



CENTER-INVEST BANK GROUP

International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information (Unaudited)

30 June 2014

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Center-invest Bank Group
Consolidated Condensed Interim Statement of Financial Position (Unaudited)

<i>In thousands of Russian Roubles</i>	Note	30 June 2014	30 June 2013	31 December 2013
ASSETS				
Cash and cash equivalents		9 355 555	6 912 137	6 998 761
Mandatory cash balances with the Central Bank of the Russian Federation		512 525	648 115	528 130
Trading securities		509 325	1 722 001	2 096 680
Due from other banks		400 300	1 850 300	1 100 300
Loans and advances to customers	6	65 294 800	57 248 968	60 928 483
Finance lease receivables	7	576 496	718 943	617 050
Investment in associate		337 295	332 766	337 295
Intangible assets		288 864	298 762	301 801
Premises and equipment		2 351 634	2 511 528	2 458 882
Other financial assets		418 278	310 125	294 522
Other assets		283 635	291 963	285 306
TOTAL ASSETS		80 328 707	72 845 608	75 947 210
LIABILITIES				
Due to other banks		3 202 812	527 798	519 993
Customer accounts	8	48 604 082	46 495 138	49 418 580
Debt securities in issue	9	9 741 697	9 447 303	9 031 093
Borrowings from international financial institutions		7 295 242	5 596 360	5 906 408
Subordinated debt		1 699 076	1 975 569	1 817 953
Other financial liabilities		162 683	130 296	126 338
Deferred income tax liability		162 701	226 557	184 730
Other liabilities		246 120	428 715	189 708
TOTAL LIABILITIES		71 114 413	64 827 736	67 194 803
EQUITY				
Share capital		1 258 709	1 258 709	1 258 709
Share premium		1 646 428	1 646 428	1 646 428
Revaluation reserve for premises and equipment		1 251 769	1 356 247	1 327 697
Retained earnings		5 057 388	3 756 488	4 519 573
TOTAL EQUITY		9 214 294	8 017 872	8 752 407
TOTAL LIABILITIES AND EQUITY		80 328 707	72 845 608	75 947 210

28 August 2014



G.I. Zhukov
Chairman of the Board




T.I. Ivanova
Chief Accountant

Center-invest Bank Group
Consolidated Condensed Interim Statement Of Profit And Loss And Other Comprehensive Income
(Unaudited)

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013	2013
<i>In thousands of Russian Roubles</i>				
Interest income	10	4 500 272	3 834 867	8 179 845
Interest expense	10	(2 256 964)	(1 904 544)	(4 134 997)
Net interest income		2 243 308	1 930 323	4 044 848
Provision for loan portfolio impairment and impairment of finance lease receivables	6,7	(552 339)	(519 814)	(804 640)
Net interest income after impairment provisions		1 690 969	1 410 509	3 240 208
Fee and commission income		477 770	430 159	952 993
Fee and commission expense		(129 360)	(104 180)	(226 306)
Losses less gains from trading securities		(34 616)	(3 397)	6 244
Gains less losses from trading in foreign currencies		46 723	23 845	51 525
Foreign exchange translation gains less losses		140 201	43 916	36 060
Losses less gains from conversion operations on the interbank market		(172 834)	(33 774)	(8 266)
Gains less losses from assignment of the rights of claim		3 373	99 152	-
Other provisions and expenses		(58 162)	(40 050)	(123 812)
Repayment of debt written off		32 217	15 579	122 571
Other operating income		9 971	11 356	20 259
Contributions to the state deposit insurance scheme		(76 967)	(66 691)	(139 226)
Administrative and other operating expenses		(991 703)	(928 464)	(2 135 200)
Share of result of associate		-	-	4 529
Profit before tax		937 582	857 960	1 801 579
Income tax expense		(201 679)	(182 612)	(391 696)
Profit for the year		735 903	675 348	1 409 883
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		735 903	675 348	1 409 883

The notes set out on pages 5 to 28 form an integral part of these consolidated condensed interim financial information.

Center-invest Bank Group
Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2014	Six months ended 30 June 2013
Cash flows from operating activities		
Interest received	4 408 978	3 724 652
Interest paid	(2 183 404)	(1 831 733)
Fees and commissions received	479 371	439 364
Fees and commissions paid	(120 864)	(100 995)
Losses less gains from trading securities	(16 104)	(28 936)
Income received from trading in foreign currencies	46 723	23 845
Losses less gains from conversion operations on the interbank market	(175 539)	(33 689)
Receipts from assignment of rights of claim	38 372	240 486
Repayment of debt written off	24 192	15 579
Other operating income received	13 031	11 403
Contributions to the state deposit insurance scheme	(75 584)	(63 226)
Staff costs paid	(589 148)	(540 124)
Operating expenses paid	(301 434)	(253 349)
Income tax paid	(204 423)	(129 709)
Cash flows from operating activities before changes in operating assets and liabilities	1 344 167	1 473 568
Changes in operating assets and liabilities		
Net change in mandatory cash balances with the CBRF	15 605	(95 261)
Net change in trading securities	1 544 067	15 386
Net change in due from other banks	699 978	(545 943)
Net change in loans and advances to customers	(4 737 228)	(9 874 391)
Net change in finance lease receivables	46 832	(83 778)
Net change in other financial and other assets	(92 226)	(15 475)
Net change in due to other banks	2 645 986	(194 306)
Net change in customer accounts	(945 411)	2 218 078
Net change in promissory notes	183 562	848 917
Net change in other financial and other liabilities	42 557	(60 264)
Net cash from /(used in) operating activities	747 889	(6 313 469)
Cash flows from investing activities		
Acquisition of premises and equipment	(38 548)	(56 529)
Proceeds from disposal of premises and equipment	673	1 954
Acquisition of intangible assets	(7 182)	(7 164)
Net cash used in investment activities	(45 057)	(61 739)
Cash flows from financing activities		
Issue of bonds	3 250 001	3 681 921
Repurchase and repayment of bonds	(2 727 653)	(21 900)
Borrowings from international financial institutions	2 724 895	3 170 772
Repayment of borrowings from international financial institutions	(1 282 993)	(707 186)
Repayment of subordinated debt	(172 075)	-
Dividends paid	(273 984)	-
Net cash from financing activities	1 518 191	6 123 607
Effect of exchange rate changes on cash and cash equivalents	135 771	158 031
Net (decrease)/increase in cash and cash equivalents	2 356 794	(93 570)
Cash and cash equivalents at the beginning of the year	6 998 761	7 005 707
Cash and cash equivalents at the end of the period	9 355 555	6 912 137

The notes set out on pages 5 to 28 form an integral part of these consolidated condensed interim financial information.

Center-invest Bank Group
Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

	Note	Share capital	Share premium	Revaluation reserve for premises and equipment	Retained earnings	Total equity
<i>In thousands of Russian Roubles</i>						
Balance at 1 January 2013		1 258 709	1 646 428	1 356 247	3 331 891	7 593 275
Profit for six months ended 30 June 2013		-	-	-	675 348	675 348
Total comprehensive income for six months ended 30 June 2013		-	-	-	675 348	675 348
Dividends declared:						
- ordinary shares	11	-	-	-	(232 652)	(232 652)
- preference shares	11	-	-	-	(18 099)	(18 099)
Balance at 30 June 2013		1 258 709	1 646 428	1 356 247	3 756 488	8 017 872
Balance at 1 January 2014		1 258 709	1 646 428	1 327 697	4 519 573	8 752 407
Profit for six months ended 30 June 2014		-	-	-	735 903	735 903
Total comprehensive income for six months ended 30 June 2014		-	-	-	735 903	735 903
Dividends declared:						
- ordinary shares	11	-	-	-	(255 917)	(255 917)
- preference shares	11	-	-	-	(18 099)	(18 099)
Transfer of revaluation surplus on premises to retained earnings		-	-	(75 928)	75 928	-
Balance at 30 June 2014		1 258 709	1 646 428	1 251 769	5 057 388	9 214 294

The notes set out on pages 5 to 28 form an integral part of these consolidated condensed interim financial information.

1. Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the six months ended 30 June 2014 OJSC CB «Center-invest» (the “Bank”) and its 100% subsidiary LLC Center-Leasing (the “Group”).

This consolidated condensed interim financial information has been reviewed, not audited.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares.

Principal activity. The Group’s principal business activities are corporate and retail banking and leasing operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation (“CBRF”) since 1992. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

At 30 June 2014 the Bank has nine (31 December 2013: nine, 30 June 2013: nine) branches within the Russian Federation. Additionally, the Bank has representative office in Moscow and 108 (31 December 2013: 108, 30 June 2013: 106) sub-branches in the Rostov, Volgograd, Stavropol and Krasnodar regions.

Registered address and place of business. The Bank’s registered address is: 62 Sokolova street, Rostov-on-the-Don, Russian Federation, 344000.

The average number of the Group’s employees during six months ended 30 June 2014 was 1 556 (2013: 1 544, six months ended 30 June 2013: 1 539).

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles (“RR thousands”), unless otherwise stated.

2. Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Russian economy is especially sensitive to fluctuations of oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation. The ongoing uncertainty and volatility of the financial markets and other risks could have significant negative effects on the Russian financial and corporate sectors.

Management determined loan impairment provisions using the “incurred loss” model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

The Bank operates primarily in the South of Russia. Due to a diversified by industry economic structure the South of Russia demonstrates more dynamic and stable development trends than most other Russian regions. The growth rate demonstrated by the main industry of the region, agriculture, significantly exceeds Russia’s average level. Stable growth is attributable to natural and climatic factors, well developed infrastructure, the structure of economy diversified by activity and characterised by high share of small and medium enterprises.

3. Summary of Significant Accounting Policies

Basis of preparation. This condensed consolidated interim financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this consolidated condensed interim financial information as compared with the annual consolidated financial statements for the year ended 31 December 2013.

Interim period tax measurement. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the consolidated financial statements for the year ended 31 December 2013, became effective for the Group from 1 January 2014.

These new or amended standards had an impact on presentation and disclosures. The amendments to IAS 1, “Presentation of Financial Statements”, require us to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to ‘statement of profit or loss and other comprehensive income’. Implementation of IFRS 13, “Fair Value Measurement”, resulted in additional disclosures about fair values of financial instruments

Foreign currency translation. Monetary assets and liabilities are translated into each entity’s functional currency at the official exchange rate of the CBRF at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each company’s functional currency at year-end official exchange rates of the CBRF are recognised in the consolidated statement of profit and loss and other comprehensive income.

At 30 June 2014 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 33.6306 and EURO 1 = RR 45.8251 (31 December 2013: USD 1 = RR 32.7292, EURO 1 = RR 44.9699; 30 June 2013: USD 1 = RR 32.709, EURO 1 = RR 42.718).

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated statement of profit and loss and other comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans.

A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 328 881 thousand (2013: 281 323 thousand, six months ended 30 June 2013: 301 858 thousand).

Revaluation of premises and equipment. Given the absence of a highly liquid market for non-residential premises and land in Rostov, the Rostov Region and other regions of the South of Russia, the Bank and the independent appraiser have used professional judgements on comparability of existing real estate sale deals and available data on transactions with land and real estate between third parties. If the price per square meter of land had increased by 10%, the carrying value of land would have increased by RR 45 665 thousand (31 December 2013: 51 710 thousand, 30 June 2013: 52 770 thousand). If the price per square meter of buildings had increased by 10%, the carrying value of building would have increased by RR 178 858 thousand (31 December 2013: 182 954 thousand, 30 June 2013: 187 335 thousand).

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations.

5. New Accounting Pronouncements

The following new standards and interpretations became effective for the Group from 1 January 2014:

“Offsetting Financial Assets and Financial Liabilities” – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The amended standards did not have any material impact on the Group’s consolidated financial statements.

“Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities” (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity’s investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standards did not have any material impact on the Group’s consolidated financial statements.

Furthermore, the IASB has issued the following pronouncements not yet adopted in Russia:

IFRIC 21 – “Levies” (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The amended standards did not have any material impact on the Group’s consolidated financial statements.

Amendments to IAS 36 – “Recoverable amount disclosures for non-financial assets” (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standards did not have any material impact on the Group’s consolidated financial statements.

Amendments to IAS 39 – “Novation of Derivatives and Continuation of Hedge Accounting” (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a

central counterparty as a result of laws or regulation, if specific conditions are met. The amended standards did not have any material impact on the Group's consolidated financial statements.

IFRS 9 “Financial Instruments Part 1: Classification and Measurement”. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only “basic loan features”). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

6. Loans and Advances to Customers

<i>In thousands of Russian Roubles</i>	30 June 2014	30 June 2013	31 December 2013
Loans to small and medium size enterprises (SME loans)	30 024 974	26 290 200	27 431 220
Corporate loans	10 026 494	11 480 849	10 013 885
Loans to individuals - consumer loans and car loans	18 206 514	14 179 561	16 767 900
Mortgage loans	10 325 630	8 316 936	9 528 709
Total loans and advances to customers (before impairment)	68 583 612	60 267 546	63 741 714
Less: Provision for loan impairment	(3 288 812)	(3 018 578)	(2 813 231)
Total loans and advances to customers	65 294 800	57 248 968	60 928 483

Center-invest Bank Group

Notes to the Consolidated Condensed Interim Financial Information – 30 June 2014 (Unaudited)

Movements in the provision for loan impairment are as follows:

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2014	Six months ended 30 June 2013	2013
Provision for loan impairment as at 1 January	2 813 231	2 980 362	2 980 362
Provision for impairment during the year	552 320	513 173	794 198
Recovery of provision on reassigned rights of claim	(2 044)	(133 333)	(62 157)
Amounts written off during the year as uncollectible	(74 695)	(341 624)	(899 172)
Provision for loan impairment as at End of period	3 288 812	3 018 578	2 813 231

During six months ended 30 June 2014, the Group assigned its rights to overdue and impaired loans totalling (before impairment provision) to RR 63 170 thousand (2013: RR 470 507 thousand; six months ended 30 June 2013: RR 274 668 thousand) for RR 64 499 thousand (2013: RR 408 350 thousand; six months ended 30 June 2013: RR 239 986 thousand). The net result of assignment of rights to these loans was RR 3 373 thousand (2013: RR 0 thousand; six months ended 30 June 2013: RR 99 152 thousand) recorded in the consolidated statement of profit and loss and other comprehensive income.

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

<i>In thousands of Russian Roubles</i>	30 June 2014		30 June 2013		31 December 2013	
	Amount	%	Amount	%	Amount	%
Individuals (total), incl.	28 532 144	41,6	22 496 497	37,3	26 296 609	41,3
- consumer loans	16 339 598	23,8	12 768 344	21,2	15 050 578	23,6
- mortgage loans	10 325 630	15,1	8 316 936	13,8	9 528 709	14,9
- car loans	1 866 916	2,7	1 411 217	2,3	1 717 322	2,7
Agriculture	10 885 714	15,9	10 158 606	16,9	9 522 235	14,9
Trade	10 404 795	15,2	9 165 604	15,2	9 817 090	15,4
Manufacturing	8 042 680	11,7	7 457 968	12,4	7 587 481	11,9
Construction	3 831 640	5,6	3 430 785	5,7	3 790 226	5,9
Transport	2 335 930	3,4	3 370 293	5,6	2 413 220	3,8
Financial companies	172 126	0,3	278 081	0,4	223 164	0,4
Real estate	102 831	0,1	107 767	0,2	95 333	0,1
Energy	80 637	0,1	441 667	0,7	55 033	0,1
Other	4 195 115	6,1	3 360 278	5,6	3 941 324	6,2
Total loans and advances to customers (before impairment)	68 583 612	100,0	60 267 546	100,0	63 741 715	100,0

As at 30 June 2014, the Group's 10 largest borrowers had aggregate loan balances (including finance lease investments) of RR 9 366 932 thousand, or 13.5% of the loan portfolio and finance lease receivables before impairment (31 December 2013: RR 9 605 430 thousand, or 14.9%; 30 June 2013: RR 9 580 733 thousand, or 15.7%).

Carrying value of each class of loans and advances to customers approximates their fair value at 30 June 2014, 31 December 2013 and 30 June 2013. Refer to Note 16. Information on related party balances and transactions is disclosed in Note 17.

7. Finance Lease Receivables

<i>In thousands of Russian Roubles</i>	30 June 2014	30 June 2013	31 December 2013
Total investments in finance lease	699 721	886 230	742 546
Less: Unearned future finance income	(119 944)	(151 516)	(122 234)
Less: Provision for impairment	(3 281)	(15 771)	(3 262)
Total finance lease receivables	576 496	718 943	617 050

Movements in the provision for uncollectible finance lease receivables are as follows:

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2014	Six months ended 30 June 2013	2013
Provision for impairment of finance lease receivables as at 1 January	3 262	23 601	23 601
Provision for/(recovery of) impairment of finance lease receivables during the period	19	6 641	10 442
Amounts written off during the year as uncollectible and provision utilised on selling assets	-	(14 471)	(30 781)
Provision for impairment of finance lease receivables as at End of period	3 281	15 771	3 262

Carrying value of each class of finance lease receivables approximates their fair value at 30 June 2014, 31 December 2013 and 30 June 2013. Refer to Note 16.

8. Customer Accounts

<i>In thousands of Russian Roubles</i>	30 June 2014	30 June 2013	31 December 2013
<i>State and public organisations</i>			
- Current/settlement accounts	714 798	1 117 132	344 624
- Term deposits	11 509	5 297	11 295
<i>Other legal entities</i>			
- Current/settlement accounts	8 475 938	8 111 207	10 287 323
- Term deposits	1 992 272	2 144 159	1 182 658
<i>Individuals</i>			
- Current/demand accounts	4 594 151	4 132 803	4 863 110
- Term deposits	32 815 414	30 984 540	32 729 570
Total customer accounts	48 604 082	46 495 138	49 418 580

At 30 June 2014 the total aggregate balance of 10 largest clients of the Group was RR 3 253 192 thousand or 6.7% of customer accounts (31 December 2013: RR 2 996 934 thousand, or 6.1%; 30 June 2013: RR 4 485 287 thousand or 9.6%).

Carrying value of each class of customer accounts approximates fair value at 30 June 2014, 31 December 2013 and 30 June 2013. Refer to Note 16. Information on related party balances is disclosed in Note 17.

Center-invest Bank Group
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2014 (Unaudited)

9. Debt Securities in Issue

<i>In thousands of Russian Roubles</i>	30 June 2014	30 June 2013	31 December 2013
Bonds	9 126 142	8 070 168	8 582 801
Promissory notes	615 555	1 377 135	448 292
Total debt securities in issue	9 741 697	9 447 303	9 031 093

Each bond has par value of RR 1 000 and an embedded put option at par value and exercisable at the moment of coupon income change.

Issue	CINBO-02	CINBO-BO1	CINBO-BO5	CINBO-BO2	CINBO-BO6	CINBO-BO3	CINBO-BO7	CINBO-BO10
Par value, RR	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Quantity	3 000 000	1 500 000	1 000 000	1 500 000	1 000 000	1 500 000	2 000 000	3 000 000
Initial placement date	June 2009	June 2011	June 2011	April 2012	March 2013	March 2013	November 2013	May 2014
Maturity	June 2014	June 2014	June 2014	April 2015	March 2016	March 2016	November 2018	May 2019
Next offer date				-	September 2014	September 2014	November 2015	November 2014
As at 30 June 2014								
Number of bonds in issue	-	-	-	1 500 000	1 000 000	1 500 000	2 000 000	3 000 000
- including repurchased by subsidiary	-	-	-	4 599	1 561	5 524	2 194	-
Coupon rate, %	-	-	-	10.20	10.25	10.25	9.20	11.75
Weighted average price, RR	-	-	-	999.9	999.5	1000.0	974.0	1004.6
As at 30 June 2013								
Number of bonds in issue	2 476 585	1 025 452	469 005	1 500 000	1 000 000	1 500 000	-	-
- including repurchased by subsidiary	-	3	1	66	-	-	-	-
Coupon rate, %	9.40	9.70	9.70	10.20	10.25	10.25	-	-
Weighted average price, RR	1000.3	1006.2	1005.9	1010.8	1018.8	1011.6	-	-
As at 30 December 2013								
Number of bonds in issue	2 476 585	340	2	1 500 000	1 000 000	1 500 000	2 000 000	-
- including repurchased by subsidiary	7 092	-	-	-	1 561	4 500	-	-
Coupon rate, %	9.40	0.50	0.50	10.20	10.25	10.25	9.20	-
Weighted average price, RR	1005.0	992.8	1000.6	1016.0	1012.4	1003.0	998.3	-

Carrying value of each class of debt securities in issue approximates fair value at 30 June 2014, 31 December 2013 and 30 June 2013. Refer to Note 16.

10. Interest Income and Expense

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2014	Six months ended 30 June 2013	2013
Interest income			
Loans and advances to enterprises	2 447 561	2 255 211	4 633 870
Loans and advances to individuals	1 927 968	1 419 852	3 209 331
Finance income arising from leasing	52 823	64 817	123 343
Debt trading securities	38 645	74 438	155 294
Due from other banks, accounts with other banks	33 275	20 549	58 007
Total interest income	4 500 272	3 834 867	8 179 845
Interest expense			
Term deposits of individuals	1 277 172	1 227 114	2 561 157
Bonds issued	443 184	314 617	712 041
Borrowings from international financial institutions, subordinated debt and other banks	421 273	276 408	641 199
Term deposits of legal entities	56 936	43 298	99 429
Current accounts of legal entities	40 736	24 010	53 091
Promissory notes issued	17 663	19 097	68 080
Total interest expense	2 256 964	1 904 544	4 134 997
Net interest income	2 243 308	1 930 323	4 044 848

11. Dividends

<i>In thousands of Russian Roubles</i>	30 June 2014		30 June 2013	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Dividends payable at 1 January	-	-	-	-
Dividends declared during the period	255 917	18 099	232 652	18 099
Dividends paid during the period	(255 917)	(18 099)	-	-
Dividends payable	-	-	232 652	18 099

In June 2014 the Bank declared and paid dividends on preference shares with nominal value of RR 1 000 – RR 200 per share (2013: RR 200 per share) and on preference shares with nominal value of RR 4 – RR 0.8 per share (2013: RR 0.8 per share). In June 2014 the Bank declared and paid dividends on ordinary shares - RR 3.3 per share (2013: RR 3.0 per share).

The payment of dividends for 2013 was made in June 2014 (for 2012: in July 2013). All dividends are declared and paid in Russian Rubles

12. Segment Analysis

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

Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of main business segments:

- Lending – representing retail and corporate lending services, leasing, factoring and bank guarantees issued.
- Treasury – representing financial instruments trading, borrowings on domestic and international markets, management of liquidity and foreign currency position of the Group, correspondent and current accounts, corporate deposits.
- Retail banking – representing private banking services to individuals, private customer, deposits, investment savings products, custody, credit and debit cards, municipal payments.

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

The Group has identified the following operating segments: lending activities, leasing, retail, securities, treasury, correspondent and current accounts, and plastic cards. Lending and leasing have been aggregated into one reportable segment – lending. Correspondent and current accounts, securities, and treasury have been aggregated into one reportable segment - treasury. Retail and plastic cards have been aggregated into one segment – retail banking.

In addition, the Bank's Management Board reviews the major categories of general and administrative expenses, however, these expenses are not allocated to the above segments and they are not taken into consideration in allocating resources to segments and assessing their performance.

Measurement of operating segment profit or loss, assets and liabilities

The Management Board reviews financial information prepared based on Russian Accounting Standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- for operating decisions standalone information not adjusted for statutory subsequent events;
- income taxes are not allocated to segments;
- loan provisions are recognised based on management judgement and availability of information, rather than based on the incurred loss model prescribed in IAS 39;
- income on impaired loans is not recognised;
- commission income related to lending and commission expenses on borrowings is recognised immediately rather than deferred using the effective interest method;
- finance income arising from leasing is recognised as services provided, advances from lessees are recognised as income pro rata during the period of the leasing agreement;
- funds are generally reallocated between segments ignoring internal interest rates.

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

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the six months ended 30 June 2014 year is set out below: <i>In thousands of Russian Roubles</i>	Lending and leasing	Treasury	Retail	Total
Six months ended 30 June 2014				
<i>External revenues:</i>				
- Interest income	4 125 039	71 910	35 233	4 232 182
- Fee and commission income and other operating income	240 287	233 941	234 083	708 311
Total revenues	4 365 326	305 851	269 316	4 940 493
Interest expense	-	(969 523)	(1 282 972)	(2 252 495)
Provision for impairment	(421 245)	(157)	(400)	(421 802)
Fee and commission expenses and other expenses	(17 393)	(57 435)	(59 595)	(134 423)
Losses less gains from trading securities and foreign currencies	-	(37 750)	-	(37 750)
Segment result	3 926 688	(759 014)	(1 073 651)	2 094 023
Total reportable segment assets	65 980 457	1 613 810	-	67 594 267
Total reportable segment liabilities	-	(32 930 322)	(37 098 758)	(70 029 080)

Segment information for the reportable segments for the six months ended 30 June 2013 year is set out below:

<i>In thousands of Russian Roubles</i>	Lending and leasing	Treasury	Retail	Total
Six months ended 30 June 2013				
<i>External revenues:</i>				
- Interest income	3 467 471	99 574	5 243	3 572 288
- Fee and commission income and other operating income	217 447	254 672	197 796	669 915
- Gains less losses from trading securities	-	4 647	-	4 647
Total revenues	3 684 918	358 893	203 039	4 246 850
Interest expense	-	(675 931)	(1 230 225)	(1 906 156)
Provision for impairment	(465 800)	387	(876)	(466 289)
Fee and commission expenses and other expenses	(47 701)	(58 999)	(45 379)	(152 079)
Segment result	3 171 417	(375 650)	(1 073 441)	1 722 326
Total reportable segment assets	57 948 130	4 916 559	-	62 864 689
Total reportable segment liabilities	-	(28 809 827)	(34 862 412)	(63 672 239)

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Segment information for the reportable segments for the year ended 31 December 2013 year is set out below:

<i>In thousands of Russian Roubles</i>	Lending and leasing	Treasury	Retail	Total
2013				
<i>External revenues:</i>				
- Interest income	7 439 984	217 875	22 293	7 680 152
- Fee and commission income and other operating income	565 813	564 402	422 177	1 552 392
- Gains less losses from trading securities	-	8 757	-	8 757
Total revenues	8 005 797	791 034	444 470	9 241 301
Interest expense	-	(1 577 323)	(2 569 692)	(4 147 015)
Provision for impairment	(650 470)	390	(1 126)	(651 206)
Fee and commission expenses and other expenses	(92 092)	(100 565)	(103 392)	(296 049)
Segment result	7 263 235	(886 464)	(2 229 740)	4 147 031
Total reportable segment assets	61 670 795	3 736 073	-	65 406 868
Total reportable segment liabilities	-	(28 884 623)	(37 389 622)	(66 274 245)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2014	Six months ended 30 June 2013	2013
Total revenues for reportable segments	4 940 493	4 246 850	9 241 301
Accrual method application to fee and commission income	15 491	30 226	25 551
Application of IAS 17 on finance lease	(3 532)	3 855	(347)
Fair value of trading securities portfolio recalculation	-	(7 339)	(5 600)
Recognition of interest income on impaired loans	89 467	64 901	117 659
Consolidation effect	(219)	(6 361)	(7 952)
Foreign exchange translation gains less losses	(140 201)	(43 916)	(36 060)
Other	168 827	126 742	(1 115)
Total consolidated revenues	5 070 326	4 414 958	9 333 437

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Total consolidated revenues comprise interest income, fee and commission income and other income.

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2014	Six months ended 30 June 2013	2013
Total reportable segment result	2 094 023	1 722 326	4 147 031
Administrative expenses	(1 121 567)	(962 439)	(2 243 576)
Application of effective interest rate method	26 374	43 461	34 673
Application of IAS 17 on finance lease	(3 532)	3 855	(347)
Fair value of trading securities portfolio and other financial assets and liabilities recalculation	2 304	(15 453)	(7 017)
Recognition of interest income on impaired loans	89 467	64 901	117 659
Recognition of loan loss provision	(52 862)	79 004	(96 742)
Consolidation effect	(1 492)	1 663	9 911
Events after the end of the reporting period	(69 661)	(52 487)	(87 999)
Depreciation/amortisation recalculation	(690)	(13 495)	(31 196)
Other	(24 782)	(13 376)	(40 818)
Profit before tax	937 582	857 960	1 801 579

<i>In thousands of Russian Roubles</i>	30 June 2014	30 June 2013	31 December 2013
Total reportable segment assets	67 594 267	62 864 689	65 406 868
Unallocated assets	12 700 492	9 757 452	10 448 406
Recognition of loan loss provision	41 589	239 761	128 670
Recognition of interest income on impaired loans	363 334	327 527	293 519
Application of effective interest rate method to fee and commission income	(300 631)	(309 474)	(313 635)
Finance lease adjustments	(154 568)	(208 761)	(175 483)
Fair value of trading securities portfolio recalculation	(8)	(6 278)	(8)
Consolidation effect	266 206	305 591	293 141
Other	(181 974)	(124 899)	(134 268)
Total consolidated assets	80 328 707	72 845 608	75 947 210

<i>In thousands of Russian Roubles</i>	30 June 2014	30 June 2013	31 December 2013
Total reportable segment liabilities	70 029 080	63 672 239	66 274 245
Unallocated liabilities	1 203 935	1 247 259	1 016 248
Application of effective interest rate method to fee and commission expenses	(59 363)	(52 593)	(43 983)
Consolidation effect	(59 239)	(39 169)	(47 819)
Other	-	-	(3 888)
Total consolidated liabilities	71 114 413	64 827 736	67 194 803

Major customers

The Group does not have customers, revenues from which represent 10% or more of the total revenues.

13. Financial Risk Management

The currency position of the Group as at 30 June 2014 is set out below:

<i>In thousands of Russian Roubles</i>	RR	USD	Euro	Others	Total
Assets					
Cash and cash equivalents	5 278 357	1 089 000	2 960 332	27 866	9 355 555
Mandatory cash balances with the CBRF	512 525	-	-	-	512 525
Trading securities	509 325	-	-	-	509 325
Due from other banks	400 300	-	-	-	400 300
Loans and advances to customers	61 872 832	3 286 918	135 050	-	65 294 800
Finance lease receivables	560 876	12 104	3 516	-	576 496
Other assets	391 686	25 197	107	-	416 990
Total financial assets	69 525 901	4 413 219	3 099 005	27 866	77 065 991
Other assets	3 261 428				3 261 428
Total assets	72 787 329	4 413 219	3 099 005	27 866	80 327 419
Liabilities					
Due to other banks	2 863 449	-	339 363	-	3 202 812
Customer accounts	45 415 337	2 221 704	955 379	11 662	48 604 082
Debt securities in issue	9 741 697	-	-	-	9 741 697
Borrowings from international financial institutions	5 407 468	56 845	1 830 929	-	7 295 242
Subordinated loan	-	1 699 076	-	-	1 699 076
Other financial liabilities	141 575	19 517	1 591	-	162 683
Total financial liabilities	63 569 526	3 997 142	3 127 262	11 662	70 705 592
Other liabilities	408 821				408 821
Total liabilities	63 978 347	3 997 142	3 127 262	11 662	71 114 413
Spot contracts	415 337	(427 109)	13 060	-	1 288
Net open currency position	9 224 319	(11 032)	(15 197)	16 204	9 214 294
Credit related commitments	2 467 263	59 254	24 467	-	2 550 984

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The currency position of the Group as at 30 June 2013 is set out below:

<i>In thousands of Russian Roubles</i>	RR	USD	Euro	Others	Total
Assets					
Cash and cash equivalents	4 275 695	1 210 994	1 398 555	26 893	6 912 137
Mandatory cash balances with the CBRF	648 115	-	-	-	648 115
Trading securities	1 722 001	-	-	-	1 722 001
Due from other banks	1 850 300	-	-	-	1 850 300
Loans and advances to customers	53 674 672	3 319 100	255 196	-	57 248 968
Finance lease receivables	703 424	-	15 519	-	718 943
Other assets	302 269	4 585	3 271	-	310 125
Total financial assets	63 176 476	4 534 679	1 672 541	26 893	69 410 589
Other assets	3 435 019				3 435 019
Total assets	66 611 495	4 534 679	1 672 541	26 893	72 845 608
Liabilities					
Due to other banks	509 356	-	18 442	-	527 798
Customer accounts	43 862 635	1 885 866	728 554	18 083	46 495 138
Debt securities in issue	9 447 303	-	-	-	9 447 303
Borrowings from international financial institutions	4 778 549	393 295	424 516	-	5 596 360
Subordinated loan	-	1 975 569	-	-	1 975 569
Other financial liabilities	123 671	4 183	2 357	-	130 211
Total financial liabilities	58 721 514	4 258 913	1 173 869	18 083	64 172 379
Other liabilities	655 272				655 272
Total liabilities	59 376 786	4 258 913	1 173 869	18 083	64 827 651
Spot contracts	743 873	(261 672)	(482 286)	-	(85)
Net open currency position	7 978 582	14 094	16 386	8 810	8 017 872
Credit related commitments	1 936 914	16 093	12 578	-	1 965 585

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The liquidity position of the Group as at 30 June 2014 is set out below:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
<i>In thousands of Russian Roubles</i>								
Assets								
Cash and cash equivalents	9 355 555	-	-	-	-	-	-	9 355 555
Mandatory cash balances with the CBRF	512 525	-	-	-	-	-	-	512 525
Trading securities	509 325	-	-	-	-	-	-	509 325
Due from other banks	400 300	-	-	-	-	-	-	400 300
Loans and advances to customers	1 624 470	4 663 009	7 363 570	11 954 476	31 069 588	8 619 687	-	65 294 800
Finance lease receivables	32 202	54 408	75 196	123 281	291 409	-	-	576 496
Investment in associate	-	-	-	-	-	-	337 295	337 295
Intangible assets	-	-	-	-	-	-	288 864	288 864
Premises and equipment	-	-	-	-	-	-	2 351 634	2 351 634
Other financial assets	230 780	18 826	4 806	47 784	110 085	-	5 997	418 278
Other assets	10 540	82 281	54 962	60 592	75 260	-	-	283 635
Total assets	12 675 697	4 818 524	7 498 534	12 186 133	31 546 342	8 619 687	2 983 790	80 328 707
Liabilities								
Due to other banks	360 484	1 303 740	1 018 937	19 651	500 000	-	-	3 202 812
Customer accounts	14 692 992	2 137 926	2 013 561	6 115 305	23 644 298	-	-	48 604 082
Debt securities in issue	199 453	2 877 258	3 156 093	1 515 141	1 993 752	-	-	9 741 697
Borrowings from international financial institutions	37 044	488 922	661 941	2 045 230	4 062 105	-	-	7 295 242
Subordinated debt	-	-	22 443	-	1 676 633	-	-	1 699 076
Other financial liabilities	103 128	20 031	4 055	15 179	20 290	-	-	162 683
Deferred income tax liability	-	-	-	-	-	-	162 701	162 701
Other liabilities	190 226	30 025	37	13 490	12 342	-	-	246 120
Total liabilities	15 583 327	6 857 902	6 877 067	9 723 996	31 909 420	-	162 701	71 114 413
Net liquidity gap	(2 907 630)	(2 039 378)	621 467	2 462 137	(363 078)	8 619 687	2 821 089	9 214 294
Cumulative liquidity gap as at 30 June 2014	(2 907 630)	(4 947 008)	(4 325 541)	(1 863 404)	(2 226 482)	6 393 205	9 214 294	
Cumulative liquidity gap as at 30 June 2014 (30% of customer accounts are permanent)	1 500 268	102 267	1 327 803	5 624 531	12 354 743	20 974 430	9 214 294	

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The liquidity position of the Group as at 30 June 2013 is set out below:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No stated maturity	Total
<i>In thousands of Russian Roubles</i>								
Assets								
Cash and cash equivalents	6 912 137	-	-	-	-	-	-	6 912 137
Mandatory cash balances with the CBRF	648 115	-	-	-	-	-	-	648 115
Trading securities	1 722 001	-	-	-	-	-	-	1 722 001
Due from other banks	1 850 300	-	-	-	-	-	-	1 850 300
Loans and advances to customers	1 374 004	4 140 154	7 642 851	10 102 273	26 260 913	7 728 773	-	57 248 968
Finance lease receivables	38 061	65 040	90 510	156 901	368 431	-	-	718 943
Investment in associate	-	-	-	-	-	-	332 766	332 766
Intangible assets	-	-	-	-	-	-	298 762	298 762
Premises and equipment	-	-	-	-	-	-	2 511 528	2 511 528
Other financial assets	179 476	15 696	2 936	36 353	69 667	-	5 997	304 128
Other assets	24 679	84 449	9 082	42 691	131 062	-	-	291 963
Total assets	12 748 773	4 305 339	7 745 379	10 338 218	26 830 073	7 728 773	3 149 053	72 845 608
Liabilities								
Due to other banks	9 355	-	124	-	518 319	-	-	527 798
Customer accounts	15 272 163	2 421 059	2 166 664	3 407 955	23 227 297	-	-	46 495 138
Debt securities in issue	98 084	695 019	2 179 597	2 476 896	3 997 707	-	-	9 447 303
Borrowings from international financial institutions	52 824	292 380	417 200	1 238 590	3 494 841	100 525	-	5 596 360
Subordinated debt	84 079	-	98 824	163 253	-	1 629 413	-	1 975 569
Other financial liabilities	82 770	9 282	4 524	11 824	21 896	-	-	130 296
Deferred income tax liability	-	-	-	-	-	-	226 557	226 557
Other liabilities	397 399	12 372	30	12 303	6 611	-	-	428 715
Total liabilities	15 996 674	3 430 112	4 866 963	7 310 821	31 266 671	1 729 938	226 557	64 827 736
Net liquidity gap	(3 247 901)	875 227	2 878 416	3 027 397	(4 436 598)	5 998 835	2 922 496	8 017 872
Cumulative liquidity gap as at 30 June 2013	(3 247 901)	(2 372 674)	505 742	3 533 139	(903 459)	5 095 376	8 017 872	
Cumulative liquidity gap as at 30 June 2013 (30% of customer accounts are permanent)	1 333 748	2 935 293	6 463 708	10 513 491	13 045 082	19 043 917	8 017 872	

14. Analysis of Risk-based Capital

The composition of the Group's capital calculated in accordance with the Basel Accord is as follows:

<i>In thousands of Russian Roubles</i>	30 June 2014	30 June 2013	31 December 2013
<i>Tier 1 capital</i>			
Share capital	1 258 709	1 258 709	1 258 709
Share premium	1 646 428	1 646 428	1 646 428
Retained Earnings	5 057 388	3 756 488	4 519 573
Total tier 1 capital	7 962 525	6 661 625	7 424 710
<i>Tier 2 capital</i>			
Revaluation reserve for premises and equipment	1 251 769	1 356 247	1 327 697
Subordinated debt	1 443 313	1 662 162	1 573 456
Total tier 2 capital	2 695 082	3 018 409	2 901 153
Total capital	10 657 607	9 680 034	10 325 863
Risk-Weighted Assets	68 578 903	62 502 592	65 990 155
Capital Adequacy Ratio	15,5%	15,5%	15,6%

15. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. At 30 June 2014, the Group was engaged in litigation proceedings in relation to claims from borrowers and leases. A provision of RR 15 668 thousand (30 June 2013 r.: 421 thousand; 31 December 2013 r.: 15 668 thousand) has been made as internal professional advice has indicated that it is likely that a liability will eventuate.

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

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2014	30 June 2013	31 December 2013
Guarantees issued	2 550 984	1 965 585	2 074 005
Import documentary letters of credit	-	-	-
Total credit related commitments	2 550 984	1 965 585	2 074 005

The total outstanding contractual amount of guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was RR 36 852 thousand at 30 June 2014 (30 June 2013: 39 980 thousand; 31 December 2013: 36 260 thousand). Credit related commitments are denominated in currencies as follows:

<i>In thousands of Russian Roubles</i>	30 June 2014	30 June 2013	31 December 2013
Russian roubles	2 467 263	1 936 914	2 017 594
US dollars	59 254	16 093	42 085
Euro	24 467	12 578	14 326
Total	2 550 984	1 965 585	2 074 005

The Group has loan commitments of RR 5 610 424 thousand (30 June 2013: 4 584 516 thousand; 31 December 2013: 6 618 650 thousand). All undrawn credit facilities can be automatically closed upon failure by the borrower to meet the requirements of the loan agreement. The fair value of such commitments is equal to zero.

Assets pledged and restricted. Mandatory cash balances with the CBRF in the amount of RR 512 525 thousand (30 June 2013: 648 115 thousand; 31 December 2013: 528 130 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and a requirement of early repayment of the loan. The Group was in compliance with all covenants as at 30 June 2014, 31 December 2013 and 30 June 2013.

16. Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly, and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the other IFRS standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2014			Total
	Level 1	Level 2	Level 3	
ASSETS AT FAIR VALUE FINANCIAL ASSETS				
FINANCIAL ASSETS				
<i>Trading securities</i>				
- Corporate bonds	509 325	-	-	509 325
<i>Other financial assets</i>				
- Foreign exchange forward contracts	-	1 288	-	1 288
- Other securities at fair value through profit or loss	-	-	5 997	5 997
NONFINANCIAL ASSETS				
- Land and premises	-	2 245 233	-	2 245 233
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	509 325	2 246 521	5 997	2 761 843
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	-	-	-	-

<i>In thousands of Russian Roubles</i>	31 December 2013			
	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE				
FINANCIAL ASSETS				
<i>Trading securities</i>				
- Corporate bonds	2 038 905	-	-	2 038 905
- Shares of closed mutual funds	49 942	7 833	-	57 775
<i>Other financial assets</i>				
- Other securities at fair value through profit or loss	-	-	5 997	5 997
NONFINANCIAL ASSETS				
- Land and premises	-	2 346 642	-	2 346 642
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	2 088 847	2 354 475	5 997	4 449 319
LIABILITIES CARRIED AT FAIR VALUE				
<i>Other financial liabilities</i>				
- Foreign exchange forward contracts	-	1 417	-	1 417
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	-	1 417	-	1 417

<i>In thousands of Russian Roubles</i>	30 June 2013			
	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE				
FINANCIAL ASSETS				
<i>Trading securities</i>				
- Corporate bonds	1 672 590	-	-	1 672 590
- Shares of closed mutual funds	40 954	8 457	-	49 411
<i>Other financial assets</i>				
- Other securities at fair value through profit or loss	-	-	5 997	5 997
NONFINANCIAL ASSETS				
- Land and premises	-	2 401 046	-	2 401 046
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	1 713 544	2 409 503	5 997	4 129 044
LIABILITIES CARRIED AT FAIR VALUE				
<i>Other financial liabilities</i>				
- Foreign exchange forward contracts	-	85	-	85
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	-	85	-	85

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2014			Carrying value
	Level 1	Level 2	Level 3	
FINANCIAL ASSETS				
Cash and cash equivalents	9 355 555	-	-	9 355 555
Mandatory cash balances with the CB RF	512 525	-	-	512 525
Due from other banks	400 300	-	-	400 300
Loans and advances to customers	-	-	64 313 718	65 294 800
- <i>Loans to small and medium entities</i>	-	-	28 585 467	28 864 648
- <i>Corporate loans</i>	-	-	9 225 648	9 244 818
- <i>Loans to individuals – consumer and car loans</i>	-	-	16 632 110	17 325 190
- <i>Mortgage loans</i>	-	-	9 870 493	9 860 144
Finance lease receivables	-	-	572 491	576 496
Other financial assets	-	-	410 993	410 993
TOTAL	10 268 380	-	65 297 202	76 550 669

<i>In thousands of Russian Roubles</i>	31 December 2013			Carrying value
	Level 1	Level 2	Level 3	
FINANCIAL ASSETS				
Cash and cash equivalents	6 998 761	-	-	6 998 761
Mandatory cash balances with the CB RF	528 130	-	-	528 130
Due from other banks	1 100 300	-	-	1 100 300
Loans and advances to customers	-	-	60 316 343	60 928 483
- <i>Loans to small and medium entities</i>	-	-	26 165 970	26 403 441
- <i>Corporate loans</i>	-	-	9 227 503	9 273 159
- <i>Loans to individuals – consumer and car loans</i>	-	-	15 735 338	16 075 015
- <i>Mortgage loans</i>	-	-	9 187 532	9 176 868
Finance lease receivables	-	-	609 327	617 050
Other financial assets	-	-	288 525	288 525
TOTAL	8 627 191	-	61 214 195	70 461 249

<i>In thousands of Russian Roubles</i>	30 June 2013			Carrying value
	Level 1	Level 2	Level 3	
FINANCIAL ASSETS				
Cash and cash equivalents	6 912 137	-	-	6 912 137
Mandatory cash balances with the CB RF	648 115	-	-	648 115
Due from other banks	1 850 300	-	-	1 850 300
Loans and advances to customers	-	-	57 598 285	57 248 968
- <i>Loans to small and medium entities</i>	-	-	25 878 520	25 251 968
- <i>Corporate loans</i>	-	-	10 481 449	10 500 851
- <i>Loans to individuals – consumer and car loans</i>	-	-	13 292 820	13 515 178
- <i>Mortgage loans</i>	-	-	7 945 496	7 980 971
Finance lease receivables	-	-	715 402	718 943
Other financial assets	-	-	304 128	304 128
TOTAL	9 410 552	-	58 617 815	67 682 591

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Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

<i>In thousands of Russian Roubles</i>	30 June 2014			Carrying value
	Level 1	Level 2	Level 3	
FINANCIAL LIABILITIES				
Due to other banks	-	-	3 202 812	3 202 812
Customer accounts	-	-	48 604 082	48 604 082
Debt securities in issue	9 097 962	-	615 555	9 741 697
- <i>Promissory notes</i>	-	-	615 555	615 555
- <i>Bonds issued on domestic market</i>	9 097 962	-	-	9 126 142
Borrowings from international financial institutions	-	-	7 295 242	7 295 242
Subordinated debt	-	-	1 699 076	1 699 076
Other financial liabilities	-	-	162 683	162 683
TOTAL	9 097 962	-	61 579 450	70 705 592

<i>In thousands of Russian Roubles</i>	31 December 2013			Carrying value
	Level 1	Level 2	Level 3	
FINANCIAL LIABILITIES				
Due to other banks	-	-	519 993	519 993
Customer accounts	-	-	49 418 580	49 418 580
Debt securities in issue	8 638 586	-	448 292	9 031 093
- <i>Promissory notes</i>	-	-	448 292	448 292
- <i>Bonds issued on domestic market</i>	8 638 586	-	-	8 582 801
Borrowings from international financial institutions	-	-	5 906 408	5 906 408
Subordinated debt	-	-	1 817 953	1 817 953
Other financial liabilities	-	-	124 921	124 921
TOTAL	8 638 586	-	58 236 147	66 818 948

<i>In thousands of Russian Roubles</i>	30 June 2013			Carrying value
	Level 1	Level 2	Level 3	
FINANCIAL LIABILITIES				
Due to other banks	-	-	527 798	527 798
Customer accounts	-	-	46 495 138	46 495 138
Debt securities in issue	8 105 974	-	1 377 135	9 447 303
- <i>Promissory notes</i>	-	-	1 377 135	1 377 135
- <i>Bonds issued on domestic market</i>	8 105 974	-	-	8 070 168
Borrowings from international financial institutions	-	-	5 596 360	5 596 360
Subordinated debt	-	-	1 975 569	1 975 569
Other financial liabilities	-	-	90 231	90 231
TOTAL	8 105 974	-	56 062 231	64 132 399

The fair values in Level 2 and Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

<i>In thousands of Russian Roubles</i>	30 June 2014	30 June 2013	31 December 2013
RR			
<i>Loans and advances to customers</i>			
Loans to SME	13,7% - 17,0%	13,5% - 15,1%	8,6% - 15,3%
Corporate loans	10,5% - 13,2%	8,0% - 14,2%	9,1% - 14,0%
Loans to individuals – consumer loans	13,0% - 17,9%	11,6% - 16,1%	10,8% - 16,7%
Loans to individuals – car loans	14,9% - 15,6%	14,2% - 14,5%	12,6% - 14,3%
Mortgage loans	9,9% - 11,9%	9,3% - 12,5%	10,8% - 12,3%
<i>Finance lease receivables</i>	19,2% - 20,7%	18,7% - 19,8%	19,9%
Currency			
<i>Loans and advances to customers</i>			
Corporate loans and loans to SME	6,0%	7,6% - 8,2%	6,4% - 8,5%
Loans to individuals – consumer loans	10,0%	10,0%	10,0%
Mortgage loans	9,0%	9,0%	9,0%
<i>Finance lease receivables</i>	8,1%	15,1%	11,8%

Current rates on the Group's liabilities approximate market rates as they relate to short-term instruments or instruments with floating rates.

The Group's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

17. Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can 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.

The Group's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

The consolidated financial statements of the Group include the following significant transactions and balances with related parties:

<i>In thousands of Russian Roubles</i>	30 June 2014		
	Significant shareholders	Associate	Management and Board of Directors
Correspondent accounts with banks	1 770 292	-	-
Gross amount of loans and advances to customers (contractual interest rate: 9,3% - 12,6%)	-	97 649	8 977
Due to other banks (contractual interest rate: 3,5%)	319 575	-	-
Customer accounts (contractual interest rate: 0,1% - 10,3%)	-	4 512	228 596
Borrowings from international financial institutions (contractual interest rate: 6,8% - 13,5%)	2 620 836	-	-
Subordinated loans (contractual interest rate: 6,3%)	1 699 076	-	-

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<i>In thousands of Russian Roubles</i>	30 June 2013		
	Significant shareholders	Associate	Management and Board of Directors
Correspondent accounts with banks	5 584	-	-
Gross amount of loans and advances to customers (contractual interest rate: 8% - 18%)	-	79 284	12 316
Customer accounts (contractual interest rate: 0,1% - 10%)	-	3 935	302 537
Borrowings from international financial institutions (contractual interest rate: 7% - 11%)	3 230 692	-	-
Subordinated loans (contractual interest rate: 4,9%)	1 646 466	-	-

<i>In thousands of Russian Roubles</i>	31 December 2013		
	Significant shareholders	Associate	Management and Board of Directors
Correspondent accounts with banks	5 714	-	-
Gross amount of loans and advances to customers (contractual interest rate: 8% - 12,5%)	-	31 856	8 425
Customer accounts (contractual interest rate: 0,1% - 9,8%)	-	4 330	213 470
Borrowings from international financial institutions (contractual interest rate: 7% - 11%)	2 940 198	-	-
Subordinated loans (contractual interest rate: 6,4%)	1 653 271	-	-

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2014		
	Significant shareholders	Associate	Management and Board of Directors
Interest income	-	5 308	267
Interest expense	(209 508)	-	(7 692)
Fee and commission income	-	593	7
Administrative expenses excluding management remuneration	-	-	(987)

<i>In thousands of Russian Roubles</i>	Six months ended 30 June 2013		
	Significant shareholders	Associate	Management and Board of Directors
Interest income	-	4 120	471
Interest expense	(151 264)	-	(9 275)
Fee and commission income	-	521	-
Administrative expenses excluding management remuneration	-	-	(805)

<i>In thousands of Russian Roubles</i>	2013		
	Significant shareholders	Associate	Management and Board of Directors
Interest income	-	7 227	752
Interest expense	(364 362)	(16)	(11 739)
Fee and commission income	-	1 082	18
Administrative expenses excluding management remuneration	-	-	(2 347)

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The major shareholders of the Bank are as follows:

<i>Shareholder</i>	30 June 2014		30 June 2014		31 December 2013	
	Equity share, %	Voting rights share, %	Equity share, %	Voting rights share, %	Equity share, %	Voting rights share, %
European Bank for Reconstruction and Development	24.58	27.45	24.58	27.45	24.58	27.45
DEG (Deutsche Investitions und Entwicklungsgesellschaft GmbH)	20.10	22.45	20.10	22.45	20.10	22.45
Erste Bank	9.80	9.80	9.80	9.80	9.80	9.80
Firebird funds	8.87	9.90	8.87	9.90	8.87	9.90
Vysokov Vasily Vasilievich	8.07	9.01	8.07	9.01	8.07	9.01
Vysokova Tatiana Nikolaevna	7.91	8.83	7.91	8.83	7.91	8.83
Rekha Holdings Limited	7.29	8.15	7.29	8.15	7.29	8.15

During six months ended 30 June 2014 the Group opened new credit line with European Bank for Reconstruction and Development in total amount RR 800 000 thousand for three years. As at 30 June 2014 RR 400 000 thousand is disbursed. The Group received 7 000 thousand euros of interbank loans from Erste Bank for six months.

Key management compensation is presented below:

	Six months ended 30 June 2014		Six months ended 30 June 2013		2013	
	Expense	Accrued liability	Expense	<i>In thousands of Russian Roubles</i>	Expense	Accrued liability
<i>In thousands of Russian Roubles</i>						
<i>Short-term benefits:</i>						
- Salaries	9 682	-	7 498	-	21 682	-
- Short-term bonuses	37 127	-	32 195	-	82 469	-
<i>Long-term bonus scheme</i>	536	11 610	305	6 611	4 768	11 074
Total	47 345	11 610	39 998	6 611	108 919	11 074

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

In 2014, the Board of Directors consisted of 7 persons (2013: 7 persons). As at 30 June 2014, the Group's Executive Board consisted of 4 persons (31 December 2013: 4 persons; 30 June 2013: 3 persons).