   | 7 960                       |
| <b>Total fee and commission income</b>  | <b>5 346 855</b>                                   | <b>4 898 439</b>            |
| <b>Fee and commission expense</b>       |  |                             |
| Settlement transactions                 | 1 627 414  | 1 295 152                   |
| Cash transactions                       | 282 658  | 308 191                     |
| Collection agencies services            | 200 339  | 150 838                     |
| Trust transactions                      | 169 443  | 159 053                     |
| Guarantees                              | 86 857   | 39 321                      |
| Currency conversion transactions        | 9 348  | 6 337                       |
| Securities transactions                 | 7 142  | 10 905                      |
| Other                                   | 5 521  | 210                         |
| <b>Total fee and commission expense</b> | <b>2 388 722</b>                                   | <b>1 970 007</b>            |
| <b>Net fee and commission income</b>    | <b>2 958 133</b>                                   | <b>2 928 432</b>            |

Settlement commissions represent commissions received for transfer of customer funds and other transactions with client accounts, issue and processing of payments by cards and from other financial institutions on acquiring services. Commissions on cash transactions consist of commissions received from clients on encashment transactions. Guarantees and letters of credit commissions represent payments for the origination of guarantees and letters of credit facilities by the Bank. Foreign exchange transactions commissions represent commissions charged for currency exchange transactions and currency control function performed by the Bank.

## 16. Personnel expenses, administrative and operating expenses

Personnel, administrative and operating expenses comprise:

|   | <i>For the six-month period<br/>ended June 30,</i> |                             |
|---|--|-----------------------------|
|   | <i>2014<br/>(Unaudited)</i>                        | <i>2013<br/>(Unaudited)</i> |
| Salaries and bonuses                              | 4 746 005  | 5 277 056                   |
| Social security costs                             | 1 234 924  | 1 332 294                   |
| <b>Personnel expenses</b>                         | <b>5 980 929</b>                                   | <b>6 609 350</b>            |
| Rental fees                                       | 894 135  | 896 402                     |
| Operating taxes                                   | 631 213  | 585 506                     |
| Professional services                             | 526 036  | 307 173                     |
| Repairs and maintenance of property and equipment | 470 237  | 402 781                     |
| Obligatory deposit insurance system contributions | 311 335  | 303 577                     |
| Marketing and advertising                         | 266 941  | 137 306                     |
| Security costs                                    | 191 382  | 170 808                     |
| Business development                              | 163 261  | 139 057                     |
| Communications                                    | 179 291  | 156 915                     |
| Data processing                                   | 165 999  | 147 525                     |
| Expenses under leasing contracts                  | 134 531  | 62 981                      |
| Office materials                                  | 106 906  | 274 036                     |
| Insurance   | 91 097   | 93 181                      |
| Business travel and related expenses              | 71 004   | 88 448                      |
| Personnel training                                | 4 786  | 145 865                     |
| Charity   | 1 504  | 17 402                      |
| Other   | 385 229  | 208 764                     |
| <b>Administrative and operating expenses</b>      | <b>4 594 887</b>                                   | <b>4 137 727</b>            |

## 17. Fair values of financial instruments

The estimated fair value of trading securities and available-for-sale securities quoted on an active market is based on quoted market prices at the reporting date without any deduction for transaction costs.

The estimated fair value of derivative financial assets and liabilities is based on valuation techniques where all the model inputs are observable.

Fair values of illiquid financial instruments are based on pricing models that utilize market observable inputs or management's estimates of amounts to be realised on settlement, assuming current market conditions and an orderly disposition over a reasonable period of time. The Bank utilizes a variety of security valuation models that are based on valuation techniques commonly used by market participants. The most frequently used models include analysis based on discounted cash flows, multiples of EV to EBITDA and revenues, and reference to the current fair value of another instrument that is substantially the same.

The estimated fair value of all other financial assets and liabilities is calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

As of June 30, 2014 and December 31, 2013 the Bank concluded that the fair values of its financial assets and financial liabilities are not materially different from their carrying values, except for subordinated loan and subordinated deposit included in amounts due to credit institutions and other borrowed funds respectively.

The management estimates that fair value of subordinated loan and subordinated deposit is RUB 8 184 032 and RUB 6 984 901 as of June 30, 2014 respectively (December 31, 2013: RUB 7 973 574 and RUB 6 989 996 respectively).

### Financial instruments recorded at fair value

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 30 June 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

|                                  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>      |
|----------------------------------|----------------|----------------|----------------|-------------------|
| <b>Financial assets</b>          |                |                |                |                   |
| Available-for-sale securities    | 15 367 714     | -              | 1 750 312      | <b>17 118 026</b> |
| Derivative financial assets      | -              | 265 606        | -              | <b>265 606</b>    |
| <b>Financial liabilities</b>     |                |                |                |                   |
| Derivative financial liabilities | -              | 53 022         | -              | <b>53 022</b>     |

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

|                                  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>      |
|----------------------------------|----------------|----------------|----------------|-------------------|
| <b>Financial assets</b>          |                |                |                |                   |
| Available-for-sale securities    | 16 563 286     | -              | 1 829 438      | <b>18 392 724</b> |
| Derivative financial assets      | -              | 45 175         | -              | <b>45 175</b>     |
| <b>Financial liabilities</b>     |                |                |                |                   |
| Derivative financial liabilities | -              | 41 031         | -              | <b>41 031</b>     |

Movements within category of Level 3 financial instruments where the valuation techniques involve the use of non-market observable inputs for the six-month period ended June 30 are as follows:

|   | <i>For the six-month period<br/>ended June 30</i> |                    |
|---|---|--------------------|
|   | <i>2014</i>                                       | <i>2013</i>        |
|   | <i>(Unaudited)</i>                                | <i>(Unaudited)</i> |
| <b>At January 1</b>   | <b>1 829 438</b>                                  | <b>999 681</b>     |
| Coupon paid   | (493)   | -                  |
| Net result recognised in other comprehensive income                             | (78 633)  | (56 327)           |
| Net result recognised in the income statement – impairment of equity securities | -   | 92 693             |
| Disposals - cash consideration received   | -   | (262 577)          |
| <b>At June 30</b>   | <b>1 750 312</b>                                  | <b>773 470</b>     |

As disclosed in note 7, the investment in IG is accounted for at cost. Accordingly, it is not included in the fair value hierarchy above.

The Bank has a control framework with respect to the measurement of fair values. The Internal Audit Department has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument
- understanding how the fair value has been arrived at the extent to which it represents actual market transactions
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

Significant valuation issues are reported to the Audit Committee.

Fair values of Level 3 financial instruments are based on pricing models that utilise market unobservable inputs or management's estimates of amounts to be realised on settlement, assuming current market conditions and an orderly disposition over a reasonable period of time.

The Bank utilises a variety of security valuation models that are based on valuation techniques commonly used by market participants. The most frequently used models include analyses based on discounted cash flows, multiples of EV to EBITDA and revenues, and reference to the current fair value of another instrument that is substantially the same.

#### **Impact on fair value of Level 3 financial instruments of changes to key assumptions**

##### *Investment in mutual fund of corporate shares*

Fair value of investment in mutual fund's units of corporate shares is determined based on fair value of securities which comprise the mutual funds portfolio at the date of valuation adjusted to the ability of the Bank to realise these units. Application of market average quotes within market range, which is considered to be a reasonably possible change of assumptions used in valuation model for calculation of fair value of such units, resulted in increase/ decrease of fair value by RUB 24 395 (2013 – RUB 28 047) in case of application of the highest/ lowest level of the range respectively.

##### *Investment in corporate bonds*

The Bank determines fair value of the investment based on discounted cash flow model which implies a discount rate of 9%. Should the discount rate used by the Bank in the valuation model increase/decrease by 100 b.p., the carrying value of the financial instrument would be RUB 23 988 lower / RUB 24 924 higher.

The estimates of fair values are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

## **18. Related party transactions**

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party directly, or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, the entity; has an interest in the entity that gives it significant influence over the entity; the party is an associate of the entity; the party is a member of the key management personnel of the entity or its parent.

Related parties may enter into transactions on such terms and conditions that may not be effected between unrelated parties.

A significant amount of related party transactions are carried out by the Bank with other members of OJSC "Financial Corporation URALSIB" (together referred to as the "Group") as the Bank plays an important role in the Group, providing a full range of financial and banking services. All members of the Group are regarded as related parties since they represent entities under common control. Additionally, there are also other entities under common control that are not members of the Bank.

The outstanding balances and the related average interest rates as of June 30, 2014 (unaudited) with the related parties are as follows:

|   | <i>Companies of Financial Corporation Uralsib</i> |                              | <i>Other entities under common control</i> |                              | <i>Key management personnel</i> |                              |
|---|---|------------------------------|--|------------------------------|---------------------------------|------------------------------|
|   | <i>Value</i>                                      | <i>Average interest rate</i> | <i>Value</i>                               | <i>Average interest rate</i> | <i>Value</i>                    | <i>Average interest rate</i> |
| <b>Assets</b>                               |   |                              |  |                              |                                 |                              |
| Cash and cash equivalents                   |   |                              |  |                              |                                 |                              |
| – time deposits                             | -   | -                            | 1 167 589                                  | 10,71%                       | -                               | -                            |
| Amounts due from credit institutions, gross | -   | -                            | 217 276                                    | 12,00%                       | -                               | -                            |
| Available-for-sale securities               |   |                              |  |                              |                                 |                              |
| – interest bearing                          | -   | -                            | 67 586                                     | 11,50%                       | -                               | -                            |
| – non-interest bearing                      | -   | -                            | 19 468 716                                 | -                            | -                               | -                            |
| Loans to customers (gross)                  | 286 981   | 10,00%                       | 2 332 552                                  | 10,53%                       | 35 358                          | 9,48%                        |
| Less allowance for loan impairment          | (3 444)   | -                            | (224 722)                                  | -                            | (4)                             | -                            |
| Loans to customers (net)                    | 283 537   | -                            | 2 107 830                                  | -                            | 35 354                          | -                            |
| Other assets                                | 3 521   | -                            | 1 286 004                                  | -                            | -                               | -                            |
| <b>Liabilities</b>                          |   |                              |  |                              |                                 |                              |
| Amounts due to credit institutions          |   |                              |  |                              |                                 |                              |
| – time deposits and loans                   | -   | -                            | -  | -                            | -                               | -                            |
| – current accounts                          | -   | -                            | 41 103                                     | -                            | -                               | -                            |
| Amounts due to customers                    |   |                              |  |                              |                                 |                              |
| – time deposits                             | 1 639 748   | 6,81%                        | 4 681 861                                  | 7,75%                        | 1 701 830                       | 5,60%                        |
| – current accounts                          | 1 957 930   | 2,90%                        | 1 805 910                                  | 0,63%                        | 7 183                           | 0,24%                        |
| Promissory notes issued                     | -   | -                            | 187 825                                    | 6,40%                        | -                               | -                            |
| Other borrowed funds                        | 52 632  | 10,36%                       | 961 817                                    | 11,18%                       | -                               | -                            |
| Other liabilities                           | 27 489  | -                            | 97 791                                     | -                            | 69 192                          | -                            |
| <b>Off-balance sheet commitments</b>        |   |                              |  |                              |                                 |                              |
| Commitments and contingencies, gross        | 446 119   | -                            | 360 341                                    | -                            | -                               | -                            |

The outstanding balances and the related average interest rates as of December 31, 2013 with the related parties are as follows:

|  | <i>Companies of Financial Corporation Uralsib</i> |                              | <i>Other entities under common control</i> |                              | <i>Key management personnel</i> |                              |
|--|---|------------------------------|--|------------------------------|---------------------------------|------------------------------|
|  | <i>Amount</i>                                     | <i>Average interest rate</i> | <i>Amount</i>                              | <i>Average interest rate</i> | <i>Amount</i>                   | <i>Average interest rate</i> |
| <b>Assets</b>                                |   |                              |  |                              |                                 |                              |
| Cash and cash equivalents                    |   |                              |  |                              |                                 |                              |
| – time deposits                              | 638 034   | 6,94%                        | 1 024 928                                  | 5,22%                        | -                               | -                            |
| Amounts due from credit institutions (gross) | -   | -                            | 366 453                                    | 11,09%                       | -                               | -                            |
| Available-for-sale securities                |   |                              |  |                              |                                 |                              |
| – interest bearing                           | -   | -                            | 110 662                                    | 11,50%                       | -                               | -                            |
| – non-interest bearing                       | -   | -                            | 19 468 716                                 | -                            | -                               | -                            |
| Loans to customers (gross)                   | 1 355 661   | 2,26%                        | 2 854 149                                  | 9,58%                        | 54 129                          | 10,13%                       |
| Less allowance for loan impairment           | (1 008)   | -                            | (191 459)                                  | -                            | (24)                            | -                            |
| Loans to customers (net)                     | 1 354 653   | -                            | 2 662 690                                  | -                            | 54 105                          | -                            |
| Other assets                                 | 4 354   | -                            | 1 673 192                                  | -                            | -                               | -                            |
| Other assets (investments in associate)      | -   | -                            | 293 220                                    | -                            | -                               | -                            |
| <b>Liabilities</b>                           |   |                              |  |                              |                                 |                              |
| Amounts due to credit institutions           |   |                              |  |                              |                                 |                              |
| – time deposits and loans                    | -   | -                            | 101 041                                    | 5,85%                        | -                               | -                            |
| – current accounts                           | -   | -                            | 59 614                                     | -                            | -                               | -                            |
| Amounts due to customers                     |   |                              |  |                              |                                 |                              |
| – time deposits                              | 1 142 284   | 7,62%                        | 5 850 043                                  | 7,61%                        | 1 627 290                       | 4,88%                        |
| – current accounts                           | 1 972 015   | 3,50%                        | 1 747 110                                  | 0,80%                        | 4 544                           | 0,33%                        |
| Promissory notes issued                      | 32 032  | 10,00%                       | 154 383                                    | 6,40%                        | -                               | -                            |
| Other borrowed funds                         | 832 812   | 11,43%                       | 1 299 393                                  | 11,02%                       | -                               | -                            |
| Other liabilities                            | 9 462   | -                            | 203 958                                    | -                            | 38 235                          | -                            |
| <b>Off-balance sheet commitments</b>         |   |                              |  |                              |                                 |                              |
| Commitments and contingencies, gross         | 3 014 038   | -                            | 153 840                                    | -                            | -                               | -                            |

The related profit or loss amounts of transactions with the related parties for the six-month periods ended June 30, 2014 and 2013 are as follows:

|  | <i>For the six-month period ended<br/>June 30, 2014 (Unaudited)</i> |  |   | <i>For the six-month period ended<br/>June 30, 2013 (Unaudited)</i> |  |   |
|--|---|--|---|---|--|---|
|  | <i>Companies<br/>of Financial<br/>Corporation<br/>Uralsib</i>       | <i>Other entities<br/>under common<br/>control</i> | <i>Key<br/>management<br/>personnel</i> | <i>Companies<br/>of Financial<br/>Corporation<br/>Uralsib</i>       | <i>Other entities<br/>under common<br/>control</i> | <i>Key<br/>management<br/>personnel</i> |
| Interest income  | 26 455  | 156 665  | 2 188                                   | 82 629  | 209 529  | 3 073                                   |
| Interest expense   | (120 352)   | (211 163)  | (48 382)                                | (103 087)   | (279 859)  | (58 252)                                |
| Net realised gains from<br>available-for-sale securities             | 43 213  | -  | -                                       | 8 310   | -  | -                                       |
| Net gains (losses) from foreign<br>currencies                        | 9   | 10   | -                                       | 3 660   | 742  | -                                       |
| – Fees and commission income   | 6 946   | 13 930   | -                                       | 4 718   | 29 348   | -                                       |
| – Fees and commission<br>expenses                                    | (193 422)   | (175 375)  | -                                       | (196 059)   | (262 757)  | -                                       |
| Other operating income   | 36 876  | 20 459   | -                                       | 16 174  | 27 454   | -                                       |
| (Charge for) reversal of<br>impairment of interest earning<br>assets | (2 436)   | (33 263)   | 20                                      | (5 619)   | 28 876   | 12                                      |
| Administrative and operating<br>expenses:                            |   |  |   |   |  |   |
| – insurance  | -   | (59 824)   | -                                       | -   | (63 208)   | -                                       |
| – rent   | (115 447)   | (10 473)   | -                                       | (154 294)   | (10 870)   | -                                       |
| – personnel training   | -   | (4 197)  | -                                       | -   | (136 716)  | -                                       |
| – expenses under<br>leasing contracts                                | (13 947)  | -  | -                                       | -   | -  | -                                       |
| – other  | (3 296)   | (11)   | -                                       | (252)   | -  | -                                       |
| Salaries and bonuses   | -   | -  | (173 178)                               | -   | -  | (245 388)                               |
| Social security costs  | -   | -  | (14 218)                                | -   | -  | (21 552)                                |

The Bank uses the services of an affiliate broker to facilitate purchases and sales of securities to third parties. The terms of these transactions are at market. During the six-month period ended June 30, 2014 these transactions resulted in a net gain of RUB 821 and are not disclosed as related party transactions in the table above (the six-month period ended June 30, 2013 – RUB 8 310).

Management establishes the terms and conditions for transactions with related parties in the same way as for other clients.

## 19. Capital adequacy

The primary objectives of the Bank’s capital management are the following:

- full compliance with the capital requirements imposed by the CBR and Russian legislation
- maintaining the Bank’s ability to continue as a going concern in order to maximize shareholder value and provide economic benefits to other parties
- ensuring that the amount of capital is sufficient for business expansion and development.

### Capital adequacy under the Basel Accord guidelines (the “Basel ratio”)

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

1. Tier 1 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.

2. Tier II capital is "supplementary" bank capital that includes subordinated debt, hybrid instruments with characteristics of both capital and equity and certain revaluation reserves, such as unrealised gains on the revaluation of financial instruments classified as available-for-sale and property revaluation surplus.

In computing regulatory capital, Tier 1 and Tier 2 capital amounts are reduced by post-acquisition changes in the Bank's share in net assets of associates.

The table below presents the composition of capital complying with Basel and discloses the capital adequacy ratio:

|  | <i>June 30, 2014</i><br><i>(Unaudited)</i> | <i>December 31,</i><br><i>2013</i> |
|--|--|------------------------------------|
| Tier 1 capital   | 33 640 733                                 | 34 008 871                         |
| Tier 2 capital   | 14 898 188                                 | 15 596 136                         |
| Less investments in associates and shares of credit institutions | -  | (293 220)                          |
| <b>Total risk based capital</b>                                  | <b>48 538 921</b>                          | <b>49 311 787</b>                  |
| Risk-weighted assets:  |  |                                    |
| Recognised   | 304 188 317                                | 320 699 315                        |
| Unrecognised   | 24 643 011                                 | 32 691 009                         |
| <b>Total risk-weighted assets</b>                                | <b>328 831 328</b>                         | <b>353 390 324</b>                 |
| Total capital  | 14,76%                                     | 13,95%                             |
| Tier 1   | 10,23%                                     | 9,62%                              |

The capital adequacy ratios exceeded the minimum ratio of 8% recommended by the Basel Accord. As of June 30, 2014 and December 31, 2013, the Bank 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 unfavourable changes in market conditions and to minimize liquidity risk. The capital management policy supports the shareholders' vision and strategy of long-term development. As compared with 2013, the above policy of capital management remained unchanged.

LG is subject to minimum capital adequacy requirements established by covenants under liabilities incurred by LG. LG was in compliance with all externally imposed capital requirements as of June 30, 2014.

## 20. Acquisition of subsidiary

On January 20, 2014 the Bank increased its share in BPB by acquiring additional 49,99996% shares of BPB from unrelated party which were paid in cash.

The fair value amounts of assets and liabilities of the acquired subsidiary recognised in the Bank's consolidated financial statements were as follows at the date of acquisition:

|   | <b>Recognised amounts<br/>on acquisition</b> |
|---|--|
| <b>ASSETS</b>                             |  |
| Cash and cash equivalents                 | 120 992                                      |
| Obligatory reserves with the Central Bank | 637  |
| Amounts due from credit institutions      | 2 710  |
| Loans to customers                        | 508 504                                      |
| Property and equipment                    | 834  |
| Other assets                              | 6 065  |
| <b>Total assets</b>                       | <b>639 742</b>                               |

|   | <u>Recognised amounts<br/>on acquisition</u> |
|---|--|
| <b>LIABILITIES</b>  |  |
| Amounts due to credit institutions                          | 155 000                                      |
| Amounts due to customers                                    | 44 257                                       |
| Promissory notes issued                                     | 5 252  |
| Other liabilities   | 13 685                                       |
| <b>Total liabilities</b>                                    | <b>218 194</b>                               |
| <b>Net identifiable assets and liabilities</b>              | <b>421 548</b>                               |
| <b>Share of net assets acquired</b>                         | <b>210 774</b>                               |
| Negative goodwill on acquisition (included in other income) | (20 774)                                     |
| Consideration paid  | (190 000)                                    |
| Cash acquired   | 120 992                                      |
| <b>Net cash outflow</b>                                     | <b>(69 008)</b>                              |
| Less prepayment made in 2013                                | 19 000                                       |
| <b>Net cash outflow in 2014</b>                             | <b>(50 008)</b>                              |

If the acquisition of BPB had occurred on January 1, 2014 the main indicators of the Bank's performance would not have significantly differed to those presented in these interim condensed consolidated financial statements. The impact of acquiring BPB on loss and comprehensive loss for the six-month period ended June 30, 2014 is immaterial.

## 21. Events after the reporting date

In July 2014 non-profit organisation Non-State Pension Fund "Uralo-Sibirskiy Pension Fund" was reorganised into Closed Joint-Stock Company "Non-State Pension Fund URALSIB" ("NPF URALSIB") following the campaign for re-registration of non-state pension funds as joint-stock companies initiated by the CBR. Being the sole shareholder of NPF URALSIB the Bank obtained control over NPF URALSIB as a result of this reorganisation.

Ilkka S. Salonen

Chairman of the Management Board

Renat S. Koneev

Chief Accountant

August 28, 2014

