

IRISH STOCK EXCHANGE
COMPANY ANNOUNCEMENT

RUSSIAN STANDARD FINANCE S.A.

(the “**Company**”)

US\$ 2,500,000,000 programme for the issuance of Loan Participation Notes

(the “**Programme**”)

US\$ 350,000,000 13 per cent. loan participation notes due April 2020

ISIN: XS0841677387 and US78307EAL92

Series 11 under the Programme

(the “**2020 Loan Participation Notes**”)

US\$ 200,000,000 11.5 per cent. loan participation notes due January 2024 (callable in January 2019)

ISIN: XS0953323317

Series 13 under the Programme

(the “**2024 Loan Participation Notes**”)

Financial restructuring of the Company’s obligations under the 2020 Loan Participation Notes and the 2024 Loan Participation Notes

Scheme of Arrangement and Practice Statement Letter

The Company hereby announces the issue of a practice statement letter (the “**PSL**”) pursuant to the Practice Statement issued by the High Court of Justice in England and Wales concerning a scheme of arrangement under the Companies Act 2006 (the “**Scheme**”) in relation to the proposed financial restructuring of the Company’s obligations under the 2020 Loan Participation Notes and the 2024 Loan Participation Notes (together the “**Existing Notes**”) and of the two subordinated loans (the “**Subordinated Loans**”), which were made by the Company with the proceeds of the Existing Notes to Joint Stock Company “Russian Standard Bank” (“**RSB**”), a Russian commercial bank, pursuant to two subordinated loan agreements (the “**Subordinated Loan Agreements**”).

The Scheme forms part of a capital restructuring of RSB (the “**Restructuring**”) and involves, among other things, the discharge of the Subordinated Loans and the Existing Notes. The Scheme provides that:

- (a) the Existing Notes will be discharged in consideration for (i) a cash payment equating to 10 per cent. of the outstanding principal amount of the Existing Notes (the “**Cash Consideration**”) plus a cash payment of accrued but unpaid interest on the Existing Notes; and (ii) new notes (to be issued by an SPV held by the holding company of the shareholder of RSB) with a face value equal to the principal outstanding under the Existing Notes less the Cash Consideration (the “**New Notes**”);
- (b) the New Notes will have a 13 per cent. interest coupon which will be payment-in-kind (“**PIK**”) until RSB becomes profitable in aggregate over two quarters (according to IFRS) and/or declares dividends whereupon interest thereafter will be paid in cash; and
- (c) the New Notes will be secured by a share pledge over 49 per cent. of the ordinary shares in RSB.

A person who is a creditor or contingent creditor of the Company under, or as holder of an interest in, the Existing Notes will be a scheme creditor for the purpose of the Scheme (a “**Scheme Creditor**”). If the Scheme becomes effective, the Scheme Creditors will be bound by the terms of the Scheme, along with the Company, whether or not they voted in favour of the Scheme (or at all).

RSB has confirmed that certain steps of the Restructuring require the approval of the Central Bank of the Russian Federation (the “**CBR**”).

The purpose of the PSL is to give notice that the Company intends to apply to the High Court of Justice in England and Wales at a court hearing to be held no sooner than 14 clear days from the date of the PSL and provided that the date of the hearing is notified to Scheme Creditors no later than 7 clear days prior to it for an order granting the Company certain directions in relation to the Scheme, including permission to convene a meeting of creditors for the purpose of considering and, if thought fit, approving the Scheme. The PSL is available from the scheme website hosted by the Company’s information agent, D.F. King Limited, whose contact details are provided below.

Background to the Proposal

The Subordinated Loans form part of the own funds of RSB and, under the Subordinated Loan Agreements, the Subordinated Loans may be written down where either (i) the base capital adequacy ratio of RSB is less than 2 per cent. or (ii) RSB receives notice from the Russian Deposit Insurance Agency that the agency has taken a decision to implement in relation to RSB a specified type of bankruptcy prevention measure (both being a “**Write Down Event**”). Furthermore, the Company understands that the Russian Banks and Banking Activity Law (as currently in effect) provides for a write down of the Subordinated Loans by an operation of law in analogous circumstances to the contractual write down mechanic contained in the Subordinated Loan Agreements. A write down of the principal amount of each Subordinated Loan would in turn result in a corresponding write down of the amounts due under the Existing Notes (in accordance with their terms and conditions).

Closed Joint Stock Company “Russian Standard” Corporation”, a shareholder of RSB (the “**Shareholder**”) and RSB have informed the Company that:

- (i) as a result of the slowdown in the Russian economy, the fall in the real incomes of the Russian population and an increase in the cost of funding, the Russian banking sector has faced significant losses. RSB, as one of the leading Russian retail banks, has also been affected significantly and is incurring losses to its capital position. As a consequence, if the

Restructuring is not implemented RSB's Tier 1 capital level is projected (based on operating assumptions which the Shareholder and RSB consider to be reasonable) to reach a level that would trigger one or more Write Down Events, following which the amount of principal currently outstanding under the Subordinated Loans would be subsequently written down in full. This write down would in turn result in a write down in full of the amounts due under the Existing Notes (in accordance with their terms and conditions);

(ii) the Scheme is intended to allow RSB to recognise a one off gain in an amount equal to approximately 90 per cent. of the principal amount of each Subordinated Loan; and

(iii) if the Scheme is successful it would allow RSB to maintain compliance with its regulatory capital ratio requirements, and would avoid the potential write down of the Subordinated Loans pursuant to a Write Down Event or by operation of law.

The Shareholder and RSB have also informed the Company that RSB is currently finalising a new business model with a view to longer term capital growth, the implementation of which should be able to allow RSB to return to profit, providing the Restructuring becomes effective.

The Shareholder and RSB have informed the Company that the key pillars of the new business model are based on strategies that have been successfully implemented in international markets by RSB's global partners and strategic consultants, and include focusing on low risk segments by offering low risk products to clients with healthy credit ratings, lowering the cost of funding, further reducing operating expenses to create an effective and profitable distribution network with extensive use of remote channels, developing intellectual data analysis instruments (Big Data) and advanced scoring models, as well as increasing non-interest income through transaction commissions, banking insurance and online and mobile services.

Further, the Shareholder and RSB have informed the Company that, if the Restructuring becomes effective, other measures are also being considered to further recapitalise RSB and improve its mandatory capital adequacy ratios, including state financial support from the Russian Deposit Insurance Agency amounting to an investment of RUB 5 billion, additional investment from the shareholder of RSB, and the extension of maturity of RUB 5 billion of the existing subordinated loan from Vnesheconombank (which is subject to the adoption of a resolution of the Russian Government and subsequent approval of the CBR).

Further details regarding the terms of the Scheme and the reasons for it are available in the PSL.

About Russian Standard Finance S.A.

The Company was incorporated as a public limited liability company (*société anonyme*) on 31 March 2005 for an unlimited duration under the laws of the Grand Duchy of Luxembourg. The Company has its registered office at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg. The Company is registered with the Register of Commerce and Companies of Luxembourg under number B 107.255. The Company was established as a special purpose vehicle for the purpose of financing RSB. The Company issues loan participation notes in order to fund related loans to RSB from time to time.

Contact Details

In case of any enquiries, please contact the information agent:

Information Agent

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Russian Standard Finance S.A. (the “**Company**”)

Société anonyme

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