ZAO UniCredit Bank

Unaudited Consolidated Interim Condensed
Financial Statements
for the Six-Month Period Ended 30 June 2014

ZAO UNICREDIT BANK

CONTENTS

ZAO UNICREDIT BANK

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

Management of ZAO UniCredit Bank is responsible for the preparation of the consolidated interim condensed financial statements that present fairly the financial position of ZAO UniCredit Bank and its subsidiary (collectively – the "Group") as at 30 June 2014, and the related consolidated interim condensed statements of comprehensive income for the three and six-month periods then ended, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and selected notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements") in compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

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

The consolidated interim condensed financial statements as at 30 June 2014 were authorized for issue by the Board of Management of ZAO UniCredit Bank on 29 July 2014.

Signed on behalf of the Board of Management

M. Alekseev — Chairman of the Board of Management

G. Chernysheva — Chief Accountant

4 August 2014

Deloitte.

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

To the Shareholder and Supervisory Board of ZAO UniCredit Bank:

Introduction

We have reviewed the consolidated interim condensed statement of financial position of ZAO UniCredit Bank and its subsidiary (collectively – the "Group") as at 30 June 2014, and the related consolidated interim condensed statements of comprehensive income for the three and six-month periods, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and selected explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

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Conclusion

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

Deloitte & Touche

4 August 2014
Moscow, Russian Federation

Ploutalova S.E., Partner
(certificate no. 01-000596 of 19 March 2012)

ZAO Deloitte & Touche CIS

Audited entity: ZAO UniCredit Bank.

Licensed by the Central Bank of the Russian Federation on 23 March 2012, License No.1.

Entered in the Unified State Register of Legal Entities on 19 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027739082106, Certificate series 77 No. 005721432

9, Prechistenskaya emb., Moscow, Russia 119034.

Independent Auditor: ZAO "Deloitte & Touche CIS"

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

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

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

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

(expressed in thousands of Russian Roubles)

	Notes	30 June 2014 Unaudited	31 December 2013
Assets			
Cash and cash balances	5	22 621 340	25 708 189
Trading securities	6		
- held by the Group		2 754 920	8 043 048
- pledged under repurchase agreements		325 889	3 533 397
Amounts due from credit institutions	7	197 631 249	223 403 672
Derivative financial assets	8	14 650 572	9 610 569
Derivative financial assets designated for hedging	8	3 155 862	4 131 332
Changes in fair value of portfolio hedged items		-	1 458 602
Loans to customers	9	622 761 933	548 607 344
Investment securities:			
- available-for-sale	10		
- held by the Group		21 487 009	19 457 387
- pledged under repurchase agreements		43 026 465	32 789 934
- held-to-maturity		311 826	299 993
Investments in associate		-	973 059
Fixed assets		6 127 515	6 328 343
Intangible assets		2 529 306	2 204 893
Deferred income tax		77 251	-
Current income tax		40 834	-
Other assets		3 998 192	1 950 602
Total assets		**941 500 163**	**888 500 364**
Liabilities			
Amounts due to credit institutions	12	192 626 700	152 653 594
Derivative financial liabilities	8	12 532 450	8 153 454
Derivative financial liabilities designated for hedging	8	5 738 160	6 601 742
Changes in fair value of portfolio hedged items		944 833	-
Amounts due to customers	13	522 194 482	529 544 946
Debt securities issued	14	56 432 105	50 737 686
Deferred income tax liabilities		2 877 045	2 211 333
Current income tax liabilities		291 393	352 795
Other liabilities		7 329 902	6 200 115
Total liabilities		**800 967 070**	**756 455 665**
Equity			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		(1 185 648)	(1 159 521)
Revaluation reserve for available-for-sale securities		(1 632 976)	(411 821)
Retained earnings		101 126 630	91 390 954
Total equity		**140 533 093**	**132 044 699**
Total equity and liabilities		**941 500 163**	**888 500 364**

Signed and authorized for release on behalf of the Board of Management

M. Alekseev — Chairman of the Board of Management

G. Chernysheva — Chief Accountant

4 August 2014

The accompanying selected n[illegible]on p[illegible]s to 35 are an integral part of these consolidated interim condensed financial statements.

ZAO UNICREDIT BANK

CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014
(expressed in thousands of Russian Roubles)

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2014 Unaudited	2013 Unaudited	2014 Unaudited	2013 Unaudited
Interest income		16 495 520	13 648 056	31 506 070	27 050 789
Interest expense		(8 201 637)	(6 708 575)	(15 212 979)	(13 208 602)
Net interest income		**8 293 883**	**6 939 481**	**16 293 091**	**13 842 187**
Fee and commission income		2 078 853	1 484 730	3 916 057	2 999 860
Fee and commission expense		(299 070)	(214 824)	(569 492)	(420 123)
Net fee and commission income		**1 779 783**	**1 269 906**	**3 346 565**	**2 579 737**
Dividend income		1	165 719	1	165 719
Gains on financial assets and liabilities held for trading	16	1 094 622	1 175 639	941 749	1 853 699
Fair value adjustments in portfolio hedge accounting		(54 160)	(21 572)	(13 616)	121
Gains / (losses) on disposal of:					
- loans		73 788	21 948	142 370	38 697
- available-for-sale financial assets		(17 073)	111 182	(15 593)	727 116
OPERATING INCOME		**11 170 844**	**9 662 303**	**20 694 567**	**19 207 276**
(Impairment) / recovery on:					
- loans	9	(1 455 613)	(1 018 767)	(2 364 143)	(1 656 784)
- other financial transactions		(391)	(14 468)	23 278	(53 380)
NET INCOME FROM FINANCIAL ACTIVITIES		**9 714 840**	**8 629 068**	**18 353 702**	**17 497 112**
Personnel expenses		(1 791 096)	(1 647 540)	(3 623 809)	(3 224 569)
Other administrative expenses		(1 185 811)	(1 133 164)	(2 160 933)	(2 048 306)
Depreciation of fixed assets		(167 587)	(183 981)	(354 368)	(366 172)
Amortization of intangible assets		(169 107)	(131 428)	(340 760)	(259 123)
Other provisions		(985)	3 188	1 529	5 281
Other operating (expenses) / income		(43 695)	43 586	(62 524)	30 707
Operating costs		**(3 358 281)**	**(3 049 339)**	**(6 540 865)**	**(5 862 182)**
Share of gains of associate		-	9 962	-	19 605
Gains / (losses) on disposal of fixed assets		50 983	(5 209)	54 187	(4 307)
PROFIT BEFORE INCOME TAX EXPENSE		**6 407 542**	**5 584 482**	**11 867 024**	**11 650 228**
Income tax expense	11	(1 287 886)	(1 240 164)	(2 373 708)	(2 513 971)
PROFIT FOR THE PERIOD		**5 119 656**	**4 344 318**	**9 493 316**	**9 136 257**
OTHER COMPREHENSIVE INCOME / (LOSSES)					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge reserve – effective portion of changes in fair value:					
- fair value changes		70 466	(47 628)	(105 181)	(216 296)
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the year		51 846	(100 552)	79 054	(147 500)
Revaluation reserve for available-for-sale securities:					
- fair value changes		594 894	(337 295)	(1 214 986)	(386 713)
- reclassification adjustment relating to available-for-sale financial assets disposed of in the year		(6 013)	(4 276)	(6 169)	(368 287)
Other comprehensive income / (losses) for the period, net of tax		**711 193**	**(489 751)**	**(1 247 282)**	**(1 118 796)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5 830 849**	**3 854 567**	**8 246 034**	**8 017 461**

Signed and authorized for release on behalf of the Board of Management

M. Alekseev — Chairman of the Board of Management

G. Chernysheva — Chief Accountant

4 August 2014

The accompanying selected [illegible] 35 are an integral part of these consolidated interim condensed financial statements.

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014
(expressed in thousands of Russian Roubles)

	Share capital	Share premium	Cash flow hedge reserve	Revaluation reserve for available-for-sale securities	Retained earnings	Total equity
1 January 2013	**41 787 806**	**437 281**	**(960 582)**	**4 721 389**	**67 267 237**	**113 253 131**
Total comprehensive income						
Profit for the period (Unaudited)	-	-	-	-	9 136 257	9 136 257
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (Unaudited)	-	-	(363 796)	-	-	(363 796)
Net change in revaluation reserve for available-for-sale assets, net of tax (Unaudited)	-	-	-	(755 000)	-	(755 000)
Total other comprehensive income (Unaudited)	-	-	(363 796)	(755 000)	-	(1 118 796)
Total comprehensive income for the period (Unaudited)	**-**	**-**	**(363 796)**	**(755 000)**	**9 136 257**	**8 017 461**
30 June 2013	**41 787 806**	**437 281**	**(1 324 378)**	**3 966 389**	**76 403 494**	**121 270 592**
1 January 2014	**41 787 806**	**437 281**	**(1 159 521)**	**(411 821)**	**91 390 954**	**132 044 699**
Total comprehensive income						
Profit for the period (Unaudited)	-	-	-	-	9 493 316	9 493 316
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (Unaudited)	-	-	(26 127)	-	-	(26 127)
Net change in revaluation reserve for available-for-sale assets, net of tax (Unaudited)	-	-	-	(1 221 155)	-	(1 221 155)
Total other comprehensive income (Unaudited)	-	-	(26 127)	(1 221 155)	-	(1 247 282)
Total comprehensive income for the period (Unaudited)	**-**	**-**	**(26 127)**	**(1 221 155)**	**9 493 316**	**8 246 034**
Transactions with owner, directly recorded in equity						
Purchase of subsidiary under common control (Note 17)	-	-	-	-	242 360	242 360
Total transactions with owner	-	-	-	-	**242 360**	**242 360**
30 June 2014	**41 787 806**	**437 281**	**(1 185 648)**	**(1 632 976)**	**101 126 630**	**140 533 093**

Signed and authorized for release on behalf of the Board of Management

M. Alekseev — Chairman of the Board of Management

G. Chernysheva — Chief Accountant

4 August 2014

The accompanying selected notes on pages 8 to 35 are an integral part of these consolidated interim condensed financial statements.

ZAO UNICREDIT BANK

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014
(expressed in thousands of Russian Roubles)

	Note	Six-Month Period Ended 30 June 2014 Unaudited	Six-Month Period Ended 30 June 2013 Unaudited
Cash flows from operating activities before changes in operating assets and liabilities		**15 497 578**	**3 479 213**
Net cash flows from / (used in) operating activities before income tax		**12 128 082**	**(30 692 532)**
Corporate income tax paid		(1 526 798)	(3 063 104)
Net cash flows from / (used in) operating activities		**10 601 284**	**(33 755 636)**
Cash flows from investing activities			
Dividends received		1	165 719
Purchase of available-for-sale securities		(20 471 790)	(48 947 387)
Proceeds from redemption and sale of available-for-sale securities		6 576 947	59 825 522
Acquisition of subsidiary	17	(1 163 400)	-
Proceeds from sale of fixed and intangible assets		74 135	5 044
Purchase of fixed and intangible assets		(795 239)	(414 762)
Net cash flows (used in) / from investing activities		**(15 779 346)**	**10 634 136**
Cash flows from financing activities			
Proceeds from issuance and sale of repurchased bonds		10 156 001	20 000 000
Redemption of bonds issued under put option		(4 500 688)	-
Redemption of subordinated debt		(3 503 430)	(902 319)
Net cash flows from financing activities		**2 151 883**	**19 097 681**
Effect of exchange rates changes on cash and cash balances		(60 670)	105 952
Net decrease in cash and cash balances		**(3 086 849)**	**(3 917 867)**
Cash and cash balances, beginning	**5**	**25 708 189**	**24 020 106**
Cash and cash balances, ending	**5**	**22 621 340**	**20 102 239**

Signed and authorized for release on behalf of the Board of Management

M. Alekseev — Chairman of the Board of Management

G. Chernysheva — Chief Accountant

4 August 2014

The accompanying selected notes on pages 8 to 35 are an integral part of these consolidated interim condensed financial statements.

1. PRINCIPAL ACTIVITIES

These consolidated interim condensed financial statements include the financial statements of ZAO UniCredit Bank (hereinafter – the "Bank") and its subsidiary. ZAO UniCredit Bank and its subsidiary which hereinafter are collectively referred to as the "Group".

As at 30 June 2014 the sole shareholder of the Group is UniCredit Bank Austria AG. UniCredit Bank Austria AG, a member of UniCredit Group, is responsible for commercial banking in Central and Eastern Europe within the UniCredit Group.

The primary activities of the Group are deposit taking, lending, providing payments and settlement services, transactions with foreign currencies and securities and providing finance leases.

As at 30 June 2014 the Group comprises the Bank, the leading operating entity of the Group, and LLC UniCredit Leasing Company, a leasing company (Note 17).

The Bank (the former International Moscow Bank) was established as a closed joint-stock company under the laws of the Russian Federation in 1989. The Bank operates under General Banking License No. 1 reissued by the Central Bank of Russia (hereinafter – the "CBR") on 23 March 2012 as well as the CBR license for transactions with precious metals issued on 20 December 2007. The Bank also possesses licenses for securities transactions and custody services from the Federal Service for the Securities Market issued on 25 April 2003, the license to act as an exchange broker on transactions with futures and options issued on 27 May 2008 and Russian Federal Customs Service permission to act as a guarantor in relation to customs authorities issued on 1 November 2013. The Bank is a member of the state deposit insurance system in the Russian Federation.

As at 30 June 2014 the Bank has 13 branches and 13 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus.

The Bank's registered legal address is 9, Prechistenskaya Embankment, Moscow, Russian Federation, 119034.

The Group operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year. However, operating results for the six-month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated interim condensed financial statements are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (hereinafter – "IAS 34"). They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013, as these consolidated interim condensed financial statements provide an update of previously reported financial information.

Basis of measurement

These consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments held for trading, available-for-sale assets and derivative financial instruments are stated at fair value. Historical cost is generally based on the fair value of the considerations given in exchange for goods and services.

Presentation currency

These consolidated interim condensed financial statements are presented in Russian Roubles (hereinafter – "RUB"). Amounts in Russian Roubles are rounded to the nearest thousand.

Use of estimates and judgements

The preparation of financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these consolidated interim condensed financial statements the significant judgements made by management in applying accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

Interim measurement period: Income tax expense is recognized in these consolidated interim condensed financial statements based on management's best estimates of the weighted average effective annual income tax rate expected for the full financial year. Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

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

New standards effective starting from the current reporting period

In October 2012 the International Accounting Standards Board (IASB) published amendments to IFRS 10, IFRS 12 and IAS 27 entitled *Investment Entities.* The amendments are effective for annual periods beginning on or after 1 January 2014.

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

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

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

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

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

In December 2011 amendments to IAS 32 entitled *Offsetting Financial Assets and Financial Liabilities* were issued. These amendments clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”. The amendments are effective for annual periods beginning on or after 1 January 2014.

The application of these amendments does not have a significant impact on the Group’s consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

In June 2013 the International Accounting Standards Board (IASB) published narrow-scope amendments to IAS 39 entitled *Novation of Derivatives and Continuation of Hedge Accounting.*

These amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for annual periods beginning on or after 1 January 2014.

These amendments do not have a significant effect on the Group's consolidated financial statements.

In May 2013 the International Accounting Standards Board (IASB) published narrow-scope amendments to IAS 36 entitled *Recoverable Amount Disclosure for Non-Financial Assets*.

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal and are applied retrospectively for annual period beginning on or after 1 January 2014.

These amendments do not have a significant effect on the Group's consolidated financial statements.

In May 2013 the International Accounting Standards Board (IASB) published IFRIC 21 entitled *Levies.* IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The amendments are effective for annual periods beginning on or after 1 January 2014.

These amendments do not have a significant effect on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

- IFRS 9 Financial Instruments and correspondent amendments to other standards[3];
- Amendments to IFRSs – “Annual improvements to IFRSs 2010-2012 cycle”[1];
- Amendments to IFRSs – “Annual improvements to IFRSs 2011-2013 cycle” [1];
- Amendments to IAS 19 Employee Benefits[1];
- Amendments to IFRS 11 Joint Arrangements[2];
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets[2].

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 9 Financial Instruments. IFRS 9, issued in November 2009 with original effective date 1 January 2013, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. In December 2011 the effective date was postponed to 1 January 2015 and this effective date was subsequently removed. In November 2013 the standard was reissued to incorporate a hedge accounting chapter with no stated effective date. In February 2014 it was tentatively decided to set 1 January 2018 as the effective date for the mandatory application of IFRS 9. In July 2014 the finalized version of IFRS 9 was issued with stated effective date 1 January 2018.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- The new hedge accounting model enables companies to better reflect their risk management activities in the financial statements because it more closely aligns hedge accounting with risk management activities. Under IFRS 9 it is allowed to use hedge accounting for non-financial items. IFRS 9 also requires more extensive disclosures in relation to hedge accounting.

The management of the Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRSs – “Annual improvements to IFRSs 2010-2012 cycle”.

The Annual Improvements to IFRSs 2009-2011 Cycle include a number of amendments to various IFRSs.

Particularly, amendments to IFRSs include:

IFRS 2 Share-based Payment. Amends the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition” (which were previously part of the definition of “vesting condition”).

IFRS 3 Business Combinations (with consequential amendments to other standards). Clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

IFRS 8 Operating segments. Requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. Clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

IAS 16 Property, Plant and Equipment. Clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

IAS 24 Related Party Disclosures. Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

IAS 38 Intangible Assets. Clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The Management of the Group anticipates that these amendments will not affect significantly the consolidated financial statements.

Amendments to IFRSs – "Annual improvements to IFRSs 2011-2013 cycle".

IFRS 3 Business Combinations. Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement. Clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* or *IFRS 9 Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in *IAS 32 Financial Instruments: Presentation*.

IAS 40 Investment Property. Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in *IFRS 3 Business Combinations* and investment property as defined in *IAS 40 Investment Property* requires the separate application of both standards independently of each other.

The Management of the Group anticipates that these amendments will not affect significantly the consolidated financial statements.

Amendments to IAS 19 Employee Benefits. Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

The Management of the Group anticipates that these amendments will not affect significantly the consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements. Amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in *IFRS 3 Business Combinations*) to:

- apply all of the business combinations accounting principles in *IFRS 3 Business Combinations* and other IFRSs, except for those principles that conflict with the guidance in *IFRS 11 Joint Arrangements;*
- disclose the information required by *IFRS 3 Business Combinations* and other IFRSs for business combinations.

The Management of the Group anticipates that these amendments will not affect significantly the consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. Amended to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated;
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The Management of the Group anticipates that these amendments will not affect significantly the consolidated financial statements.

Basis of consolidation

These consolidated interim condensed financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary and associate to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under International Accounting Standard (“IAS”) 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated interim condensed financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated interim condensed statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

Unrealized gains resulting from transactions with associate are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

(expressed in thousands of Russian Roubles)

Reclassifications

With effect from November 2013, the Group reclassified leasehold improvements for rented premises from fixed assets to other assets with correspondent reclassification of depreciation. The details of reclassification and effect on the financial statements for three-month and six-month periods ended 30 June 2013 are presented as follows:

	As previously reported	Effect of reclassifications	As adjusted
Consolidated statement of comprehensive income for the three-month period ended 30 June 2013			
Depreciation of fixed assets	(193 641)	9 660	(183 981)
Other operating (expenses) / income	53 246	(9 660)	43 586

	As previously reported	Effect of reclassifications	As adjusted
Consolidated statement of comprehensive income for the six-month period ended 30 June 2013			
Depreciation of fixed assets	(387 449)	21 277	(366 172)
Other operating (expenses) / income	51 984	(21 277)	30 707

With effect from January 2014, the Group reclassified interest income and expenses related to derivative financial instruments from Gains on financial assets and liabilities held for trading to Net interest income. The details of reclassification and effect on the financial statements for the three-month and six-month periods ended 30 June 2013 are presented as follows:

	As previously reported	Effect of reclassifications	As adjusted
Consolidated statement of comprehensive income for the three-month period ended 30 June 2013			
Interest income	13 429 847	218 209	13 648 056
Gains on financial assets and liabilities held for trading	1 393 848	(218 209)	1 175 639

	As previously reported	Effect of reclassifications	As adjusted
Consolidated statement of comprehensive income for the six-month period ended 30 June 2013			
Interest income	26 584 347	466 442	27 050 789
Gains on financial assets and liabilities held for trading	2 320 141	(466 442)	1 853 699

(expressed in thousands of Russian Roubles)

4. OPERATING SEGMENTS

For management purposes, the Group has four reporting business segments:

*Corporate and Investment banking (*hereinafter – *"CIB")* includes corporate lending, project and commodity and corporate structured finance, corporate sight and term deposit services, securities, foreign currency and derivatives trading and custody services.

Retail banking comprises private banking services, credit and debit card services, retail sight and term deposit services, retail lending (consumer loans, car loans and mortgages).

Leasing – represents the leasing activities of the Group.

Other – represents the Group's funding activities and other unallocated items.

Information about each segment is measured on the same basis as the information used for decision making purposes for allocating resources to segments and assessing segment performance and is prepared on the same basis as the consolidated interim condensed financial statements.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers included in segment revenue. Interest charged for these funds is based on the Group's funds transfer pricing policy.

Segment breakdown of assets and liabilities is set out below:

	30 June 2014 Unaudited	31 December 2013
Assets		
CIB	631 957 779	661 469 092
Retail banking	157 484 359	143 332 322
Leasing	11 778 854	-
Other	140 279 171	83 698 950
Total assets	**941 500 163**	**888 500 364**
Liabilities		
CIB	504 274 895	480 585 495
Retail banking	110 886 964	111 740 016
Leasing	9 301 818	-
Other	176 503 393	164 130 154
Total liabilities	**800 967 070**	**756 455 665**

(expressed in thousands of Russian Roubles)

Segment information for the operating segments for the three-month period ended 30 June 2014 and 30 June 2013 is set out below (unaudited):

	CIB	Retail Banking	Leasing	Other	Total
Net interest income / (expense) from external customers for the three-month period ended 30 June 2014	5 053 184	4 210 475	160 140	(1 129 916)	8 293 883
Net interest income / (expense) from external customers for the three-month period ended 30 June 2013	4 651 381	3 533 116	-	(1 245 016)	6 939 481
Inter-segment (expense) / income for the three-month period ended 30 June 2014	(815 918)	(1 812 124)	-	2 628 042	-
Inter-segment (expense) / income for the three-month period ended 30 June 2013	(461 127)	(1 275 023)	-	1 736 150	-
Net interest income for the three-month period ended 30 June 2014	**4 237 266**	**2 398 351**	**160 140**	**1 498 126**	**8 293 883**
Net interest income for the three-month period ended 30 June 2013	**4 190 254**	**2 258 093**	**-**	**491 134**	**6 939 481**
Net fee and commission income from external customers for the three-month period ended 30 June 2014	734 987	1 026 350	65	18 381	1 779 783
Net fee and commission income / (expense) from external customers for the three-month period ended 30 June 2013	633 787	636 120	-	(1)	1 269 906
Dividend income for the three-month period ended 30 June 2014	-	-	-	1	1
Dividend income for the three-month period ended 30 June 2013	-	-	-	165 719	165 719
Gains / (losses) on financial assets and liabilities held for trading for the three-month period ended 30 June 2014:					
- from external customers	946 462	225 758	2 380	(79 978)	1 094 622
Gains on financial assets and liabilities held for trading for the three-month period ended 30 June 2013:					
- from external customers	842 482	186 037	-	147 120	1 175 639
Fair value adjustments in portfolio hedge accounting for the three-month period ended 30 June 2014	-	-	-	(54 160)	(54 160)
Fair value adjustments in portfolio hedge accounting for the three-month period ended 30 June 2013	-	-	-	(21 572)	(21 572)

(expressed in thousands of Russian Roubles)

	CIB	Retail Banking	Leasing	Other	Total
Gains on disposals of financial assets for the three-month period ended 30 June 2014	38 108	18 607	-	-	56 715
Gains / (losses) on disposals of financial assets for the three-month period ended 30 June 2013	243 261	(110 131)	-	-	133 130
Operating income for the three-month period ended 30 June 2014	**5 956 823**	**3 669 066**	**162 585**	**1 382 370**	**11 170 844**
Operating income for the three-month period ended 30 June 2013	**5 909 784**	**2 970 119**	**-**	**782 400**	**9 662 303**
Impairment for the three-month period ended 30 June 2014 on:					
loans	(685 596)	(765 101)	(4 916)	-	(1 455 613)
other financial transactions	(391)	-	-	-	(391)
Impairment for the three-month period ended 30 June 2013 on:					
loans	(563 750)	(455 017)	-	-	(1 018 767)
other financial transactions	(14 468)	-	-	-	(14 468)
Net income from financial activities for the three-month period ended 30 June 2014	**5 270 836**	**2 903 965**	**157 669**	**1 382 370**	**9 714 840**
Net income from financial activities for the three-month period ended 30 June 2013	**5 331 566**	**2 515 102**	**-**	**782 400**	**8 629 068**
Operating costs for the three-month period ended 30 June 2014 including:	(1 111 343)	(2 056 940)	(109 126)	(80 872)	(3 358 281)
depreciation on fixed assets and amortization of intangible assets	(180 145)	(374 333)	(936)	218 720	(336 694)
Operating costs for the three-month period ended 30 June 2013 including:	(1 096 024)	(1 928 687)	-	(24 628)	(3 049 339)
depreciation on fixed assets and amortization of intangible assets	(164 966)	(344 991)	-	194 548	(315 409)
Share of gains of associate for the three-month period ended 30 June 2013	-	-	-	9 962	9 962
Gains on disposal of fixed assets for the three-month period ended 30 June 2014	-	-	-	50 983	50 983
Losses on disposal of fixed assets for the three-month period ended 30 June 2013	-	-	-	(5 209)	(5 209)
Profit before income tax expense for the three-month period ended 30 June 2014	**4 159 493**	**847 025**	**48 543**	**1 352 481**	**6 407 542**
Profit before income tax expense for the three-month period ended 30 June 2013	**4 235 542**	**586 415**	-	**762 525**	**5 584 482**

(expressed in thousands of Russian Roubles)

	CIB	Retail Banking	Leasing	Other	Total
Income tax expense for the three-month period ended 30 June 2014					(1 287 886)
Income tax expense for the three-month period ended 30 June 2013					(1 240 164)
Profit for the three-month period ended 30 June 2014					**5 119 656**
Profit for the three-month period ended 30 June 2013					**4 344 318**
Cash flow hedge reserve for the three-month period ended 30 June 2014					122 312
Cash flow hedge reserve for the three-month period ended 30 June 2013					(148 180)
Revaluation reserve for available-for-sale securities for the three-month period ended 30 June 2014					588 881
Revaluation reserve for available-for-sale securities for the three-month period ended 30 June 2013					(341 571)
Total comprehensive income for the three-month period ended 30 June 2014					**5 830 849**
Total comprehensive income for the three-month period ended 30 June 2013					**3 854 567**

(expressed in thousands of Russian Roubles)

Segment information for the operating segments for the six-month period ended 30 June 2014 and 30 June 2013 is set out below (unaudited):

	CIB	Retail Banking	Leasing	Other	Total
Net interest income / (expense) from external customers for the six-month period ended 30 June 2014	10 390 906	8 382 568	342 190	(2 822 573)	16 293 091
Net interest income / (expense) from external customers for the six-month period ended 30 June 2013	9 742 055	6 821 259	-	(2 721 127)	13 842 187
Inter-segment (expense) / income for the six-month period ended 30 June 2014	(1 594 966)	(3 451 202)	-	5 046 168	-
Inter-segment (expense) / income for the six-month period ended 30 June 2013	(1 446 029)	(2 413 497)	-	3 859 526	-
Net interest income for the six-month period ended 30 June 2014	**8 795 940**	**4 931 366**	**342 190**	**2 223 595**	**16 293 091**
Net interest income for the six-month period ended 30 June 2013	**8 296 026**	**4 407 762**	**-**	**1 138 399**	**13 842 187**
Net fee and commission income / (expense) from external customers for the six-month period ended 30 June 2014	1 433 391	1 780 191	(4 440)	137 423	3 346 565
Net fee and commission income / (expense) from external customers for the six-month period ended 30 June 2013	1 321 280	1 258 460	-	(3)	2 579 737
Dividend income for the six-month period ended 30 June 2014	-	-	-	1	1
Dividend income for the six-month period ended 30 June 2013	-	-	-	165 719	165 719
Gains / (losses) on financial assets and liabilities held for trading for the six-month period ended 30 June 2014:					
- from external customers	616 790	463 511	1 331	(139 883)	941 749
Gains on financial assets and liabilities held for trading for the six-month period ended 30 June 2013:					
- from external customers	1 360 945	345 638	-	147 116	1 853 699
Fair value adjustments in portfolio hedge accounting for the six-month period ended 30 June 2014	-	-	-	(13 616)	(13 616)
Fair value adjustments in portfolio hedge accounting for the six-month period ended 30 June 2013	-	-	-	121	121

(expressed in thousands of Russian Roubles)

	CIB	Retail Banking	Leasing	Other	Total
Gains on disposals of financial assets for the six-month period ended 30 June 2014	108 170	18 607	-	-	126 777
Gains / (losses) on disposals of financial assets for the six-month period ended 30 June 2013	768 465	(2 652)	-	-	765 813
Operating income for the six-month period ended 30 June 2014	**10 954 291**	**7 193 675**	**339 081**	**2 207 520**	**20 694 567**
Operating income for the six-month period ended 30 June 2013	**11 746 716**	**6 009 208**	**-**	**1 451 352**	**19 207 276**
(Impairment) / recovery of impairment for the six-month period ended 30 June 2014 on:					
loans	(1 058 963)	(1 288 893)	(16 287)	-	(2 364 143)
other financial transactions	23 278	-	-	-	23 278
Impairment for the six-month period ended 30 June 2013 on:					
loans	(881 551)	(775 233)	-	-	(1 656 784)
other financial transactions	(53 380)	-	-	-	(53 380)
Net income from financial activities for the six-month period ended 30 June 2014	**9 918 606**	**5 904 782**	**322 794**	**2 207 520**	**18 353 702**
Net income from financial activities for the six-month period ended 30 June 2013	**10 811 785**	**5 233 975**	**-**	**1 451 352**	**17 497 112**
Operating costs for the six-month period ended 30 June 2014 including:	(2 177 222)	(4 012 571)	(176 565)	(174 507)	(6 540 865)
depreciation on fixed assets and amortization of intangible assets	(223 852)	(469 551)	(1 725)	-	(695 128)
Operating costs for the six-month period ended 30 June 2013 including:	(2 071 458)	(3 690 016)	-	(100 708)	(5 862 182)
depreciation on fixed assets and amortization of intangible assets	(202 274)	(444 179)	-	21 158	(625 295)
Share of gains of associate for the six-month period ended 30 June 2013	-	-	-	19 605	19 605
Gains on disposal of fixed assets for the six-month period ended 30 June 2014	-	-	-	54 187	54 187
Losses on disposal of fixed assets for the six-month period ended 30 June 2013	-	-	-	(4 307)	(4 307)
Profit before income tax expense for the six-month period ended 30 June 2014	**7 741 384**	**1 892 211**	**146 229**	**2 087 200**	**11 867 024**
Profit before income tax expense for the six-month period ended 30 June 2013	**8 740 327**	**1 543 959**	-	**1 365 942**	**11 650 228**

(expressed in thousands of Russian Roubles)

	CIB	Retail Banking	Leasing	Other	Total
Income tax expense for the six-month period ended 30 June 2014					(2 373 708)
Income tax expense for the six-month period ended 30 June 2013					(2 513 971)
Profit for the six-month period ended 30 June 2014					**9 493 316**
Profit for the six-month period ended 30 June 2013					**9 136 257**
Cash flow hedge reserve for the six-month period ended 30 June 2014					(26 127)
Cash flow hedge reserve for the six-month period ended 30 June 2013					(363 796)
Revaluation reserve for available-for-sale securities for the six-month period ended 30 June 2014					(1 221 155)
Revaluation reserve for available-for-sale securities for the six-month period ended 30 June 2013					(755 000)
Total comprehensive income for the six-month period ended 30 June 2014					**8 246 034**
Total comprehensive income for the six-month period ended 30 June 2013					**8 017 461**

Chief operating decision maker reviews the Group's results on the basis of net interest income. The following is an analysis by segments of the Group's net interest income from continuing operations from its major products and services:

	Six-month Period Ended 30 June 2014 Unaudited	Six-month Period Ended 30 June 2013 Unaudited
Medium and long term financing	3 804 399	3 232 007
Current accounts	2 269 619	2 423 374
Short-term financing	1 217 532	1 031 444
Consumer loans	1 052 131	2 329 445
Mortgage loans	402 424	148 524
Term deposits	101 981	250 746
Other lending	1 983 867	338 828
Other products	5 461 138	4 087 819
Net interest income	**16 293 091**	**13 842 187**

(expressed in thousands of Russian Roubles)

5. CASH AND CASH BALANCES

Cash and cash balances comprise:

	30 June 2014 Unaudited	31 December 2013
Cash on hand	9 203 011	8 741 687
Current accounts with the CBR	13 418 329	16 966 502
Cash and cash balances	**22 621 340**	**25 708 189**

Included in cash and cash balances as at 30 June 2014 is amount of RUB 1 000 000 thousand (31 December 2013: none) pledged as collateral for mortgage-backed bonds issued by the Group in September 2011 (see Note 14 for details).

6. TRADING SECURITIES

Trading securities comprise:

	30 June 2014 Unaudited	31 December 2013
USD denominated		
Russian Government Eurobonds	3 650	3 482
RUB denominated		
Corporate and bank bonds	3 077 159	7 858 975
Russian Government Eurobonds and Bonds	-	3 713 988
Trading securities	**3 080 809**	**11 576 445**

As at 30 June 2014 included in Corporate and bank bonds are securities sold under repurchase agreements with CBR in the amount of RUB 325 889 thousand (31 December 2013: RUB 3 533 397 thousand included in Russian Government Eurobonds and bonds).

As at 30 June 2014 included in trading securities are corporate and bank bonds blocked as collateral for “overnight” loans with the CBR in the amount of RUB 882 438 thousand (31 December 2013: RUB 953 813 thousand).

(expressed in thousands of Russian Roubles)

7. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 June 2014 Unaudited	31 December 2013
Current accounts with credit institutions	53 148 824	38 593 836
Time deposits	134 454 296	158 200 034
Reverse repurchase agreements with credit institutions	5 470 012	21 771 904
Obligatory reserve with the CBR	4 558 117	4 837 898
Amounts due from credit institutions	**197 631 249**	**223 403 672**

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is significantly restricted by statutory legislation.

As at 30 June 2014, there are three counterparties with balances that individually exceeded 10% of equity. As at 30 June 2014, the aggregate amount of these balances is RUB 152 248 179 thousand (31 December 2013: four counterparties with aggregate amount of RUB 183 228 154 thousand).

As at 30 June 2014, the Group entered into reverse repurchase agreements with a number of Russian banks. Pledged under these agreements are Russian Government bonds, corporate and bank bonds and corporate shares issued by Russian companies and banks with the total fair value of RUB 6 162 804 thousand (31 December 2013: RUB 22 547 465 thousand).

As at 30 June 2014 the Group has no term placements with CBR (31 December 2013: RUB 22 000 000 thousand).

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instruments principally for trading and hedging purposes. The tables below show the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or notional amount to which reference rate or index is applied 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 indicative of neither the market risk nor the credit risk.

The Bank values the derivative financial instruments using widely accepted valuation techniques which are based on market interest rates and forward currency rates. Significant changes in these variables could cause the fair value of the derivatives to change materially.

The table below shows the fair value derivative instruments held for trading, recorded as assets or liabilities, together with their notional amounts.

	30 June 2014 Unaudited			31 December 2013		
	Notional principal	Fair value Asset	Fair value Liability	Notional principal	Fair value Asset	Fair value Liability
Cross-currency interest rate swaps	151 664 304	6 526 075	4 633 031	119 287 024	3 220 078	2 475 282
Interest rate swaps and options	431 913 520	4 952 434	5 570 139	562 871 053	5 593 894	4 678 428
Foreign exchange forwards	139 140 997	3 172 063	2 329 280	118 737 605	796 597	999 744
Futures on foreign exchange and securities	1 847 500	-	-	1 915 000	-	-
Total derivative assets/liabilities		**14 650 572**	**12 532 450**		**9 610 569**	**8 153 454**

(expressed in thousands of Russian Roubles)

The table below shows the fair values of financial instruments designated for hedging, recorded as assets or liabilities, together with their notional amounts.

	30 June 2014 Unaudited			31 December 2013		
	Notional principal	Fair value Asset	Fair value Liability	Notional principal	Fair value Asset	Fair value Liability
Cash flow hedge						
Interest rate swaps	25 671 620	387 051	144 068	54 056 600	2 469 229	34 328
Cross-currency interest rate swaps	43 242 384	142 962	1 743 755	64 822 785	342 050	1 901 649
Total cash flow hedge		**530 013**	**1 887 823**		**2 811 279**	**1 935 977**
Fair value hedge						
Interest rate swaps	376 145 980	2 625 849	3 850 337	319 397 426	1 320 053	4 665 765
Total fair value hedge		**2 625 849**	**3 850 337**		**1 320 053**	**4 665 765**
Total derivative financial assets/ liabilities designated for hedging		**3 155 862**	**5 738 160**		**4 131 332**	**6 601 742**

9. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2014 Unaudited	31 December 2013
Corporate customers	457 261 487	389 987 061
Retail customers, including SME	166 047 434	150 576 092
Reverse repurchase agreements with companies	17 780 969	25 023 050
Gross loans to customers	**641 089 890**	**565 586 203**
Allowance for loan impairment	(18 327 957)	(16 978 859)
Loans to customers	**622 761 933**	**548 607 344**

As at 30 June 2014 and 31 December 2013, the Group entered into reverse repurchase agreements with a number of Russian companies. Pledged under these agreements are Russian Government bonds, municipal bonds and corporate and bank bonds and shares issued by Russian companies and banks with the total fair value of RUB 20 136 755 thousand (31 December 2013: RUB 25 693 159 thousand).

As at 30 June 2014, the Group had RUB 95 008 860 thousand due from its ten largest customers (14% of gross loan portfolio) (31 December 2013: RUB 87 770 748 thousand or 16%). An allowance of RUB 213 760 thousand was recognized against these loans (31 December 2013: RUB 163 851 thousand).

As at 30 June 2014, the Group had one borrower with a loan amount that exceeded 10% of equity (31 December 2013: one borrower). As at 30 June 2014, the amount of this loan is RUB 17 062 700 thousand (31 December 2013: RUB 14 357 834 thousand).

Included in retail loans as at 30 June 2014 are mortgage loans with gross amount of RUB 4 146 045 thousand (31 December 2013: RUB 5 406 343 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2011 (see Note 14 for details).

(expressed in thousands of Russian Roubles)

A reconciliation of the allowance for loan impairment is as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2014 Unaudited	**2013 Unaudited**	**2014 Unaudited**	**2013 Unaudited**
Allowance for loan impairment at the beginning of the period	**18 258 666**	**16 319 809**	**16 978 859**	**15 907 718**
Charge for the period	1 455 613	1 018 767	2 364 143	1 656 784
Loans sold during the period	(1 047 861)	(200 311)	(1 129 194)	(375 558)
Loans written-off during the period	(38 993)	(881 434)	(82 328)	(990 491)
Acquisition of subsidiary	-	-	61 982	-
Effect of exchange rate changes	(299 468)	253 298	134 495	311 676
Allowance for loan impairment at the end of the period	**18 327 957**	**16 510 129**	**18 327 957**	**16 510 129**

10. AVALIABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	30 June 2014 Unaudited	**31 December 2013**
Debt and other fixed income investments available-for-sale		
USD denominated		
Corporate Eurobonds	115 331	113 517
Bank bonds	-	576 420
RUB denominated		
Russian Government Bonds	35 551 835	23 373 728
Corporate and bank bonds	28 837 780	28 175 160
Total debt and other fixed income investments available-for-sale	**64 504 946**	**52 238 825**
Equity investments available-for-sale		
RUB denominated		
Equity investments in financial institutions	5 833	5 833
EUR denominated		
Equity investments in financial institutions	2 695	2 663
Total equity investments available-for-sale	**8 528**	**8 496**
Total available-for-sale investment securities	**64 513 474**	**52 247 321**

As at 30 June 2014 included in Russian Government bonds, municipal bonds and corporate and bank bonds are securities sold under repurchase agreements with the CBR in the amount of RUB 43 026 465 thousand (31 December 2013: RUB 32 789 934 thousand).

As at 30 June 2014 included in debt and other fixed income investments available-for-sale are bonds blocked as collateral for “overnight” loans with the CBR in the amount of RUB 20 782 388 thousand (31 December 2013: RUB 16 337 799 thousand).

(expressed in thousands of Russian Roubles)

11. TAXATION

The corporate income tax expense comprises:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2014 Unaudited	2013 Unaudited	2014 Unaudited	2013 Unaudited
Current tax charge	465 770	112 433	1 424 562	1 752 344
Deferred tax benefit – reversal of temporary differences	822 116	1 127 731	949 146	761 627
Income tax expense	**1 287 886**	**1 240 164**	**2 373 708**	**2 513 971**

Tax effect relating to components of other comprehensive income comprises:

	Three-Month Period Ended 30 June 2014 Unaudited			Three-Month Period Ended 30 June 2013 Unaudited		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	152 890	(30 578)	122 312	(185 225)	37 045	(148 180)
Revaluation reserve for available-for-sale securities	736 101	(147 220)	588 881	(426 964)	85 393	(341 571)
Other comprehensive income	**888 991**	**(177 798)**	**711 193**	**(612 189)**	**122 438**	**(489 751)**

	Six-Month Period Ended 30 June 2014 Unaudited			Six-Month Period Ended 30 June 2013 Unaudited		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	(32 660)	6 533	(26 127)	(454 745)	90 949	(363 796)
Revaluation reserve for available-for-sale securities	(1 526 444)	305 289	(1 221 155)	(943 750)	188 750	(755 000)
Other comprehensive income	**(1 559 104)**	**311 822**	**(1 247 282)**	**(1 398 495)**	**279 699**	**(1 118 796)**

12. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 June 2014 Unaudited	31 December 2013
Current accounts	23 881 231	14 722 701
Time deposits and loans	117 582 342	74 996 332
Repurchase agreements	41 936 618	31 929 978
Direct repurchase agreements from reverse repurchase agreements	-	18 678 470
Subordinated debt	9 226 509	12 326 113
Amounts due to credit institutions	**192 626 700**	**152 653 594**

(expressed in thousands of Russian Roubles)

As at 30 June 2014, the ten largest deposits, excluding subordinated debt, represented 80% of total amounts due to credit institutions (31 December 2013: 87%).

As at 30 June 2014, the Group had two counterparties with the balances that exceeded 10% of equity (31 December 2013: two counterparties). As at 30 June 2014, the aggregate amount of these balances is RUB 115 821 654 thousand (31 December 2013: RUB 106 651 835 thousand).

As at 30 June 2014 the Group has term deposits due to the CBR in the amount of RUB 35 074 425 thousand and repurchase agreements with CBR in the amount of RUB 41 936 618 thousand (31 December 2013: RUB 10 017 329 thousand and RUB 50 608 448 thousand respectively).

13. AMOUNTS DUE TO CUSTOMERS

The amounts due to customers include the following:

	30 June 2014 Unaudited	31 December 2013
Current accounts	120 310 581	103 923 218
Time deposits	401 883 901	425 477 232
Repurchase agreements with customers	-	144 496
Amounts due to customers	**522 194 482**	**529 544 946**

As at 30 June 2014, approximately 54% of total amounts due to customers were placed with the Group by its ten largest customers (31 December 2013: 46%).

Analysis of customer accounts by type of customer is as follows:

	30 June 2014 Unaudited	31 December 2013
Corporate		
Current accounts	51 795 172	38 928 841
Time deposits	359 501 341	378 720 675
Repurchase agreements with customers	-	144 496
Total corporate accounts	**411 296 513**	**417 794 012**
Retail		
Current accounts	68 515 409	64 994 377
Time deposits	42 382 560	46 756 557
Total retail accounts	**110 897 969**	**111 750 934**
Amounts due to customers	**522 194 482**	**529 544 946**

Included in retail time deposits are deposits of individuals in the amount of RUB 32 413 258 thousand (31 December 2013: RUB 31 740 949 thousand). In accordance with the Russian Civil Code, the Group is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, the related interest rate on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the contract. The remaining part of retail time deposits in the amount of RUB 9 969 302 thousand (31 December 2013: RUB 15 015 608 thousand) is represented by deposits placed by small business enterprises.

(expressed in thousands of Russian Roubles)

14. DEBT SECURITIES ISSUED

Debt securities issued consists of the following:

	30 June 2014 Unaudited	31 December 2013
Bonds issued	56 432 105	50 737 686
Debt securities issued	**56 432 105**	**50 737 686**

On 14 February 2013 the Group placed two RUB 5 000 000 thousand bonds issues with a nine-year maturity. The bonds each have a face value of RUB one thousand and carry nine semi-annual interest coupons. The coupon rate was set as 8.6% for every semi-annual period.

On 26 February 2013 the Group placed two RUB 5 000 000 thousand bonds issues with a nine-year maturity. The bonds each have a face value of RUB one thousand and carry nine semi-annual interest coupons. The coupon rate was set as 8.15% for the first four semi-annual periods. In February 2015 the coupon rate will be set for the remaining two semi-annual periods. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the fourth semi-annual period.

On 16 May 2014 the Group redeemed bonds under a put option amounting to RUB 4 500 688 thousand.

On 23 May 2014 the Group placed RUB 10 000 000 thousand bonds issues with a five-year maturity. The bonds each have a face value of RUB one thousand and carry ten semi-annual interest coupons. The coupon rate was set as 9.7% for the first two semi-annual periods. In May 2015 the coupon rate will be set for the remaining semi-annual periods. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the second semi-annual period.

As at 30 June 2014 mortgage-backed bonds with the carrying value of RUB 5 123 562 thousand (31 December 2013: RUB 5 124 685 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 4 146 045 thousand (31 December 2013: RUB 5 406 343 thousand) and by cash in the amount of RUB 1 000 000 thousand (31 December 2013: none) (see Note 5 and Note 9 for details).

15. COMMITMENTS AND CONTINGENCIES

	30 June 2014 Unaudited	31 December 2013
Undrawn loan commitments	189 624 744	200 972 879
Undrawn commitments to issue documentary instruments	117 791 293	111 731 631
Guarantees issued	99 517 570	86 736 982
Letters of credit	26 518 623	13 251 818
Gross undrawn commitments, guarantees and letters of credit	**433 452 230**	**412 693 310**
Provisions for unrecognised commitments	(9 231)	(32 509)
Total undrawn commitments, guarantees and letters of credit	**433 442 999**	**412 660 801**

Operating Environment – Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

(expressed in thousands of Russian Roubles)

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

16. GAINS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Gains on financial assets and liabilities held for trading comprise:

	Three-Month Period Ended 30 June		Six-Month Period Ended 30 June	
	2014 Unaudited	**2013 Unaudited**	**2014 Unaudited**	**2013 Unaudited**
Net gains / (losses) from trading securities	59 702	(137 710)	(345 905)	(164 919)
Net gains / (losses) from foreign exchange, interest based derivatives and changes in fair value of money market deposits:				
- spot, derivative and money market deposits trading	4 288 308	(2 770 782)	(1 403 208)	(3 041 642)
- translation of other foreign currency assets and liabilities	(3 253 388)	4 084 131	2 690 862	5 060 260
Gains on financial assets and liabilities held for trading	**1 094 622**	**1 175 639**	**941 749**	**1 853 699**

17. ACQUISITION

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are outside the scope of IFRS 3 *Business Combinations*, and there is no other guidance for such situations under IFRS. The Group elects to account for such transactions prospectively as of the date when common control was established. The assets and liabilities acquired are recognized at the carrying amounts. The difference between the consideration paid and the net assets acquired is accounted for directly in equity. The consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows are not restated.

In February 2014 in addition to the existing 40% participation ZAO UniCredit Bank has purchased the remaining 60% share participation in LLC "UniCredit Leasing" from UniCredit Leasing S.p.A. LLC "UniCredit Leasing" owns 100% of shares in ZAO "Locat Leasing Russia". Both companies operate in the financial leasing industry on the local market. As a result of this transaction the Group comprises the Bank, the leading operating entity of the Group, and LLC "UniCredit Leasing" a 100% leasing subsidiary. The transaction is accounted for as a transaction under common control since both the Bank and UniCredit Leasing S.p.A have the same ultimate shareholders.

(expressed in thousands of Russian Roubles)

The following table presents information on net assets of the subsidiary as of acquisition date based on IFRS financial statements:

Assets	
Amounts due from credit institutions	1 244 351
Loans to customers	9 004 670
Fixed assets	19 785
Deferred income tax	35 504
Current income tax	98 928
Other assets	1 191 496
Total assets	**11 594 734**
Liabilities	
Amounts due to credit institutions	8 423 741
Other liabilities	792 174
Total liabilities	**9 215 915**
Net assets	**2 378 819**
Consideration paid	1 163 400
Fair value of previous 40% shareholding	973 059
Less: Net assets	(2 378 819)
Result from acquisition recognized in equity	**242 360**

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- As there is no active secondary market in Russia for loans and advances to banks and customers, deposits by banks and customers, promissory notes issued, subordinated debt, other borrowing funds and other financial assets and liabilities, there is no reliable market value available for these portfolios.
- For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair value valuation of derivative instruments are based on discounted cash flow analysis and performed using the management’s best estimates and applicable interest rates. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

(expressed in thousands of Russian Roubles)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	30 June 2014		
	Level 1	**Level 2**	**Total**
Financial assets at FVTPL			
Trading securitites			
held by the Group	3 650	2 751 270	2 754 920
pledged under repurchase agreements	-	325 889	325 889
Investment securities available-for-sale			
held by the Group	9 232 779	12 245 702	21 478 481
pledged under repurchase agreements	23 165 649	19 860 816	43 026 465
Derivative financial assets	-	14 650 572	14 650 572
Derivative financial assets designated for hedging	-	3 155 862	3 155 862
Total	**32 402 078**	**52 990 111**	**85 392 189**
Financial liabilities at FVTPL			
Derivative financial liabilities	-	12 532 450	12 532 450
Derivative financial liabilities designated for hedging	-	5 738 160	5 738 160
Total	**-**	**18 270 610**	**18 270 610**

	31 December 2013		
	Level 1	**Level 2**	**Total**
Financial assets at FVTPL			
Trading securitites			
held by the Group	136 142	7 906 906	8 043 048
pledged under repurchase agreements	3 303 137	230 260	3 533 397
Investment securities available-for-sale			
held by the Group	2 728 842	16 720 049	19 448 891
pledged under repurchase agreements	19 755 677	13 034 257	32 789 934
Derivative financial assets	-	9 610 569	9 610 569
Derivative financial assets designated for hedging	-	4 131 332	4 131 332
Total	**25 923 798**	**51 633 373**	**77 557 171**
Financial liabilities at FVTPL			
Derivative financial liabilities	-	8 153 454	8 153 454
Derivative financial liabilities designated for hedging	-	6 601 742	6 601 742
Total	**-**	**14 755 196**	**14 755 196**

The table above does not include AFS equity investments of RUR 8 528 thousand (31 December 2013: RUR 8 496 thousand) which do not have a quoted market price in an active market and whose fair value cannot be reliably measured due to absence of the market for such instruments. Currently the Group does not intend to dispose of these investments.

During the six-month period ended 30 June 2014 there was no transfers between levels 1 and 2 for trading securities. During the six-month period ended 30 June 2013 the transfers from level 2 to level 1 amounted to RUR 149 437 thousand for trading securities.

(expressed in thousands of Russian Roubles)

During the six-month period ended 30 June 2014 there was no transfers between levels 1 and 2 for available-for-sale securities. During the six-month period ended 30 June 2013 the transfers from level 1 to level 2 amounted to RUR 2 232 285 thousand for available-for-sale securities.

Except as detailed below, management of the Group considers that the fair value of financial assets and liabilities approximates their carrying value:

	30 June 2014		31 December 2013	
	Carrying value Unaudited	Fair value Unaudited	Carrying value	Fair value
Financial assets				
Amounts due from credit institutions	197 631 249	200 225 113	223 403 672	223 504 788
Loans to customers	622 761 933	646 966 484	548 607 344	580 441 850
Investment securities held-to-maturity	311 826	311 564	299 993	299 191
Financial liabilities				
Amounts due to credit institutions	192 626 700	192 227 075	152 653 594	151 810 815
Amounts due to customers	522 194 482	530 848 411	529 544 946	534 985 153
Debt securities issued	56 432 105	56 181 868	50 737 686	50 976 208

19. RELATED PARTY DISCLOSURES

The Bank's ultimate parent is the UniCredit Group. The Bank's immediate parent is UniCredit Bank Austria AG. Both entities produce publicly available financial statements.

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Balances and transactions with UniCredit Bank Austria AG (the immediate parent) and more senior parents within the UniCredit Group are as follows:

	30 June 2014 Unaudited	Average interest rate, % Unaudited	31 December 2013	Average interest rate, %
Amounts due from credit institutions				
In Russian Roubles	273 521	8.5%	1 905 989	7.1%
In EUR	40 436	0.0%	225 606	0.0%
In USD	114 486 117	1.7%	129 336 010	0.3%
Other assets	51 997		87 141	
Amounts due to credit institutions				
In Russian Roubles	3 509 288	4.5%	963 548	0.0%
In EUR	11 624 356	2.4%	10 411 201	2.4%
In USD	38 461 487	2.1%	46 924 855	2.2%
In other currencies	-		155 404	0.3%
Other liabilities	173 137		170 175	
Commitments and guarantees issued	4 122 185		3 592 476	
Commitments and guarantees received	5 159 870		2 043 830	

(expressed in thousands of Russian Roubles)

	Six-Month Period Ended 30 June 2014 Unaudited	Six-Month Period Ended 30 June 2013 Unaudited
Interest income	286 335	290 811
Interest expense	(811 615)	(954 948)
Fee and commission income	11 033	6 194
Fee and commission expense	(32 156)	(19 934)
Gains on financial assets and liabilities held for trading	9 542	18 809
Recovery of personnel expenses for seconded employees/(personnel expenses)	12 378	(5 734)

Balances and transactions with other companies controlled by the UniCredit Group are as follows:

	30 June 2014 Unaudited	Average interest rate, % Unaudited	31 December 2013	Average interest rate, %
Amounts due from credit institutions				
In EUR	18 820 062	0.1%	13 354 913	0.0%
In USD	680 888	4.1%	4 073	0.0%
In Russian Roubles	2 371 500	6.1%	3 000	6.5%
In other currencies	9 359	0.0%	1 685	0.0%
Derivative financial assets	2 036 964		2 223 130	
Derivative financial assets designated for hedging	1 650 392		1 244 897	
Loans to customers				
In EUR	1 816 093	6.3%	1 824 030	6.2%
In Russian Roubles	713 129	5.0%	675 403	5.0%
Intangible assets	119 224		172 375	
Other assets	8 450		2 360	
Amounts due to credit institutions				
In Russian Roubles	3 874 377	1.7%	1 186 328	5.0%
In EUR	68 308	0.0%	95 056	0.0%
In USD	4 055 114	2.2%	3 948 408	2.3%
In other currencies	1 549	0.0%	1 436	0.0%
Derivative financial liabilities	3 533 702		3 208 485	
Derivative financial liabilities designated for hedging	3 611 756		3 829 564	
Amounts due to customers				
In Russian Roubles	407 521	8.2%	833 700	5.5%
In EUR	243 775	0.3%	509 554	0.1%
In USD	34	0.0%	23 300	0.5%
Other liabilities	243 898		190 472	
Commitments and guarantees issued	16 357 573		15 184 104	
Commitments and guarantees received	6 813 842		3 700 784	

	Six-Month Period Ended 30 June 2014 Unaudited	Six-Month Period Ended 30 June 2013 Unaudited
Interest income	2 835 567	1 124 031
Interest expense	(2 783 006)	(1 138 134)
Fee and commission income	8 783	12 133
Fee and commission expense	(25 276)	(15 228)
Losses on financial assets and liabilities held for trading	(2 629 945)	(4 071 283)
Other expenses	157	10 568
Personnel expenses	(26 011)	(59 391)
Other administrative expenses	(36 481)	(22 844)

(expressed in thousands of Russian Roubles)

Subordinated loans from the members of the UniCredit Group included in amounts due to credit institutions are as follows:

	Six-Month Period Ended 30 June 2014 Unaudited	Six-Month Period Ended 30 June 2013 Unaudited	
	UniCredit Bank Austria AG and more senior parents within the UniCredit Group	UniCredit Bank Austria AG and more senior parents within the UniCredit Group	Other companies controlled by the UniCredit Group
Subordinated debt at the beginning of the period	12 326 113	12 655 191	2 435 466
Subordinated debt repaid during the period	(3 503 430)	-	(902 319)
Accrual of interest, net of interest paid	232 786	9 790	(86 480)
Effect of exchange rates changes	171 040	896 845	200 312
Subordinated debt at the end of the period	**9 226 509**	**13 561 826**	**1 646 979**

For the six-month period ended 30 June 2014 compensation of the key management personnel comprises remuneration in the amount of RUB 62 353 thousand (six-month period ended 30 June 2013: RUB 54 234 thousand) and post-employment benefits in the amount of RUB 501 thousand (six-month period ended 30 June 2013: RUB 423 thousand).