OJSC “Bank “Saint Petersburg” Group

International Financial Reporting Standards Condensed Consolidated Interim Financial Information and Auditors’ Report on Review

30 June 2014

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Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders and Supervisory Board of OJSC "Bank "Saint Petersburg" Group

Introduction

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

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated 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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information of the Group as at 30 June 2014 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО Г.Р. №011585
КПМГ
KPMG
* МОСКВА *

Lukashova N.V.
Director
power of attorney dated 1 October 2013 No. 63/13
ZAO KPMG
Moscow, Russian Federation
1 September 2014

Audited entity: OJSC "Bank Saint Petersburg".

Registered by the Central Bank of the Russian Federation on 3 October 1990, Registration No. 436.

Entered in the Unified State Register of Legal Entities on 6 August 2002 by Saint Petersburg Authority of the Ministry of Taxes and Levies of the Russian Federation, Registration No. 1027800000140, Certificate series 78 No. 003196015.

Address of the audited entity: 64A, Maloohtinskij prospect, Saint Petersburg, Russian Federation, 195112.

Auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.
Entered in the Unified State Register of Legal Entities on 13 August 2002 by Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry of Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.
Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

(In thousands of Russian Roubles)	Note	30 June 2014 (unaudited)	31 December 2013
ASSETS			
Cash and cash equivalents		62 786 122	40 060 452
Mandatory cash balances with the Central Bank of the Russian Federation		2 980 006	2 800 069
Trading securities	6	7 889 548	17 592 638
Trading securities pledged under sale and repurchase agreements	7	57 404 890	51 728 946
Amounts receivable under reverse repurchase agreements	8	21 221 815	14 853 880
Due from banks		1 393 046	8 617 294
Loans and advances to customers	9	261 582 365	250 884 103
Investment securities available-for-sale		2 312 210	3 324 758
Prepaid income tax		84 849	59 678
Deferred tax asset		39 235	-
Investment property		1 652 011	1 653 115
Premises, equipment and intangible assets		13 889 107	13 806 328
Other assets		5 046 839	2 631 567
Long-term assets held for sale		1 416 330	1 409 491
TOTAL ASSETS		**439 698 373**	**409 422 319**
LIABILITIES			
Due to banks		89 945 448	70 540 988
Customer accounts	10	259 403 146	253 127 291
Bonds issued	11	20 498 859	20 218 789
Other debt securities issued		8 054 230	8 507 340
Other borrowed funds	12	6 964 645	7 579 426
Deferred tax liability		740 447	954 172
Other liabilities		3 859 334	818 358
TOTAL LIABILITIES		**389 466 109**	**361 746 364**
EQUITY			
Share capital	13	3 721 734	3 721 734
Share premium	13	21 393 878	21 393 878
Revaluation reserve for premises		3 339 031	3 339 031
Revaluation reserve for investment securities available-for-sale		87 029	399 674
Retained earnings		21 690 592	18 821 638
TOTAL EQUITY		**50 232 264**	**47 675 955**
TOTAL LIABILITIES AND EQUITY		**439 698 373**	**409 422 319**

Approved for issue and signed on behalf of the Supervisory Board on 1 September 2014.

V.S. Guz
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

OJSC "Bank "Saint Petersburg" Group
Condensed Consolidated Interim Statement of Comprehensive Income for the six-month period ended 30 June 2014

(In thousands of Russian Roubles)	Note	Six-month period ended 30 June 2014 (unaudited)	Six-month period ended 30 June 2013 (unaudited)
Interest income	15	18 007 181	14 542 768
Interest expense	15	(9 503 682)	(8 393 694)
Net interest income		**8 503 499**	**6 149 074**
Provision for loan impairment		(2 773 207)	(2 235 464)
Net interest income after provision for loan impairment		**5 730 292**	**3 913 610**
Net losses from trading securities		(1 167 547)	(93 261)
Net gains from investment securities available-for-sale		248 724	-
Net gains from trading in foreign currencies		356 120	339 621
Net gains from foreign exchange translations		2 456 409	927 277
Net losses from derivatives		(1 851 734)	(451 903)
Fee and commission income		1 981 491	1 433 223
Fee and commission expense		(295 535)	(207 353)
(Impairment) recovery of impairment for credit related commitments		(38 465)	36 681
Impairment of investment securities held-to-maturity		-	(5 227)
Gain from acquisition of subsidiary		488 587	-
Other net operating income		155 313	120 125
Administrative and other operating expenses			
- staff costs		(2 160 265)	(1 577 324)
- costs related to premises and equipment		(549 217)	(542 110)
- other administrative and operating expenses		(1 763 059)	(1 331 973)
Profit before tax		**3 591 114**	**2 561 386**
Income tax expense		(671 598)	(558 239)
Profit for the period		**2 919 516**	**2 003 147**
Other comprehensive loss			
Items that are or will be reclassified subsequently to profit or loss:			
Revaluation of investment securities available-for-sale transferred to profit or loss upon disposal	14	(372 323)	-
Loss from revaluation of investment securities available-for-sale	14	(18 484)	(84 641)
Deferred income tax recognized in equity related to other comprehensive loss	14	78 162	16 928
Other comprehensive loss for the period after tax		**(312 645)**	**(67 713)**
Total comprehensive income for the period		**2 606 871**	**1 935 434**
Basic and diluted earnings per ordinary share (in Russian Roubles per share)	16	**6.64**	**3.68**

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Chairman of the Management Board

N.G. Tomilina
Chief Accountant

(In thousands of Russian Roubles)	Note	Share capital	Share premium	Revaluation reserve for premises	Revaluation reserve for investment securities available-for-sale	Retained earnings	Total equity
Balance as at 1 January 2013		**3 648 110**	**18 448 915**	**3 339 031**	**1 888 686**	**12 993 757**	**40 318 499**
Other comprehensive loss, recognized directly in equity (unaudited)	14	-	-	-	(67 713)	-	(67 713)
Profit for the period (unaudited)		-	-	-	-	2 003 147	2 003 147
Total comprehensive income for the 6 months ended 30 June 2013 (unaudited)		**-**	**-**	**-**	**(67 713)**	**2 003 147**	**1 935 434**
Dividends declared (unaudited)							
- ordinary shares	17	-	-	-	-	(33 079)	(33 079)
- preference shares	17	-	-	-	-	(834 303)	(834 303)
Balance as at 30 June 2013 (unaudited)		**3 648 110**	**18 448 915**	**3 339 031**	**1 820 973**	**14 129 522**	**41 386 551**
Balance as at 1 January 2014		**3 721 734**	**21 393 878**	**3 339 031**	**399 674**	**18 821 638**	**47 675 955**
Other comprehensive loss, recognized directly in equity (unaudited)	14	-	-	-	(312 645)	-	(312 645)
Profit for the period (unaudited)		-	-	-	-	2 919 516	2 919 516
Total comprehensive income for the 6 months ended 30 June 2014 (unaudited)		**-**	**-**	**-**	**(312 645)**	**2 929 516**	**2 606 871**
Dividends declared (unaudited)							
- ordinary shares	17	-	-	-	-	(48 351)	(48 351)
- preference shares	17	-	-	-	-	(2 211)	(2 211)
Balance as at 30 June 2014 (unaudited)		**3 721 734**	**21 393 878**	**3 339 031**	**87 029**	**21 690 592**	**50 232 264**

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Chief Accountant

(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			
Interest received on loans and correspondent accounts		14 159 141	11 574 059
Interest received on securities		2 514 653	2 009 744
Interest received on securities pledged under sale and repurchase agreements		662 401	291 417
Interest paid on due to banks		(2 761 511)	(1 640 382)
Interest paid on customer accounts		(5 462 833)	(5 175 368)
Interest paid on other debt securities issued		(155 365)	(75 407)
Net payments from securities trading		(1 210 336)	(271 948)
Net gain received from trading in foreign currencies		356 137	339 621
Net payments from derivatives		(1 440 290)	(542 218)
Fee and commissions received		1 984 987	1 444 546
Fee and commissions paid		(295 535)	(207 353)
Other operating income received		150 328	47 601
Staff costs paid		(1 986 632)	(1 693 460)
Premises and equipment costs paid		(217 588)	(218 002)
Administrative and operating expenses paid		(1 722 590)	(1 331 165)
Income tax paid		(871 567)	(100 970)
Cash flows from operating activities before changes in operating assets and liabilities		**3 703 400**	**4 450 715**
Changes in operating assets and liabilities			
Net increase in mandatory reserve deposits with the Central Bank of the Russian Federation		(71 897)	(519 868)
Net decrease (increase) in trading securities		9 720 855	(4 412 727)
Net increase in trading securities pledged under sale and repurchase agreements		(5 396 015)	(2 376 633)
Net decrease in financial instruments at fair value through profit or loss		-	664 907
Net increase in amounts receivable under reverse repurchase agreements		(6 378 897)	(1 438 165)
Net decrease in due from banks		7 369 221	891 578
Net increase in loans and advances to customers		(5 749 435)	(20 085 383)
Net increase in other assets		(1 297 515)	(130 862)
Net increase in due to banks		18 754 930	2 676 743
Net increase in customer accounts		1 662 993	16 738 810
Net (decrease) increase in other debt securities issued		(574 045)	915 154
Net increase (decrease) in other liabilities		832 658	(153 882)
Net cash received from (used in) operating activities		**22 576 253**	**(2 779 613)**
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets		(341 768)	(177 148)
Proceeds from disposal of premises and equipment and intangible assets		4 147	5 049
Net disposals of investment securities available-for-sale		1 194 265	-
Proceeds from disposal of investment securities available-for-sale		8 393	-
Net cash received upon acquisition of a subsidiary	24	1 199 140	-
Acquisition of investment property		-	(8 584)
Dividend income received		434	72 524
Net cash received from (used in) investing activities		**2 064 611**	**(108 159)**

(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 financing activities			
Repurchase of bonds		-	(50 287)
Proceeds from other borrowed funds		-	158 707
Repayment of other borrowed funds		(926 529)	(2 533 766)
Interest paid on bonds issued		(947 578)	(775 648)
Interest paid on other borrowed funds		(297 038)	(437 739)
Dividends paid	17	(103)	(866 256)
Net cash used in financing activities		**(2 171 248)**	**(4 504 989)**
Effects of exchange rate changes on cash and cash equivalents		**256 054**	**1 349 382**
Net increase (decrease) in cash and cash equivalents		**22 725 670**	**(6 043 379)**
Cash and cash equivalents at the beginning of the period		40 060 452	43 938 151
Cash and cash equivalents at the end of the period		**62 786 122**	**37 894 772**

V.S. Guz
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

1 Background

These condensed consolidated interim financial information for the six-month period ended 30 June 2014 for OJSC “Bank “Saint Petersburg” (the “Bank”) and its subsidiaries, together referred to as the “Group” or OJSC “Bank Saint Petersburg” Group” is prepared in accordance with IAS 34 *Interim Financial Reporting*. A list of subsidiaries is disclosed in note 23.

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as a result of the privatization process of the former Leningrad regional office of Zhilsotsbank.

As at 30 June 2014, management controls 50.1% of the ordinary shares of the Bank (31 December 2013: 50.1%), including 21.7% of the ordinary shares are controlled by Mr. A.V. Savelyev (31 December 2013 21.7%), 19.9% of the ordinary shares are controlled by “MALVENST INVESTMENTS LIMITED” (31 December 2013: 19.9%), 7.7% of the ordinary shares are controlled by “ISSARDY HOLDING LIMITED” (31 December 2013: 7.7%). Mr. A.V. Savelyev has an option maturing at the end 2015 to purchase a 100.0% share in the company “WELLFAME PACIFIC LIMITED”, which owns 100.0% of shares of “MALVENST INVESTMENTS LIMITED” and 100.0% of shares of “ISSARDY HOLDING LIMITED” (31 December 2013: Mr. A.V. Savelyev had the abovementioned option). There is no contractual agreement between Mr. A.V. Savelyev and any members of the Bank’s management team on joint control of the Bank.

The remaining ordinary shares of the Bank are owned as follows: 9.3% of the shares are owned by the East Capital Group (31 December 2013: 9.3%), 5.5% of the shares are owned by the European Bank of Reconstruction and Development (“EBRD”) (31 December 2013: 5.5%). The remaining 35.1% (31 December 2013: 35.1%) of ordinary shares are widely held.

Principal activity. The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a general banking license issued by the Central Bank of the Russian Federation (the “CBRF”) since 1997. The Bank takes part in the state deposit insurance system introduced by Federal Law No.177-FZ *On Retail Deposit Insurance in the Russian Federation* dated 23 December 2003. State deposits insurance system indemnifies the amount of 100% of total deposits, but limited to RR 700 thousand, in case of banking license revoking or moratorium on payments by the CBR.

As at 30 June 2014, the Bank has five branches within the Russian Federation: three branches are located in the North-West region of Russia, one branch is in Moscow and one branch is in Nizhniy Novgorod and thirty eight outlets (31 December 2013: five branches within the Russian Federation: three branches are located in North-West region of Russia, one branch is in Moscow and one branch is in Nizhniy Novgorod and thirty eight outlets).

Registered address and place of business. The Bank’s registered address and place of business is: 195112, Russian Federation, Saint Petersburg, Malookhtinsky Prospect, 64A.

Presentation currency of the condensed consolidated interim financial information. This condensed consolidated interim financial information is presented in thousands of Russian Roubles (RR thousand).

2 Operating Environment of the Group

Russian Federation. The economy of the Russian Federation displays certain characteristics of developing markets including relatively high inflation and high interest rates.

According to estimation of the Ministry of Economic Development of the Russian Federation the growth of the Russian economy slowed down in the first half of 2014. The GDP real growth rate in the first half of 2014 comprised 1.0%, according to the estimates of the Russian Federal State Statistics Service, being accelerated in the second quarter of the year compared to the first one. In the first half of 2014 the industrial production index increased by 1.5% compared to the first half of 2013. Economic growth was accompanied with a slight decrease of the population's income: real disposable income in the first half of 2014 compared to the corresponding period of the previous year decreased by 0.2%.

At the same time such negative factors as high levels of capital outflow from Russia, fluctuations of exchange rates of the major foreign currencies and negative geopolitical background were observed.

Legislation framework including tax legislation of the Russian Federation is continuously improving, but subject to varying interpretations and changes, which can occur frequently, which together with other legal and fiscal impediments still contribute to the difficulties experienced by companies operating in the Russian Federation. In addition, contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. The condensed consolidated interim financial information reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

The future economic development of the Russian Federation is largely dependent upon the effectiveness of the economic, financial and monetary measures undertaken by the Government, together with the tax, legal, regulatory and political developments.

Management cannot foresee all factors that can affect the development of the banking sector and the economy as a whole as well as the impact (if any) they can have on the financial position of the Group in the future. Management believes that it takes all the necessary steps to sustain the stability and development of the Group's business.

3 Basis of Preparation and Significant Accounting Policies

Basis of preparation. As permitted by IAS 34 *Interim Financial Reporting*, an entity may decide to provide less information at interim dates as compared to its annual financial statements. This condensed consolidated interim financial information is prepared in accordance with IAS 34. The accounting policies and methods of computations applied in the preparation of this condensed consolidated interim financial information are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2013. These policies are consistently applied to all the periods presented. The condensed consolidated interim financial information does not contain all the explanatory notes as required for a full set of financial statements.

The preparation of this condensed consolidated interim financial information in conformity with IAS 34 requires management to make estimates and exercise professional judgement. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to this condensed consolidated interim financial information are disclosed in note 4.

The Group's operations are not of a seasonal or cyclical nature.

As at 30 June 2014, the official exchange rate used for translating foreign currency balances is USD 1 = RR 33.6306 and Euro 1 = RR 45.8251 (31 December 2013: 32.7292 RR/USD and 44.9699 RR/EUR).

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts of assets and liabilities recognized in the condensed consolidated interim financial information. 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 professional judgements and estimates in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the condensed consolidated interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the period, the Group makes professional 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. To the extent that a one month delay in repayment of principal and interest on 5% of the total loans and advances to customers occurred, the allowance would be approximately RR 120 789 thousand higher (31 December 2013: RR 112 229 thousand higher).

Revaluation of premises. The fair values of premises are determined by using valuation methods and are based on their market value. Market values of premises are obtained from the report of an independent appraiser, who holds a recognized and relevant professional qualification and who has recent experience in valuation of premises of similar location and category. The market value was assessed using the sales comparison approach i.e., comparison with other premises that were sold or are offered for sale. To the extent that the assessed change in the fair value premises differs by 10%, the effect of the revaluation adjustment would be RR 1 242 361 thousand (before deferred tax) as at 30 June 2014 (31 December 2013: RUR 1 250 042 thousand).

5 Adoption of New or Revised Standards and Interpretations

The Group has adopted the following new standards and interpretations, a part of which is obligatory for annual reporting periods beginning on 1 January 2014:

Offsetting Financial Assets and Financial Liabilities **– Amendments to IAS 32** ***Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*** do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively. The change had no significant impact on the offsetting of financial assets and financial liabilities as well as disclosures in the condensed consolidated interim financial information of the Group.

5 Adoption of New or Revised Standards and Interpretations (continued)

The following new standards, amendments to standards and interpretations are not yet effective as at 30 June 2014, and are not applied in preparing these condensed consolidated interim financial information. The Group plans to adopt these pronouncements when they become effective:

IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2018. The standard is intended ultimately to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates general hedge accounting. The last part was issued in July 2014. The Group recognizes that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The Group does not intend to adopt this standard early.

Various *Improvements to IFRSs* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2015. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

6 Trading Securities

(In thousands of Russian Roubles)	**30 June 2014 (unaudited)**	**31 December 2013**
Corporate bonds	6 754 779	11 275 394
Municipal bonds	487 082	2 892 211
Federal loan bonds	430 102	1 246 783
Corporate Eurobonds	217 585	2 157 309
Total debt securities	**7 889 548**	**17 571 697**
Corporate shares	-	20 941
Total trading securities	**7 889 548**	**17 592 638**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies and are traded in the Russian market. These bonds have maturity dates from 1 July 2014 to 23 September 2032 (31 December 2013: from 23 January 2014 to 23 September 2032); coupon rates of 7.0%-15.5% p.a. (31 December 2013: 6.5%-15.0% p.a.); yields to maturity of 4.7%-20.2% p.a. as at 30 June 2014 (31 December 2013: 2.1%-34.3% p.a.), depending on the type of bond issue.

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow, Saint Petersburg, Nizhniy Novgorod region, Belgorod region, Tula region, Voronezh region, Volgograd region, Smolensk region and Stavropol territory (31 December 2013: municipal administrations of Moscow, Saint Petersburg, Moscow region, Samara region, Nizhni Novgorod region, Belgorod region, Tula region, Voronezh region, Volgograd region, Tomsk region, Krasnoyarsk Territory, Stavropol territory, Sakha Republic). These bonds are sold at a discount to nominal value, have maturity dates from 21 July 2014 to 4 November 2020 (31 December 2013: from 16 April 2014 to 4 November 2020); coupon rates of 7.0%-10.0% p.a. (31 December 2013: 7.0%-12.0% p.a.); yields to maturity of 4.1%-10.5% p.a. as at 30 June 2014 (31 December 2013: 6.3%-9.2% p.a.), depending on the type of bond issue.

Federal loan bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 11 May 2016 to 3 February 2027 (31 December 2013: from 3 August 2016 to 19 January 2028); coupon rates of 6.0%-8.2% p.a. (31 December 2013: 6.2%-8.2% p.a.); yields to maturity of 7.9%-8.5% p.a. as at 30 June 2014 (31 December 2013: 6.7%-8.0% p.a.), depending on the type of bond issue.

6 Trading Securities (continued)

Corporate Eurobonds are interest bearing securities denominated in foreign currencies (31 December 2013: in Russian Rouble and foreign currencies), issued by non-residential companies for the benefit of credit organizations – residents of the Russian Federation traded in the international market and Russian over-the-counter market. These corporate Eurobonds have maturity dates from 10 June 2017 to 3 February 2021 (31 December 2013: from 18 March 2015 to 28 October 2020); coupon rates of 5.5%-6.7% p.a. (31 December 2013: 3.7%-8.6% p.a.); yields to maturity of 4.3%-5.2% p.a. as at 30 June 2014 (31 December 2013: 2.1%-8.9% p.a.), depending on the type of bond issue.

There are no corporate shares as at 30 June 2014 (31 December 2013: corporate shares are shares of Russian companies and global depositary receipts on shares of Russian companies).

Trading securities are carried at fair value, which also reflects the credit risk of these securities.

Analysis of debt trading securities outstanding at 30 June 2014 by their credit quality is as follows (unaudited):

(In thousands of Russian Roubles)	**Corporate bonds**	**Municipal bonds**	**Federal loan bonds**	**Corporate Eurobonds**	**Total**
Not overdue or impaired					
Group A	3 953 042	271 938	430 102	36 934	4 692 016
Group B	1 299 142	213 251	-	180 651	1 693 044
Group C	958 451	1 893	-	-	960 344
Group D	544 144	-	-	-	544 144
Total debt trading securities	**6 754 779**	**487 082**	**430 102**	**217 585**	**7 889 548**

Debt trading securities are divided by the issuer's credit rating defined by rating agencies Moody’s, S&P and Fitch:

Group A - debt financial securities of the issuers rated at least “BBB-”, according to S&P rating agency or equivalent rating of other agencies.

Group B - debt financial securities of the issuers rated between “BB-” and “BB+”, according to S&P rating agency or equivalent rating of other agencies.

Group C - debt financial securities of the issuers rated between “B-” and “B+”, according to S&P rating agency or equivalent rating of other agencies.

Group D - debt securities of the issuers rated below “B-”, according to S&P rating agency or equivalent rating of other agencies.

Analysis of debt trading securities outstanding at 31 December 2013 by their credit quality is as follows:

(In thousands of Russian Roubles)	**Corporate bonds**	**Municipal bonds**	**Federal loan bonds**	**Corporate Eurobonds**	**Total**
Not overdue or impaired					
Group A	8 021 614	2 234 806	1 246 783	1 065 644	12 568 847
Group B	1 469 875	533 354	-	1 091 665	3 094 894
Group C	891 606	124 051	-	-	1 015 657
Group D	892 299	-	-	-	892 299
Total debt trading securities	**11 275 394**	**2 892 211**	**1 246 783**	**2 157 309**	**17 571 697**

6 Trading Securities (continued)

The Bank is licensed by the Federal Agency for Financial Markets of the Russian Federation for trading in securities.

Currency and maturity analyses of trading securities are disclosed in note 19.

7 Trading Securities Pledged under Sale and Repurchase Agreement

(In thousands of Russian Roubles)	**30 June 2014 (unaudited)**	**31 December 2013**
Corporate bonds	42 452 898	36 660 302
Corporate Eurobonds	8 704 635	6 868 657
Municipal bonds	3 708 448	2 459 922
Federal loan bonds	2 417 998	2 624 778
Eurobonds of the Russian Federation	20 749	2 722 173
Total debt trading securities pledged under sale and repurchase agreements	**57 304 728**	**51 335 832**
Corporate shares	100 162	393 114
Total trading securities pledged under sale and repurchase agreements	**57 404 890**	**51 728 946**

Corporate bonds are interest bearing securities denominated in Russian Rouble and foreign currencies issued by Russian companies and are traded in the Russian market. These bonds have maturity dates from 8 July 2014 to 23 September 2032 (31 December 2013: from 4 February 2014 to 17 February 2032); coupon rates of 1.8%-12.9% p.a. (31 December 2013: 2.0%-15.0% p.a.); yields to maturity of 1.8%-14.2% p.a. as at 30 June 2014 (31 December 2013: 1.5%-12.5% p.a.), depending on the type of bond issue. The term of the corresponding sale and repurchase agreements is between 1 and 7 calendar days (31 December 2013: between 10 and 21 calendar days), with an interest rates of 0%-7.6% p.a. (31 December 2013: 5.5%-5.6% p.a.).

Corporate Eurobonds are interest bearing securities denominated in foreign currencies (31 December 2013: in Russian Rouble and foreign currencies), issued by non-residential companies for the benefit of credit organizations – residents of the Russian Federation traded in the international market and Russian over-the-counter market. These corporate Eurobonds have maturity dates from 4 March 2015 to 30 April 2018 (31 December 2013: from 18 March 2015 to 29 May 2018); coupon rates of 5.1%-9.1% p.a. (31 December 2013: 5.1%-9.1% p.a.); yields to maturity of 1.5%-5.2% p.a. as at 30 June 2014 (31 December 2013: 2.1%-8.5% p.a.), depending on the type of bond issue. The term of the corresponding sale and repurchase agreements is 7 calendar days (31 December 2013: between 10 and 21 calendar days), with an interest rate of 7.6% p.a. (31 December 2013: 5.5% p.a.).

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow, Saint Petersburg, Nizhniy Novgorod region, Belgorod region, Tula region, Voronezh region, Volgograd region, Smolensk region and Stavropol territory (31 December 2013: municipal administrations of Moscow, Nizhni Novgorod region, Belgorod region, Tula region, Voronezh region and Volgograd region). These bonds are sold at a discount to nominal value, have maturity dates from 21 July 2014 to 4 November 2020 (31 December 2013: from 21 July 2014 to 14 June 2018); coupon rates of 7.0%-10.0% p.a. (31 December 2013: 7.0%-10.0% p.a.); yields to maturity of 4.1%-10.5% p.a. as at 30 June 2014 (31 December 2013: 6.6%-8.2% p.a.), depending on the type of bond issue. The term of the corresponding sale and repurchase agreements is 7 calendar days (31 December 2013: between 10 and 21 calendar days), with an interest rate of 7.6% p.a. (31 December 2013: 5.5% p.a.).

7 Trading Securities Pledged under Sale and Repurchase Agreement (continued)

Federal loan bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 3 August 2016 to 16 August 2023 (31 December 2013: from 3 August 2016 to 19 January 2028); coupon rates of 6.2%-7.6% p.a. (31 December 2013: 6.2%-8.2% p.a.); yields to maturity of 8.1%-8.4% p.a. as at 30 June 2014 (31 December 2013: 6.7%-8.0% p.a.), depending on the type of bond issue. The term of the corresponding sale and repurchase agreements is 7 calendar days (31 December 2013: between 10 and 21 calendar days), with an interest rate of 7.6% p.a. (31 December 2013: 5.2%-5.5% p.a.).

Eurobonds of the Russian Federation are interest bearing foreign currencies (31 December 2013: Russian Rouble and foreign currencies) denominated securities issued by the Ministry of Finance of the Russian Federation and are traded in the international market. These Eurobonds have a maturity date on 31 March 2030 (31 December 2013: from 10 March 2018 to 31 March 2030); a coupon rate of 7.5% p.a. (31 December 2013: 7.5%-7.9%); yield to maturity of 4.1% p.a. as at 30 June 2014 (31 December 2013: 5.6%-7.0%), depending on the type of bond issue. The term of the corresponding sale and repurchase agreements is 7 calendar days (31 December 2013: between 10 and 21 calendar days), with an interest rate of 7.6% p.a. (31 December 2013: 5.5%).

Corporate shares are shares of Russian companies. The term of the corresponding sale and repurchase agreements is 7 calendar days (31 December 2013: 10 calendar days), with an interest rate of 7.6% p.a. (31 December 2013: 5.5%)

Analysis of debt trading securities pledged under sale and repurchase agreements outstanding at 30 June 2014 by their credit quality is as follows (unaudited):

(In thousands of Russian Roubles)	**Corporate bonds**	**Corporate Eurobonds**	**Municipal bonds**	**Federal loan bonds**	**Eurobonds of the Russian Federation**	**Total**
Group A	26 374 322	6 702 340	2 894 104	2 417 998	20 749	**38 409 513**
Group B	12 286 786	2 002 295	696 808	-	-	**14 985 889**
Group C	2 893 904	-	117 536	-	-	**3 011 440**
Group D	897 886	-	-	-	-	**897 886**
Total debt trading securities pledged under sale and repurchase agreements	**42 452 898**	**8 704 635**	**3 708 448**	**2 417 998**	**20 749**	**57 304 728**

Analysis of debt trading securities pledged under sale and repurchase agreements outstanding at 31 December 2013 by their credit quality is as follows:

(In thousands of Russian Roubles)	**Corporate bonds**	**Corporate Eurobonds**	**Municipal bonds**	**Federal loan bonds**	**Eurobonds of the Russian Federation**	**Total**
Group A	19 546 558	4 887 474	2 017 764	2 624 778	2 722 173	**31 798 747**
Group B	13 188 887	1 981 183	442 158	-	-	**15 612 228**
Group C	2 918 075	-	-	-	-	**2 918 075**
Group D	1 006 782	-	-	-	-	**1 006 782**
Total debt trading securities pledged under sale and repurchase agreements	**36 660 302**	**6 868 657**	**2 459 922**	**2 624 778**	**2 722 173**	**51 335 832**

For definition of groups see note 6.

7 Trading Securities Pledged under Sale and Repurchase Agreements (continued)

The Group transfers or sells securities under agreements to repurchase to a third party as collateral for borrowed funds. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, the Group recognises a financial liability for cash received included in due to banks and customer accounts (refer to note 10) as appropriate.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Group acts as an intermediary.

Currency and maturity analyses of trading securities pledged under sale and repurchase agreements are disclosed in note 19.

8 Amounts Receivable under Reverse Repurchase Agreements

(In thousands of Russian Roubles)	**30 June 2014 (unaudited)**	**31 December 2013**
Amounts receivable under reverse repurchase agreements with banks	11 712 103	6 893 082
Amounts receivable under reverse repurchase agreements with customers	9 509 712	7 960 798
Total amounts receivable under reverse repurchase agreements	**21 221 815**	**14 853 880**

As at 30 June 2014, amounts receivable under reverse repurchase agreements represent agreements with customers and banks that are secured by corporate bonds and eurobonds of the Russian Federation. (31 December 2013: federal loan bonds, corporate bonds and corporate shares).

As at 30 June 2014, the fair value of securities that serve as collateral under reverse repurchase agreements is RR 23 788 481 thousand (31 December 2013: RR 17 672 095 thousand), out of which corporate shares with a fair value of RR 9 398 118 thousand, corporate bonds with a fair value of RR 9 373 882 thousand, eurobonds of the Russian Federation with a fair value of RR 3 737 017 thousand, federal loan bonds with a fair value of RR 1 170 920 thousand and municipal bonds with a fair value of RR 108 544 thousand are pledged under sale and repurchase agreements (31 December 2013: corporate shares with a fair value of RR 5 822 539 thousand, corporate bonds with a fair value of RR 4 173 360 thousand, federal loan bonds with a fair value of RR 1 984 122 thousand and Eurobonds of the Russian Federation with a fair value of RR 926 215 thousand are pledged under sale and repurchase agreements), corporate bonds with a fair value of RR 34 243 thousand (refer to note 10), corporate shares with a fair value of RR 34 657 thousand and municipal bonds with a fair value of RR 239 thousand were sold by the Group (31 December 2013: RR 1 884 thousand). In all cases collateral securing individual reverse repurchase agreements equals or exceeds the amount of the accounts receivable.

Currency and maturity analyses of amounts receivable under reverse repurchase agreements is disclosed in note 19.

9 Loans and Advances to Customers

(In thousands of Russian Roubles)	**30 June 2014 (unaudited)**	**31 December 2013**
Loans and advances to legal entities		
- loans to finance working capital	154 061 089	154 322 226
- investment loans	71 524 761	67 330 522
- loans to entities financed by the government	15 847 942	17 407 831
Loans and advances to individuals		
- mortgage loans	25 262 518	20 302 459
- car loans	4 155 081	3 947 168
- consumer loans to VIP clients	5 421 732	5 653 604
- other consumer loans	9 815 270	7 868 581
Allowance for impairment	(24 506 028)	(25 948 288)
Total loans and advances to customers	**261 582 365**	**250 884 103**

Movements in the allowance for loan impairment during the six-month period ended 30 June 2014 are as follows (unaudited):

(In thousands of Russian Roubles)	**Loans to legal entities**	**Loans to individuals**	**Total**
Allowance for impairment at 31 December 2013	**25 106 163**	**842 125**	**25 948 288**
Provision of an acquired subsidiary	807 675	86 165	**893 840**
Provision for impairment during the period	2 761 633	34 098	**2 795 731**
Loans sold during the period	(2 473 231)	-	**(2 473 231)**
Amounts written-off as non-recoverable	(2 648 846)	(9 754)	**(2 658 600)**
Allowance for impairment at 30 June 2014	**23 553 394**	**952 634**	**24 506 028**

Movements in the allowance for loan impairment during the six-month period ended 30 June 2013 are as follows (unaudited):

(In thousands of Russian Roubles)	**Loans to legal entities**	**Loans to individuals**	**Total**
Allowance for impairment at 31 December 2012	**23 523 039**	**601 472**	**24 124 511**
Provision for impairment during the period	2 167 965	70 499	**2 238 464**
Loans sold during the period	(118 321)	(2 941)	**(121 262)**
Amounts written-off as non-recoverable	(781 413)	(10 008)	**(791 421)**
Allowance for impairment at 30 June 2013	**24 791 270**	**659 022**	**25 450 292**

9 Loans and Advances to Customers (continued)

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

(In thousands of Russian Roubles)	30 June 2014 (unaudited) Amount	%	31 December 2013 Amount	%
Individuals	44 654 601	15.6	37 771 812	13.6
Construction	41 561 173	14.5	42 323 170	15.3
Trade	38 061 546	13.3	35 081 826	12.7
Leasing and financial services	33 818 956	11.8	31 707 561	11.5
Production and food industry	28 876 351	10.1	26 367 208	9.5
Real estate	23 172 570	8.1	21 175 211	7.6
Entities financed by the government	15 847 942	5.5	17 407 831	6.3
Heavy machinery and ship-building	13 948 429	4.9	15 467 219	5.6
Sports and health and entertainment organizations	10 730 023	3.8	11 362 699	4.1
Extraction and transportation of oil and gas	9 505 347	3.3	9 680 543	3.5
Transport	8 034 336	2.8	8 218 649	3.0
Energy	5 840 871	2.0	5 888 993	2.1
Telecommunications	2 710 494	0.9	3 314 707	1.2
Chemical industry	1 477 869	0.5	717 132	0.3
Other	7 847 885	2.9	10 347 830	3.7
Total loans and advances to customers (before allowance for impairment)	**286 088 393**	**100.0**	**276 832 391**	**100.0**

As at 30 June 2014, the 20 largest groups of borrowers have aggregated loan amounts of RR 80 328 524 thousand (31 December 2013: RR 81 979 460 thousand), or 28.1% (31 December 2013: 29.6%) of total loans and advances to customers (before allowance for impairment).

9 Loans and Advances to Customers (continued)

Loans and advances to customers, their credit quality and the related allowance for impairment as at 30 June 2014 are as follows (unaudited):

(In thousands of Russian Roubles)	Gross loans and advances to customers	Allowance for impairment	Net loans and advances to customers	Allowance for impairment to loans and advances to customers, %
Loans and advances to legal entities:				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	199 911 617	(5 182 015)	194 729 602	2.59
Watch list loans not past due	14 611 555	(1 279 571)	13 331 984	8.76
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	12 745 913	(6 638 777)	6 107 136	52.09
Overdue:				
- less than 5 calendar days	147 272	(25 503)	121 769	17.32
- 6 to 30 calendar days	237 001	(92 409)	144 592	38.99
- 31 to 60 calendar days	222 164	(38 401)	183 763	17.28
- 61 to 90 calendar days	153 169	(133 143)	20 026	86.93
- 91 to 180 calendar days	682 135	(197 622)	484 513	28.97
- 181 to 365 calendar days	4 175 455	(2 490 144)	1 685 311	59.64
- over 365 calendar days	8 502 275	(7 430 573)	1 071 702	87.40
Uncollectible loans	45 236	(45 236)	-	100.00
Total loans and advances to legal entities	**241 433 792**	**(23 553 394)**	**217 880 398**	**9.76**
Loans and advances to individuals				
- mortgage loans	25 262 518	(201 647)	25 060 871	0.80
- car loans	4 155 081	(37 784)	4 117 297	0.91
- consumer loans to VIP clients	5 421 732	(451 913)	4 969 819	8.34
- other consumer loans	9 815 270	(261 290)	9 553 980	2.66
Total loans and advances to individuals	**44 654 601**	**(952 634)**	**43 701 967**	**2.13**
Total loans and advances to customers	**286 088 393**	**(24 506 028)**	**261 582 365**	**8.57**

9 Loans and Advances to Customers (continued)

(In thousands of Russian Roubles)	**Mortgage loans**	**Car loans**	**Consumer loans to VIP clients**	**Other consumer loans**	**Total loans and advances to individuals**
Loans and advances to individuals					
Standard loans not past due	24 772 206	4 045 977	4 835 636	9 448 287	43 102 106
Overdue:					
- less than 5 calendar days	21 742	6 839	-	13 284	41 865
- 6 to 30 calendar days	55 942	5 329	-	31 029	92 300
- 31 to 60 calendar days	52 225	6 416	35 015	32 909	126 565
- 61 to 90 calendar days	34 458	9 993	3 200	27 073	74 724
- 91 to 180 calendar days	90 098	25 186	26 403	72 501	214 188
- 181 to 365 calendar days	49 263	17 086	139 883	83 470	289 702
- over 365 calendar days	186 584	38 255	381 595	106 717	713 151
Total gross loans and advances to individuals (before allowance for impairment)	**25 262 518**	**4 155 081**	**5 421 732**	**9 815 270**	**44 654 601**
Allowance for impairment	**(201 647)**	**(37 784)**	**(451 913)**	**(261 290)**	**(952 634)**
Total loans and advances to individuals (after allowance for impairment)	**25 060 871**	**4 117 297**	**4 969 819**	**9 553 980**	**43 701 967**

9 Loans and Advances to Customers (continued)

Loans and advances to customers, their credit quality and the related allowance for impairment as at 31 December 2013 are as follows:

(In thousands of Russian Roubles)	**Gross loans and advances to customers**	**Allowance for impairment**	**Net loans and advances to customers**	**Allowance for impairment to loans and advances to customers, %**
Loans and advances to legal entities:				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	193 147 046	(5 148 014)	187 999 032	2.67
Watch list loans not past due	11 646 832	(655 240)	10 991 592	5.63
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	15 758 930	(7 145 041)	8 613 889	45.34
Overdue:				
- less than 5 calendar days	1 033 319	(42 420)	990 899	4.11
- 6 to 30 calendar days	228 432	(19 012)	209 420	8.32
- 31 to 60 calendar days	115 923	(3 574)	112 349	3.08
- 61 to 90 calendar days	1 810 082	(56 160)	1 753 922	3.10
- 91 to 180 calendar days	3 696 893	(2 450 650)	1 246 243	66.29
- 181 to 365 calendar days	1 265 176	(619 744)	645 432	48.98
- more than 365 calendar days	10 301 671	(8 910 033)	1 391 638	86.49
Uncollectible loans	56 275	(56 275)	-	100.00
Total loans and advances to legal entities	**239 060 579**	**(25 106 163)**	**213 954 416**	**10.50**
Loans and advances to individuals				
- mortgage loans	20 302 459	(268 773)	20 033 686	1.32
- car loans	3 947 168	(44 178)	3 902 990	1.12
- consumer loans to VIP clients	5 653 604	(347 294)	5 306 310	6.14
- other consumer loans	7 868 581	(181 880)	7 686 701	2.31
Total loans and advances to individuals	**37 771 812**	**(842 125)**	**36 929 687**	**2.23**
Total loans and advances to customers	**276 832 391**	**(25 948 288)**	**250 884 103**	**9.37**

9 Loans and Advances to Customers (continued)

(In thousands of Russian Roubles)	Mortgage loans	Car loans	Consumer loans to VIP clients	Other consumer loans	Total loans and advances to individuals
Loans and advances to individuals					
Standard loans not past due	19 883 089	3 857 976	5 059 846	7 637 650	36 438 561
Overdue:					
- less than 5 calendar days	8 544	10 550	-	10 797	29 891
- 6 to 30 calendar days	69 689	11 875	80 299	19 116	180 979
- 31 to 60 calendar days	49 184	6 110	63 450	21 865	140 609
- 61 to 90 calendar days	14 720	4 301	-	15 977	34 998
- 91 to 180 calendar days	48 563	13 572	67 627	54 000	183 762
- 181 to 365 calendar days	80 565	12 103	35 933	48 790	177 391
- over 365 calendar days	148 105	30 681	346 449	60 386	585 621
Total gross loans and advances to individuals (before allowance for impairment)	**20 302 459**	**3 947 168**	**5 653 604**	**7 868 581**	**37 771 812**
Allowance for impairment	**(268 773)**	**(44 178)**	**(347 294)**	**(181 880)**	**(842 125)**
Total loans and advances to individuals (after allowance for impairment)	**20 033 686**	**3 902 990**	**5 306 310**	**7 686 701**	**36 929 687**

Management estimates loan impairment for individually assessed corporate loans, for which specific indications of impairment have been identified, based on an analysis of the expected future cash flows based primarily on collateral. The principal collateral taken into account in the estimation of future cash flows is real estate. Valuations for real estate are discounted by 30-50 percent to reflect current market conditions.

For portfolios of standard loans not past due in determining the impairment allowance, the Group adjusts historic loss rates to factor in the deterioration/improvement of the loan portfolio, as evidenced by the rate of increase/decrease in the level of impaired and overdue loans arising from current market conditions. The impairment allowance reflects management’s estimate of the losses in the portfolio as at 30 June 2014 and 31 December 2013. The financial effect of collateral on measuring credit risk is not significant.

The Group estimates loan impairment for loans to individuals based on an analysis of the future cash flows for impaired loans and based on its past loss experience for loans for which no indications of impairment has been identified. In determining the impairment allowance for loans to individuals, for which no signs of impairment are identified, management adjusts historic loss rates to factor in the current changes of the loan portfolio. The principal collateral taken into account in the estimation of future cash flows comprises mainly real estate and cars. Valuations for real estate and cars are discounted by 10-20 percent to reflect current market conditions.

Loans and advances to customers are classified as “Standard loans not past due” when they do not have any overdue payments as at the reporting date and management does not have any information indicating that the borrower is not able to repay the loan in full and in time.

Loans and advances to customers are classified as “Watch list loans not past due” when they have moderate credit risk. The comprehensive analysis of operating and financial position of the borrower and other information, including the external environment, indicates the stable position of the borrower, however there are some negative factors that may have an impact on the ability of the borrower to repay its loan in the future on a timely basis.

9 Loans and Advances to Customers (continued)

The primary factors that the Group considers when deciding whether a loan is individually impaired are its overdue/restructured status and/or occurrence of any factors that may make it doubtful whether the borrowers are able to repay the full amounts owed on a timely basis.

The recoverability of loans to legal entities which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

The Group has standard non-delinquent loans, for which fair value of collateral was assessed at the loan inception date and not updated for further changes, and loans for which fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date.

There are highly reliable borrowers included in loans to finance working capital, for which the Group considers it appropriate to issue loans without collateral.

Mortgage loans are secured by the underlying housing real estate. Mortgage loans amount does not exceed 85% of real estate cost. Auto loans are secured by the underlying cars.

Management estimates that the impairment allowance on standard loans to legal entities not past due and watch list loans to legal entities not past due would have been RR 14 248 016 thousand higher without taking into consideration collateral value (31 December 2013: RR 14 457 243 thousand).

Interest income accrued on overdue and impaired loans during the six-month period ended 30 June 2014 amounts to RR 141 688 thousand (six-month period ended 30 June 2013: RR 206 730 thousand).

Currency and maturity analyses of loans and advances to customers are disclosed in note 19. Fair value analysis of loans and advances to customers is disclosed in note 21. The information on related party balances is disclosed in note 22.

10 Customer Accounts

(In thousands of Russian Roubles)	**30 June 2014 (unaudited)**	**31 December 2013**
State and public organisations		
- Current/settlement accounts	1 466 565	905 604
- Term deposits	1 003 354	57
Other legal entities		
- Current/settlement accounts	62 201 724	54 979 453
- Term deposits	59 665 809	71 936 160
- Sale and repurchase agreements	421 123	1 884
Individuals		
- Current accounts/demand deposits	34 845 956	30 461 432
- Term deposits	99 798 615	94 842 701
Total customer accounts	**259 403 146**	**253 127 291**

State and public organisations exclude government owned profit oriented businesses.

10 Customer Accounts (continued)

Economic sector concentrations within customer accounts are as follows:

(In thousands of Russian Roubles)	30 June 2014 (unaudited) Amount	%	31 December 2013 Amount	%
Individuals	134 644 571	51.8	125 304 133	49.5
Construction	29 785 372	11.5	31 815 454	12.6
Financial services	23 611 170	9.1	24 971 358	9.9
Trade	21 204 245	8.2	18 301 513	7.2
Art, science and education	10 853 911	4.2	10 679 615	4.2
Production	10 303 483	4.0	11 088 227	4.4
Real estate	8 970 957	3.5	10 782 393	4.3
Transport	6 696 369	2.6	7 188 330	2.8
Cities and municipalities	2 877 823	1.1	2 635 690	1.0
Public utilities	1 181 905	0.5	927 092	0.4
Communications	1 035 429	0.4	695 118	0.3
Medical institutions	748 640	0.3	774 258	0.3
Energy	461 351	0.2	497 836	0.2
Other	7 027 920	2.6	7 466 274	2.9
Total customer accounts	**259 403 146**	**100.0**	**253 127 291**	**100.0**

As at 30 June 2014, there are sale and repurchase agreements with legal entities in amount of RR 34 243 included in customer accounts with securities received by the Bank as collateral under reverse repurchase agreements (31 December 2013: RR 1 884 thousand).

As at 30 June 2014, included in customer accounts are deposits in the amount of RR 5 998 927 thousand held as collateral for irrevocable commitments under import letters of credit (31 December 2013: RR 3 440 676 thousand).

Currency and maturity analyses of customer accounts are disclosed in note 19. Fair value analysis of customer accounts is disclosed in note 21. Information on related party balances is disclosed in note 22.

11 Bonds Issued

(In thousands of Russian Roubles)	30 June 2014 (unaudited)	31 December 2013
Subordinated Eurobonds	10 287 717	10 008 906
Bonds	10 211 142	10 209 883
Total bonds issued	**20 498 859**	**20 218 789**

During the six-month period ended 30 June 2014 there were neither new issues nor redemptions of subordinated Eurobonds and bonds issued by the Bank.

Currency and maturity and interest rate analyses of bonds issued are disclosed in note 19.

12 Other Borrowed Funds

(In thousands of Russian Roubles)	**30 June 2014 (unaudited)**	**31 December 2013**
Subordinated loans	4 219 891	4 047 873
VTB Bank	2 024 876	1 968 665
AKA AFK	512 588	581 697
Nordic Investment Bank	155 695	209 620
EBRD	51 595	771 571
Total other borrowed funds	**6 964 645**	**7 579 426**

In February 2014 in course of a subsidiary acquisition the Group acquired a subordinated loan in the amount of RR 100 000 thousand maturing in February 2018. As at 30 June 2014, the carrying value of this loan is RR 100 000 thousand. This subordinated loan bears fixed interest rate of 10.00%.

On 30 May and 30 June 2014 the Group performed scheduled repayment of the first, second and third tranches of a credit facility, attracted by the Group on 21 January of 2013 from AKA Ausfuhrkredit-Gesellschaft m.b.H. in the total amount of EUR 1 754 thousand. The total amount of the credit facility was EUR 5 080 thousand and was attracted to finance trade contract of the client. As at 31 December 2013, the total carrying value of the credit facility was EUR 1 760 thousand, the equivalent of RR 79 160 thousand. The interest rate on the credit facility was EURIBOR + 1.75%, and as at 31 December 2013, the interest rate for the first and second tranches was 2.09% and 2.02% for the third tranche.

On 6 September 2007 and 20 November 2007 the Group attracted four tranches of a credit facility provided by Nordic Investment Bank. The Group used the amount to fund certain projects. The Group performs the scheduled repayment of this amount. The loan maturity date is 3 October 2015. As at 30 June 2014, USD 23 973 thousand of the principal debt was repaid. As at 30 June 2014, the carrying value is USD 4 630 thousand, the equivalent of RR 155 695 thousand (31 December 2013: USD 6 404 thousand, the equivalent of RR 209 620 thousand). The interest rate ranges from LIBOR + 2.6% p.a. to LIBOR + 2.95% p.a., depending on maturity dates of the tranches. As at 30 June 2014, the interest rates ranged from 3.18% to 3.28% p.a.

In March 2014 the Group performed scheduled repayment of the loan attracted from EBRD in the amount of USD 65 000 thousand. The loan was attracted on 14 December 2010 for small and medium sized companies financing. As at 31 December 2013, the carrying value of the loan was USD 22 040 thousand, the equivalent of RR 721 366 thousand. The loan had fixed interest rate of 5.55% p.a.

The Group is required to meet certain covenants attached to syndicated loans, subordinated loans and funds from EBRD, Nordic Investment Bank, and VTB Bank (Deutschland) AG. Non-compliance with such covenants may result in negative consequences for the Group including an increase in the cost of borrowings and declaration of default (except for subordinated loans). As at 30 June 2014 and 31 December 2013, the Group fully meets all covenants of the loan agreements.

Currency and maturity analyses of other borrowed funds are disclosed in note 19. The information on related party transactions is disclosed in note 22.

13 Share Capital

As at 30 June 2014, the nominal registered amount of issued share capital prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002, is RR 459 654 thousand (31 December 2013: RR 459 654 thousand). As at 30 June 2014, all of the outstanding shares are authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 1 per share (31 December 2013: RR 1 per share). Each share carries one vote.

As at 30 June 2014, the Group has one type of preference shares with a nominal value of RR 1 in the amount of 20 100 000 (twenty million one hundred thousand) shares.

These preference shares carry no voting rights and are non-redeemable.

If shareholders do not declare dividends on preference shares, the holders of preference shares are entitled to voting rights similar to ordinary shareholders until the dividends are paid. Preference shares are not cumulative.

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

14 Other Comprehensive Loss Recognized Directly in Equity

The analysis of other comprehensive loss by items of each component of equity is as follows:

(In thousands of Russian Roubles)	**Revaluation reserve for investment securities available-for-sale (unaudited)**	**Total other comprehensive loss (unaudited)**
Six-month period ended 30 June 2013		
Items that are reclassified or will be reclassified subsequently to profit or loss:		
Loss from revaluation of investment securities available-for-sale	(84 641)	**(84 641)**
Deferred income tax recognized in equity related to other comprehensive loss	16 928	**16 928**
Total other comprehensive loss	**(67 713)**	**(67 713)**
Six-month period ended 30 June 2014		
Items that are reclassified or will be reclassified subsequently to profit or loss:		
Revaluation of investment securities available-for-sale transferred to profit or loss upon disposal	(372 323)	**(372 323)**
Loss from revaluation of investment securities available-for-sale	(18 484)	**(18 484)**
Deferred income tax recognized in equity related to other comprehensive loss	78 162	**78 162**
Total other comprehensive loss	**(312 645)**	**(312 645)**

15 Interest Income and Expense

(In thousands of Russian Roubles)	**Six-month period ended 30 June 2014 (unaudited)**	**Six-month period ended 30 June 2013 (unaudited)**
Interest income		
Loans and advances to customers	14 365 028	12 089 487
Trading securities	2 520 965	1 996 675
Sale and repurchase agreements	651 439	289 323
Due from banks	464 016	151 896
Correspondent accounts with other banks	5 733	15 387
Total interest income	**18 007 181**	**14 542 768**
Interest expense		
Term deposits of individuals	3 016 359	2 802 500
Due to banks	2 634 136	1 520 987
Term deposits of legal entities	2 188 677	2 653 555
Bonds issued	956 544	791 901
Other borrowed funds	291 620	421 845
Current/settlement accounts	219 979	83 872
Other debt securities issued	196 367	119 034
Total interest expense	**9 503 682**	**8 393 694**
Net interest income	**8 503 499**	**6 149 074**

16 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Bank by the weighted average number of ordinary shares in issue during the period less treasury shares.

As at 30 June 2014, the Group has no potentially dilutive type preference shares. Thus, diluted earnings per share equals to basic earnings per share.

Basic earnings per share are calculated as follows:

(In thousands of Russian Roubles)	**Six-month period ended 30 June 2014 (unaudited)**	**Six-month period ended 30 June 2013 (unaudited)**
Profit attributable to shareholders of the Bank	2 919 516	2 003 147
Less preference dividends	(2 211)	(834 303)
Profit attributable to ordinary shareholders of the Bank	**2 917 305**	**1 168 844**
Weighted average number of ordinary shares in issue (thousands)	439 554	317 292
Basic earnings per share (in RR per share)	**6.64**	**3.68**

17 Dividends

(In thousands of Russian Roubles)	Six-month period ended 30 June 2014 (unaudited)		Six-month period ended 30 June 2013 (unaudited)		
	Ordinary shares	**Preference shares**	**Ordinary shares**	**Type A preference shares**	**Preference shares**
Dividends payable as at 1 January	**3 743**	**-**	**3 123**	**-**	**-**
Dividends declared during the period	48 351	2 211	33 079	832 092	2 211
Dividends paid during the period	(103)	-	(31 953)	(832 092)	(2 211)
Dividends payable as at 30 June	**51 991**	**2 211**	**4 249**	**-**	**-**
Dividends per share declared during the period (in RR per share)	**0.11**	**0.11**	**0.11**	**12.8**	**0.11**

All dividends were declared and paid in Russian Roubles.

18 Segment Analysis

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. The Management Board performs the responsibilities of the chief operating decision maker.

Description of products and services that constitute sources of revenues of the reporting segments

The Group is organized on a basis of three main business segments:

- Corporate banking – settlement and current accounts, deposits, credit lines, loans and other credit facilities, foreign currency transactions with commercial and state entities.
- Operations on financial markets – financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.
- Retail banking – private banking services, private customer current accounts, deposits, retail investment products, custody, credit and debit cards, consumer loans, mortgages and other loans to individual VIP clients.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense. Interest charged for these funds is based on market interest rates. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of assets and liabilities of the Group, but excluding some premises, equipment and intangible assets, long-term assets held-for-sale, investment property, other assets and liabilities and balances on taxation settlements. Internal charges and transfer pricing adjustments are reflected in the performance of each business segment.

18 Segment Analysis (continued)

Factors used by management to define reporting segments

The Group’s segments are strategic business units that offer different products and services for different clients. They are managed separately because they require different technology and marketing strategies and level of service.

Evaluation of profit or loss and assets of operating segments

The Management Board analyses the financial information prepared in accordance with the requirements of Russian accounting standards. This financial information differs in some aspects from the information prepared in accordance with IFRS:

(i) resources are usually redistributed among segments using internal interest rates set by the Treasury Department. These interest rates are calculated based on the basic market interest rates, contractual maturity dates and observable actual maturity dates of customer accounts balances

(ii) differences in the classification of securities to portfolios

(iii) income tax is not distributed to segments

(iv) provision for loan impairment is recognized based on Russian legislation, and not on the basis of the model of “incurred losses” specified in IAS 39

(v) fee and commission income on lending operations is recognized immediately and not in the future periods using the effective interest method

(vi) liabilities on unutilized leaves are not taken into account.

The Management Board evaluates the business segment results based on the amount of profit before income taxes paid.

18 Segment Analysis (continued)

Information on profit or loss and assets of reporting segments

Segment information for the main reporting business segments for the six-month period ended 30 June 2014 and the six-month period ended 30 June 2013 is set out below (in accordance with the management information).

(In thousands of Russian Roubles)	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Eliminations	Total
Six-month period ended 30 June 2014 (unaudited)						
External revenues	12 550 911	3 597 907	3 074 534	-	-	**19 223 352**
Revenues from other segments	5 707 273	17 447 904	4 540 585	-	(27 695 762)	**-**
Total revenues	**18 258 184**	**21 045 811**	**7 615 119**	**-**	**(27 695 762)**	**19 223 352**
Total revenues comprise:						
- Interest income	17 079 627	21 039 872	6 969 780	-	(27 695 762)	17 393 517
- Fee and commission income	1 155 253	1 921	639 844	-	-	1 797 018
- Other operating income	23 304	4 018	5 495	-	-	32 817
Segment results	**1 511 477**	**1 365 553**	**1 709 861**	**-**	**-**	**4 586 891**
Unallocated costs	-	-	-	(1 880 271)	-	(1 880 271)
Profit (loss) before tax	**1 511 477**	**1 365 553**	**1 709 861**	**(1 880 271)**	-	**2 706 620**
Income tax benefit	-	-	-	360 503	-	360 503
Profit (loss) for the period	**1 511 477**	**1 365 553**	**1 709 861**	**(1 519 768)**	**-**	**3 067 123**
As at 30 June 2014 (unaudited)						
Segment assets	**242 831 349**	**161 915 802**	**41 141 859**	**26 463 282**	**-**	**472 352 292**
Other segment items for the six-month period ended 30 June 2014 (unaudited)						
Depreciation and amortization charge	(83 351)	(13 474)	(57 514)	(86 233)	-	(240 572)
(Provision) recovery of provision for loan impairment	(2 035 826)	(14 551)	2 050	-	-	(2 048 327)

18 Segment Analysis (continued)

(In thousands of Russian Roubles)	**Corporate banking**	**Operations on financial markets**	**Retail banking**	**Unallocated**	**Eliminations**	**Total**
Six-month period ended 30 June 2013 (unaudited)						
External revenues	11 212 918	2 131 495	2 099 119	-	-	**15 443 532**
Revenues from other segments	4 606 269	17 260 012	3 838 232	-	(25 704 513)	**-**
Total revenues	**15 819 187**	**19 391 507**	**5 937 351**	**-**	**(25 704 513)**	**15 443 532**
Total revenues comprise:						
- Interest income	14 726 822	19 389 407	5 467 377	-	(25 704 513)	13 879 093
- Fee and commission income	999 872	1 681	449 428	-	-	1 450 981
- Other operating income	92 493	419	20 546	-	-	113 458
Segment results	**(467 507)**	**2 484 166**	**408 391**	**-**	**-**	**2 425 050**
Unallocated costs	-	-	-	(1 276 301)	-	(1 276 301)
(Loss) profit before tax	(467 507)	2 484 166	408 391	(1 276 301)	-	**1 148 749**
Income tax expense	-	-	-	(63 306)	-	(63 306)
(Loss) profit for the period	**(467 507)**	**2 484 166**	**408 391**	**(1 339 607)**	**-**	**1 085 443**
As at 31 December 2013						
Segment assets	**235 137 440**	**140 046 986**	**44 237 783**	**30 838 671**	**-**	**450 260 880**
Other segment items for the six-month period ended 30 June 2013 (unaudited)						
Depreciation and amortization charge	(60 762)	(16 183)	(56 438)	(114 463)	-	(247 846)
Provision for loan impairment	(2 701 247)	(23 284)	(340 566)	-	-	(3 065 097)

18 Segment Analysis (continued)

A reconciliation of segment information with assets in accordance with IFRS as at 30 June 2014 and 31 December 2013 is set out below:

(In thousands of Russian Roubles)	**30 June 2014 (unaudited)**	**31 December 2013**
Total segment assets	**472 352 292**	**450 260 880**
Adjustment of allowance for impairment	(23 618 051)	(25 979 812)
Adjustments of income/expense accruals	875 577	1 640 228
Premises, equipment and intangible assets depreciation and fair value adjustment	1 139 156	(1 182 952)
Fair value and amortized cost adjustments	214 213	485 113
Income tax adjustments	(1 147 210)	59 677
Elimination of assets additionally recognized in management accounting	(17 313 390)	(13 442 292)
Consolidation	6 873 129	-
Other adjustments	322 657	(2 418 523)
Total assets under IFRS	**439 698 373**	**409 422 319**

A reconciliation of segment information with profit before tax in accordance with IFRS for the six-month period ended 30 June 2014 and for the six-month period ended 30 June 2013:

(In thousands of Russian Roubles)	**Six-month period ended 30 June 2014 (unaudited)**	**Six-month period ended 30 June 2013 (unaudited)**
Total profit for the reporting segments (before tax)	**2 706 620**	**1 148 749**
Adjustment of provision for loan impairment	(181 997)	1 292 083
Adjustments of income/expense accruals	43 691	301 100
Premises, equipment and intangible assets depreciation and fair value adjustment	(46 016)	(24 926)
Fair value and amortized cost adjustments	566 419	54 004
Consolidation	725 924	-
Other adjustments	(223 527)	(209 624)
Total profit before tax under IFRS	**3 591 114**	**2 561 386**

Geographical information. The major part of the Group's activity is concentrated in the North-West region of the Russian Federation. Activity is also carried out in Moscow and Privolzhsky regions.

There are no customers (groups of related customers) with income from operations which exceed 10% of total income from operations with the external parties of the Group.

19 Risk Management

The risk management function is carried out in respect of financial risks (credit, market and liquidity risks), operational, geographical risks and legal risks. Market risk includes currency, price and interest rate risks.

The primary objectives of the financial risk management function are to establish and ensure compliance with risk limits and other risk restrictions. Geographical risk management includes making decisions and setting limits for operations with counterparties – residents of countries with different levels of economic development with due consideration of geographical risk factors. The operational, legal and reputation risk management functions are intended to ensure proper functioning of internal policies and procedures, development and implementation of measures to minimize these risks.

Policy and methods of financial risk management applied by the Group comply with the policy and methods described and applied in the Group's annual consolidated financial statements for the year ended 31 December 2013.

19 Risk Management (continued)

Currency risk. Currency risk is the risk of changes in income or carrying value of financial instruments due to exchange rates fluctuations.

The table below summarises the exposure to foreign currency exchange rate risk as at 30 June 2014 (unaudited). The Group does not apply this currency risk analysis for management purposes.

(In thousands of Russian Roubles)	RR	USD	EUR	Other	Total
ASSETS					
Cash and cash equivalents	35 733 884	20 242 023	6 583 434	226 781	62 786 122
Mandatory cash balances with the Central Bank of the Russian Federation	2 980 006	-	-	-	2 980 006
Trading securities	7 671 963	194 145	23 440	-	7 889 548
Trading securities pledged under sale and repurchase agreements	46 276 619	11 128 271	-	-	57 404 890
Amounts receivable under reverse repurchase agreements	18 767 001	2 454 814	-	-	21 221 815
Due from banks	1 393 044	-	2	-	1 393 046
Loans and advances to customers	209 211 672	38 688 739	13 681 954	-	261 582 365
Investment securities available-for-sale	2 203 424	108 786	-	-	2 312 210
Prepaid income tax	84 849	-	-	-	84 849
Deferred tax asset	39 235	-	-	-	39 235
Investment property	1 652 011	-	-	-	1 652 011
Premises, equipment and intangible assets	13 889 107	-	-	-	13 889 107
Other assets	4 934 875	81 415	26 112	4 437	5 046 839
Long-term assets held for sale	1 416 330	-	-	-	1 416 330
TOTAL ASSETS	**346 254 020**	**72 898 193**	**20 314 942**	**231 218**	**439 698 373**
LIABILITIES					
Due to banks	89 556 931	279 746	108 771	-	89 945 448
Customer accounts	198 813 570	39 173 591	20 269 014	1 146 971	259 403 146
Bonds issued	10 211 142	10 287 717	-	-	20 498 859
Other debt securities issued	4 041 905	2 977 216	1 035 109	-	8 054 230
Other borrowed funds	1 565 802	4 886 255	512 588	-	6 964 645
Deferred tax liability	740 447	-	-	-	740 447
Other liabilities	3 806 770	12 608	39 956	-	3 859 334
TOTAL LIABILITIES	**308 736 567**	**57 617 133**	**21 965 438**	**1 146 971**	**389 466 109**
Less fair value of currency derivatives	138 273	-	-	-	138 273
Net recognized position, excluding currency derivative financial instruments	**37 655 726**	**15 281 060**	**(1 650 496)**	**(915 753)**	**50 370 537**
Currency derivatives	**15 972 092**	**(15 965 135)**	**(602 618)**	**457 388**	**(138 273)**
Net recognized position, including currency derivative financial instruments	**53 627 818**	**(684 075)**	**(2 253 114)**	**(458 365)**	**50 232 264**

19 Risk Management (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2013. The Group does not use this currency risk analysis for management purposes.

(In thousands of Russian Roubles)	RR	US Dollars	Euro	Other	Total
ASSETS					
Cash and cash equivalents	20 353 343	16 476 209	3 163 736	67 164	40 060 452
Mandatory cash balances with the Central Bank of the Russian Federation	2 800 069	-	-	-	2 800 069
Trading securities	16 354 816	1 237 822	-	-	17 592 638
Trading securities pledged under sale and repurchase agreements	45 285 675	6 443 271	-	-	51 728 946
Amounts receivable under reverse repurchase agreements	14 187 295	666 585	-	-	14 853 880
Due from banks	6 768 812	1 444 562	403 920	-	8 617 294
Loans and advances to customers	194 846 457	42 730 490	13 307 156	-	250 884 103
Investment securities available-for-sale	3 212 878	111 880	-	-	3 324 758
Prepaid income tax	59 678	-	-	-	59 678
Investment property	1 653 115	-	-	-	1 653 115
Premises, equipment and intangible assets	13 806 328	-	-	-	13 806 328
Other assets	2 276 785	169 630	174 224	10 928	2 631 567
Long-term assets held for sale	1 409 491	-	-	-	1 409 491
TOTAL ASSETS	**323 014 742**	**69 280 449**	**17 049 036**	**78 092**	**409 422 319**
LIABILITIES					
Due to banks	70 488 554	24 619	27 815	-	70 540 988
Customer accounts	203 911 165	32 691 178	15 692 226	832 722	253 127 291
Bonds issued	10 209 883	10 008 906	-	-	20 218 789
Other debt securities issued	6 000 560	1 534 451	972 329	-	8 507 340
Other borrowed funds	1 465 426	5 532 303	581 697	-	7 579 426
Deferred tax liability	954 172	-	-	-	954 172
Other liabilities	787 082	6 498	24 778	-	818 358
TOTAL LIABILITIES	**293 816 842**	**49 797 955**	**17 298 845**	**832 722**	**361 746 364**
Less fair value of currency derivatives	(273 212)	-	-	-	(273 212)
Net recognized position, excluding currency derivative financial instruments	**28 924 688**	**19 482 494**	**(249 809)**	**(754 630)**	**47 402 743**
Currency derivatives	**16 571 867**	**(16 118 639)**	**(927 150)**	**747 134**	**273 212**
Net recognized position, including currency derivative financial instruments	**45 496 555**	**3 363 855**	**(1 176 959)**	**(7 496)**	**47 675 955**

19 Risk Management (continued)

Liquidity risk. Liquidity risk is defined as the risk arising when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from customer accounts, overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Below is the liquidity position using figures from the financial statements prepared in accordance with IFRS at 30 June 2014 (unaudited). The Group does not use the presented analysis by contractual maturity for liquidity management purposes. The following table shows assets and liabilities by their remaining contractual maturity, with the exception of financial instruments at fair value through profit or loss, which are shown in the category “Demand and less than 1 month”.

(In thousands of Russian Roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years or no maturity**	**Total**
ASSETS						
Cash and cash equivalents	62 786 122	-	-	-	-	62 786 122
Mandatory cash balances with the Central Bank of the Russian Federation	1 379 727	827 464	492 913	271 858	8 044	2 980 006
Trading securities	7 889 548	-	-	-	-	7 889 548
Trading securities pledged under sale and repurchase agreements	57 404 890	-	-	-	-	57 404 890
Amounts receivable under reverse repurchase agreements	20 548 862	-	672 953	-	-	21 221 815
Due from banks	495 002	396 000	-	502 044	-	1 393 046
Loans and advances to customers	7 875 542	51 167 220	46 599 247	115 200 752	40 739 604	261 582 365
Investment securities available-for-sale	-	-	-	-	2 312 210	2 312 210
Prepaid income tax	-	84 849	-	-	-	84 849
Deferred tax asset	-	-	-	-	39 235	39 235
Investment property	-	-	-	-	1 652 011	1 652 011
Premises, equipment and intangible assets	-	-	-	-	13 889 107	13 889 107
Other assets	1 856 748	1 610 293	662 396	870 936	46 466	5 046 839
Long-term assets held for sale	-	-	1 416 330	-	-	1 416 330
TOTAL ASSETS	**160 236 441**	**54 085 826**	**49 843 839**	**116 845 590**	**58 686 677**	**439 698 373**
LIABILITIES						
Due to banks	81 016 316	4 215 450	2 004 110	187 277	2 522 295	89 945 448
Customer accounts	120 105 445	72 010 114	42 908 137	23 679 503	699 947	259 403 146
Bonds issued	-	-	-	20 498 859	-	20 498 859
Other debt securities issued	3 320 174	1 496 952	2 029 890	1 207 214	-	8 054 230
Other borrowed funds	2 654 089	2 198 409	1 535 859	576 288	-	6 964 645
Deferred tax liability	-	-	-	-	740 447	740 447
Other liabilities	1 349 219	824 118	1 345 609	337 843	2 545	3 859 334
TOTAL LIABILITIES	**208 445 243**	**80 745 043**	**49 823 605**	**46 486 984**	**3 965 234**	**389 466 109**
Net liquidity gap	**(48 208 802)**	**(26 659 217)**	**20 234**	**70 358 606**	**54 721 443**	**50 232 264**
Cumulative liquidity gap as at 30 June 2014	**(48 208 802)**	**(74 868 019)**	**(74 847 785)**	**(4 489 179)**	**50 232 264**	

19 Risk Management (continued)

Below is the IFRS liquidity position at 31 December 2013.

(In thousands of Russian Roubles)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years or no maturity	Total
ASSETS						
Cash and cash equivalents	40 060 452	-	-	-	-	40 060 452
Mandatory cash balances with the Central Bank of the Russian Federation	1 279 292	829 809	532 872	139 928	18 168	2 800 069
Trading securities	17 592 638	-	-	-	-	17 592 638
Trading securities pledged under sale and repurchase agreements	51 728 946	-	-	-	-	51 728 946
Amounts receivable under reverse repurchase agreements	14 187 295	666 585	-	-	-	14 853 880
Due from banks	4 423 365	3 691 799	-	502 130	-	8 617 294
Loans and advances to customers	5 453 141	49 999 247	46 967 194	118 879 056	29 585 465	250 884 103
Investment securities available-for-sale	-	-	-	-	3 324 758	3 324 758
Prepaid income tax	-	59 678	-	-	-	59 678
Investment property	-	-	-	-	1 653 115	1 653 115
Premises, equipment and intangible assets	-	-	-	-	13 806 328	13 806 328
Other assets	433 880	1 182 621	113 992	815 294	85 780	2 631 567
Long-term assets held for sale	-	-	1 409 491	-	-	1 409 491
TOTAL ASSETS	**135 159 009**	**56 429 739**	**49 023 549**	**120 336 408**	**48 473 614**	**409 422 319**
LIABILITIES						
Due to banks	62 271 644	3 759 964	4 509 380	-	-	70 540 988
Customer accounts	115 637 190	75 021 237	48 175 762	12 650 550	1 642 552	253 127 291
Bonds issued	-	-	-	16 906 923	3 311 866	20 218 789
Other debt securities issued	2 287 098	3 502 505	1 393 009	1 324 728	-	8 507 340
Other borrowed funds	-	818 652	2 218 297	1 960 030	2 582 447	7 579 426
Deferred tax liability	-	-	-	-	954 172	954 172
Other liabilities	539 114	258 147	10 995	7 525	2 577	818 358
TOTAL LIABILITIES	**180 735 046**	**83 360 505**	**56 307 443**	**32 849 756**	**8 493 614**	**361 746 364**
Net liquidity gap	**(45 576 037)**	**(26 930 766)**	**(7 283 894)**	**87 486 652**	**39 980 000**	**47 675 955**
Cumulative liquidity gap as at 31 December 2013	**(45 576 037)**	**(72 506 803)**	**(79 790 697)**	**7 695 955**	**47 675 955**	

Management believes that unused credit limits opened for the Group of RR 26 600 000 thousand at 30 June 2014 and stability of customer accounts fully enable to cover the Group’s liquidity gap disclosed in the tables above.

20 Management of Capital

The objectives when managing capital are (i) to comply with the capital requirements set by the CBRF, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of at least 8% based on the April 1998 Basel Prudential Requirements for Banks (Basel I), in accordance with financial covenants set in borrowing agreements.

(i) Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("capital adequacy ratio") of at least 10%, base capital adequacy ratio (N1.1) of at least 5%, main capital adequacy ratio (N1.2) of at least 5.5%. Regulatory capital, base capital and main capital together with capital adequacy ratios based on reports prepared under Russian statutory accounting standards are presented in the table below:

(In thousands of Russian Roubles)	**30 June 2014 (unaudited)**	**31 December 2013 (unaudited)**
Total capital	49 299 174	48 993 333
Base capital	34 402 387	31 773 474
Main capital	34 402 387	31 773 474
Capital adequacy ratio	13.09%	13.42%
Base capital adequacy ratio	9.22%	8.79%
Main capital adequacy ratio	9.24%	8.74%

Starting from 1 April 2013 the Bank calculates the amount of capital and capital adequacy ratios in accordance with CBR requirements based on Basel III requirements. The amount of capital and capital adequacy ratios were used by the CBRF in 2013 for information purposes and starting from 1 January 2014 for supervision purposes.

The capital adequacy ratio set by the CBRF is managed by the Treasury Department through monitoring and forecasting its components.

Based on the calculations performed on the daily basis by the Planning and Financial Control Department, management believes that as at 30 June 2014 and 31 December 2013 the capital adequacy ratio was not below the minimum requirement.

(ii) Arrangements to safeguard the Group's ability to continue as a going concern are performed under the Strategic Development Plan and divided into long-term and short-term capital management.

In the long-term the Bank plans its business scope under strategic and financial plans developed along with identification of the risks and corresponding capital requirements for three years and one year, respectively. When the required amount of capital is defined the Bank determines the sources of its increase: borrowings on capital markets, share issue and approximate scope thereof. The target scope of business and the amount of capital, as well as the sources of the capital increase are approved collegially by the following management bodies in order of the established priority: the Asset and Liability Management Committee, Management Board, Supervisory Board.

20 Management of Capital (continued)

In the short-term, with due account of the necessity to comply with the CBRF requirements, the Bank determines the capital surplus/deficit within the period from one to three months and develops the respective plan to increase assets. In some cases management uses administrative measures to influence the structure of assets and liabilities through interest rate policy, and in exceptional cases, through setting limits for certain active transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

(iii) According to the loan agreement with EBRD the Bank has a commitment to maintain the total capital adequacy ratio of minimum 11%, which is calculated under the requirements of Basel I (refer to note 12).

This ratio is calculated on a quarterly basis; the forecasted amount of capital and capital adequacy ratio are defined in the Strategic Development Plan which takes into account compliance with the capital adequacy requirements.

Below is the capital and capital adequacy ratio calculated in accordance with Basel I:

(In thousands of Russian Roubles)	**30 June 2014 (unaudited)**	**31 December 2013**
Capital	**60 180 196**	**58 011 836**
Tier 1	**46 806 204**	**43 937 250**
Paid-in share capital	3 721 734	3 721 734
Reserves and profit	43 084 470	40 215 516
Including:		
- Share premium	21 393 878	21 393 878
- Retained earnings	21 690 592	18 821 638
Tier 2	**13 373 992**	**14 074 586**
Revaluation reserve for premises	3 339 031	3 339 031
Revaluation reserve for investment securities available-for-sale	87 029	399 674
Subordinated loans	9 947 932	10 335 881
Risk weighted assets	**414 740 586**	**405 306 109**
Risk weighted banking assets	297 259 763	281 665 898
Risk weighted trading assets	76 498 188	85 854 763
Risk weighted unrecognized exposures	40 982 635	37 785 448
Total capital adequacy ratio	**14.51%**	**14.31%**
Total tier 1 capital	**11.29%**	**10.84%**

The Group was in compliance with the minimum capital adequacy ratio agreed with the creditors as at 30 June 2014 and 31 December 2013.

21 Fair Value of Financial Instruments

Methods and assumptions used in calculation of the fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. The best evidence of fair value is price quotations in an active market.

The estimated fair values of financial instruments are determined using available market information, where it exists, and appropriate valuation methodologies. However, professional judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distressed sale transactions and therefore do not represent fair values of financial instruments. Management uses all available market information in estimating the fair value of financial instruments.

The fair value of instruments with floating interest rates usually equals their carrying value. The fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using current interest rates for instruments with similar credit risk and maturity date.

The Group measures fair values for financial instruments recorded on the condensed consolidated interim statement of financial position at fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

Management uses professional judgment for classification of financial instruments between categories of the fair value evaluation hierarchy. If the observable data used for fair value evaluation require significant adjustments they are categorised as Level 3.

21 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognized at fair value by evaluation categories as at 30 June 2014 (unaudited):

(In thousands of Russian Roubles)	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Trading securities			
- Corporate bonds	6 288 687	466 092	-
- Federal loan bonds	430 102	-	-
- Municipal bonds	340 378	146 704	-
- Corporate Eurobonds	217 585	-	-
Trading securities pledged under sale and repurchase agreements			
- Corporate bonds	42 452 898	-	-
- Corporate Eurobonds	8 704 635	-	-
- Municipal bonds	3 708 448	-	-
- Federal loan bonds	2 417 998	-	-
- Corporate shares	100 162	-	-
- Eurobonds of the Russian Federation	20 749	-	-
Investment securities available-for-sale			
- Corporate shares	108 786	-	-
TOTAL FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE	**64 790 428**	**612 796**	**-**
FINANCIAL LIABILITIES			
Other financial liabilities			
- Net fair value of derivative financial instruments	-	(138 273)	-
TOTAL FINANCIAL LIABILITIES RECOGNIZED AT FAIR VALUE	**-**	(138 273)	**-**

21 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognized at fair value by evaluation categories as at 31 December 2013:

(In thousands of Russian Roubles)	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Trading securities			
- Corporate bonds	11 239 639	35 755	-
- Municipal bonds	2 892 211	-	-
- Corporate Eurobonds	2 157 309	-	-
- Federal loan bonds	1 246 783	-	-
- Corporate shares	20 941	-	-
Trading securities pledged under sale and repurchase agreements			
- Corporate bonds	36 615 177	45 125	-
- Corporate Eurobonds	6 868 657	-	-
- Eurobonds of the Russian Federation	2 722 173	-	-
- Federal loan bonds	2 624 778	-	-
- Municipal bonds	2 459 922	-	-
- Corporate shares	393 114	-	-
Investment securities available-for-sale			
- Corporate shares	1 121 334	-	-
Other financial assets			
- Net fair value of derivative financial instruments	-	273 212	-
TOTAL FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE	**70 362 038**	**354 092**	**-**

21 Fair Value of Financial Instruments (continued)

The following table provides fair values of loans and advances to customers carried at amortized cost as at 30 June 2014 and 31 December 2013:

	30 June 2014 (unaudited)		31 December 2013	
(In thousands of Russian Roubles)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
FINANCIAL ASSETS CARRIED AT AMORTIZED COST				
Loans and advances to customers				
Loans and advances to legal entities				
- loans to finance working capital	136 259 841	138 197 650	133 528 167	137 927 760
- investment loans	65 913 777	66 578 702	63 175 927	64 417 073
- loans to entities financed by government	15 706 780	15 840 626	17 250 322	17 720 278
Loans and advances to individuals				
- mortgage loans	25 060 871	25 699 218	20 033 686	20 561 867
- car loans	4 117 297	4 202 287	3 902 990	3 996 215
- consumer loans to VIP clients	4 969 819	5 010 255	5 306 310	5 416 290
- other concumer loans	9 553 980	10 163 410	7 686 701	8 249 207
	261 582 365	**265 692 148**	**250 884 103**	**258 288 690**

The following table provides fair values of financial liabilities carried at amortized cost as at 30 June 2014 and 31 December 2013:

	30 June 2014 (unaudited)		31 December 2013	
(In thousands of Russian Roubles)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST				
Customer accounts				
State and public organisations				
- Current/settlement accounts	1 466 565	1 466 565	905 604	905 604
- Term deposits	1 003 354	1 004 901	57	-
Other legal entities				
- Current/settlement accounts	62 201 724	62 201 724	54 979 453	54 979 453
- Term deposits	59 665 809	59 806 939	71 936 160	71 892 168
- Amounts payable under sale and repurchase agreements	421 123	421 123	1 884	1 884
Individuals				
- Current accounts/demand deposits	34 845 956	34 845 956	30 461 432	30 461 432
- Term deposits	99 798 615	103 038 088	94 842 701	97 637 472
Bonds issued				
- Bonds	10 211 142	10 176 450	10 209 883	10 221 300
- Subordinated Eurobonds	10 287 717	10 343 545	10 008 906	10 203 773
Other debt securities issued				
- Promissory notes	8 054 228	8 074 437	8 507 338	8 659 592
- Deposit certificates	2	2	2	2
Other borrowed funds				
- Subordinated loans	4 219 891	3 924 771	4 047 873	3 744 532
- VTB Bank	2 024 876	1 999 379	1 968 665	1 928 275
- AKA AFK	512 588	479 552	581 697	544 476
- Nordic Investment Bank	155 695	151 114	209 620	201 982
- EBRD	51 595	50 513	771 571	755 539
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST	**294 920 881**	**297 985 059**	**289 432 846**	**292 137 484**

21 Fair Value of Financial Instruments (continued)

Financial instruments recognized at fair value. Trading securities, trading securities pledged under sale and repurchase agreements, investment securities available-for-sale, derivative financial instruments are carried at fair value in condensed consolidated interim financial information.

According to the Group estimates, fair values of financial assets and liabilities, except for those disclosed in tables above, do not differ significantly from their carrying values.

Fair value hierarchy for assets and liabilities disclosed in tables above is as follows:

- bonds issued – level 1
- customer accounts – level 2
- other debt securities issued – level 2
- other borrowed funds – level 3
- loans and advances to customers - level 3.

Loans and receivables carried at amortized cost. The fair value of instruments with floating interest rates usually equals to their carrying value. If market situation significantly changes the interest rates on loans and advances to customers and loans to banks with fixed interest rate may be revised. Interest rates on loans and advances to customers issued just before the reporting date do not significantly differ from current interest rates on new instruments with similar credit risk and maturity date. If interest rates on earlier issued loans, according to the Group estimates, significantly differ from current interest rates for similar instruments as at the reporting date, the Group determines estimated fair value for these loans. The estimate is based on discounted cash flows using current interest rates for new instruments with similar credit risk and maturity date. Discounting rates depend on currency, maturity date and counterparty.

Group believes that fair values of financial assets and liabilities except for disclose in the table above approximate their carrying amounts.

The following table provides analysis of interest rates on loans and advances to customers as at 30 June 2014 and 31 December 2013:

	30 June 2014 (unaudited)	**31 December 2013**
Loans and advances to customers:		
Loans and advances to legal entities	1.33%-24.90% p.a.	2.28%-26.30% p.a.
Loans and advances to individuals	1.66%-23.60% p.a.	4.30%-26.30% p.a.

The estimated fair values of other financial assets, including accounts receivable, approximates to their amortized cost due to their short-term nature.

Financial liabilities carried at amortized cost. The estimated fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using current interest rates for new instruments with similar credit risk and maturity date. Discounting interest rates depend on currency, maturity date and as at 30 June 2014 ranged from 0.15% p.a. to 16.12% p.a. (31 December 2013 ranged from 0.1% p.a. to 16.12% p.a.).

22 Related Party Transactions

For the purposes of this condensed consolidated interim financial information, 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. Mr. Savelyev, through his direct share ownership, option agreements, position as the Chairman of the Management Board till 22 August 2014 and together with other members of management have de facto control of the Bank in accordance with the accounting definition contained in IFRS 10.

Transactions are entered into in the normal course of business with shareholders, management and other related parties mainly represented by companies controlled by the Group's shareholders and management.

As at 30 June 2014, the outstanding balances with related parties are as follows:

(In thousands of Russian Roubles)	**Shareholders (unaudited)**	**Management of the Group (unaudited)**	**Other related parties (unaudited)**
Loans and advances to customers (contractual interest rates: 4.75%-21.50% p.a)	51 641	83 091	264 050
Impairment allowance for loans and advances to customers	(1 249)	(1 886)	(28 804)
Investment securities available-for-sale	-	-	2 000 008
Customer accounts (contractual interest rates: 0.15%-9.60% p.a.)	1 055 921	1 039 116	2 017 113
Other borrowed funds (contractual interest rate: 4.33%-13.40% p.a.)	2 705 684	-	-

The income and expense items with related parties, other than compensation to the members of the Supervisory and the Management Boards, for the six-month period ended 30 June 2014 are as follows:

(In thousands of Russian Roubles)	**Shareholders (unaudited)**	**Management of the Group (unaudited)**	**Other related parties (unaudited)**
Interest income	2 649	6 413	17 584
Interest expense	(213 541)	(28 917)	(24 943)
Provision for loan impairment	(458)	(652)	(25)
Fee and commission income	40	801	17 492

Aggregate amounts lent to and repaid by related parties during the six-month period ended 30 June 2014 are:

(In thousands of Russian Roubles)	**Shareholders (unaudited)**	**Management of the Group (unaudited)**	**Other related parties (unaudited)**
Amounts lent to related parties during the period	4 607	51 347	9 699
Amounts repaid by related parties during the period	2 968	46 851	36 544

22 Related Party Transactions (continued)

As at 31 December 2013, the outstanding balances with related parties are as follows:

(In thousands of Russian Roubles)	**Shareholders**	**Management of the Group**	**Other related parties**
Loans and advances to customers (contractual interest rates: 6.00%–22.00% p.a.)	50 002	78 595	290 895
Impairment allowance for loans and advances to customers	(791)	(1 234)	(28 779)
Investment securities available-for-sale	-	-	2 000 008
Customer accounts (contractual interest rates: 2.50%-10.00% p.a.)	1 917 946	831 189	3 204 274
Other borrowed funds (contractual interest rates: 4.40%-13.40% p.a.)	3 354 018	-	-

The income and expense items with related parties, other than compensation to the members of the Supervisory and the Management Boards, for the six-month period ended 30 June 2013 are as follows:

(In thousands of Russian Roubles)	**Shareholders (unaudited)**	**Management of the Group (unaudited)**	**Other related parties (unaudited)**
Interest income	2 612	4 932	10 747
Interest expense	(306 498)	(18 894)	(4 960)
Recovery of provision for loan impairment	13	100	116
Fee and commission income	65	346	2 451

Aggregate amounts lent to and repaid by related parties during the six-month period ended 30 June 2013 are:

(In thousands of Russian Roubles)	**Shareholders (unaudited)**	**Management of the Group (unaudited)**	**Other related parties (unaudited)**
Amounts lent to related parties during the period	5 978	22 700	10 622
Amounts repaid by related parties during the period	6 929	28 883	12 248

During the six-month period ended 30 June 2014, total remuneration of members of the Supervisory Board and epy Management Board of the Bank, including pension contributions and discretionary bonuses, amounts to RR 174 002 thousand (six-month period ended ended 30 June 2013: RR 108 379 thousand).

23 Consolidation of Companies

The Group’s condensed consolidated interim financial information includes:

		Ownership %		
Name	**Country of incorporation**	**30 June 2014**	**31 December 2013**	**Principal activities**
BSPB-Trading Systems	Russian Federation	100%	100%	Operation on financial market
Evropeisky CJSC ICB	Russian Federation	100%	-	Banking

The Bank uses structured entity BSPB Finance PLC for issue of bonds on the international capital market (refer to note 11).

BSPB Finance PLC is the issuer of a structured debt – loan participation notes issued solely to finance loans to the Bank. Loan participation notes represent secured debt, where the issuer pledges all amounts received and/or receivable under loan agreements with the Bank. The Bank compensates the issuer all one-off and future expenses related to issuance and servicing of the loans.

24 Acquisition of a Subsidiary

On 10 February 2014 the Group acquired 100% shares in Evropeisky CJSC ICB for the consideration of RR 610 151 thousand. The acquisition was at arms-length’s basis.

The acquisition of Evropeisky investment-commercial bank will allow the Group to increase significantly its share on the financial market of Kaliningrad district.

24 Acquisition of Subsidiary (continued)

Preliminary valuation of the fair value of assets and liabilities of the acquired subsidiary recognized in the condensed consolidated interim financial information of the Group as at the acquisition date is presented as follows:

(In thousands of Russian Roubles)	Recognized amounts on acquisition (unaudited)
ASSETS	
Cash and cash equivalents	1 511 644
Mandatory reserve deposits with the Central Bank of the Russian Federation	108 040
Financial instruments at fair value through profit or loss	159 142
Investment securities available-for-sale	200 201
Due from banks	16 504
Loans and advances to customers	5 523 838
Premises, equipment and intangible assets	75 400
Other assets	99 099
LIABILITIES	
Due to banks	771 915
Customer accounts	5 679 947
Subordinated loans	100 000
Other liabilities and provisions	43 268
Net identifiable assets and liabilities	**1 098 738**
Negative goodwill on acquisition	**(488 587)**
Consideration paid	(610 151)
Including paid part	*(312 504)*
Cash acquired	1 511 644
Net cash inflow	**1 199 140**

Fair value of acquired assets and liabilities is based on the discounted cash flow models and other valuation techniques and assessed by management based on valuation carried out by an independent professional firm of appraisers.

25 Events after the Reporting Period

In July 2014 the Group according to the right set in the subordinated loan agreement with EBRD repaid this subordinated loan of USD 75 000 thousand.

The Group made the decision to early repay credit line from Nordic Investment Bank in October 2014.

As Mr. Savelyev was elected for Chairman of Supervisory Board of the Bank he resigned from the Chairman of the Management Board. Starting from 22 August 2014 Mr. Guz became the Chairman of the Management Board of the Bank.

V. S. Guz
Chairman of the Management Board

N.G. Tomilina
Chief Accountant