

**PJSC “Bank “Saint Petersburg” Group**

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

**30 June 2015**

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Auditors' Report on Review of Condensed Consolidated Interim Financial Information

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

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

### Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC "Bank "Saint Petersburg" and its subsidiaries (hereinafter together referred to as the "Group") as at 30 June 2015, 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 2015 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*.

Lukashova N.V.

Director

power of attorney dated 16 March 2015 No. 14/15

JSC "KPMG"

26 August 2015

Moscow, Russian Federation



Audited entity: PJSC "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, Malohtinskij prospect, Saint Petersburg, Russian Federation, 195112.

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, 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.

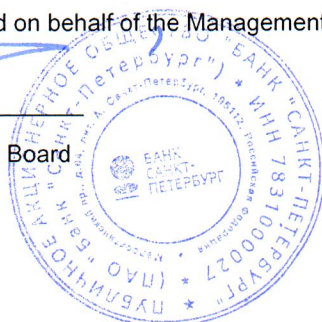
Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

**PJSC "Bank "Saint Petersburg" Group**  
**Condensed Consolidated Interim Statement of Financial Position as at 30 June 2015**

<i>(in thousands of Russian Roubles)</i>	Note	30 June 2015 (unaudited)	31 December 2014
<b>ASSETS</b>			
Cash and cash equivalents		46 478 811	57 240 622
Mandatory reserve deposits with the Central Bank of the Russian Federation		3 253 574	3 290 084
Trading securities	6	3 899 431	205 425
Securities pledged under sale and repurchase agreements and loaned	7	66 268 562	39 138 709
Amounts receivable under reverse repurchase agreements	8	33 147 811	29 511 109
Due from banks		24 420 211	29 264 470
Loans and advances to customers	9	305 911 408	315 338 995
Investment securities available-for-sale	10	9 841 760	9 259 393
Prepaid income tax		192 308	819 399
Investment property		3 185 709	1 591 433
Property, equipment and intangible assets		14 302 787	14 535 188
Other assets		7 992 131	20 078 295
Long-term assets held for sale		1 369 088	1 327 028
<b>TOTAL ASSETS</b>		<b>520 263 591</b>	<b>521 600 150</b>
<b>LIABILITIES</b>			
Due to banks		121 896 535	102 596 690
Customer accounts	11	298 506 152	308 481 731
Bonds issued	12	22 045 996	23 864 107
Other debt securities issued		15 768 761	16 405 964
Other borrowed funds	13	3 249 466	5 671 179
Deferred tax liability		262 353	1 293 069
Other liabilities		4 105 081	11 993 069
<b>TOTAL LIABILITIES</b>		<b>465 834 344</b>	<b>470 305 809</b>
<b>EQUITY</b>			
Charter capital	14	3 721 223	3 696 674
Share premium	14	21 393 878	21 393 878
Revaluation reserve for premises		3 820 496	3 901 555
Revaluation reserve for investment securities available-for-sale		1 293 540	(433 894)
Retained earnings		24 200 110	22 736 128
<b>TOTAL EQUITY</b>		<b>54 429 247</b>	<b>51 294 341</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>520 263 591</b>	<b>521 600 150</b>

Approved for issue and signed on behalf of the Management Board on 26 August 2015.

V.S. Guz  
Chairman of the Management Board



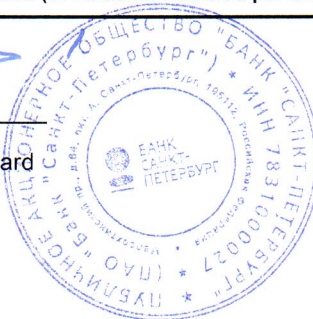
N.G. Tomilina  
Chief Accountant



**PJSC "Bank "Saint Petersburg" Group**  
**Condensed Consolidated Interim Statement of Comprehensive Income for the six-month period**  
**ended 30 June 2015**

<i>(in thousands of Russian Roubles)</i>	Note	Six-month period ended 30 June 2015 (unaudited)	Six-month period ended 30 June 2014 (unaudited)
Interest income	16	24 888 205	18 007 181
Interest expense	16	(16 648 286)	(9 503 682)
<b>Net interest income</b>		<b>8 239 919</b>	<b>8 503 499</b>
Provision for loan impairment		(5 593 918)	(2 773 207)
<b>Net interest income after provision for loan impairment</b>		<b>2 646 001</b>	<b>5 730 292</b>
Net losses from trading securities		(193 177)	(1 167 547)
Net gains from investment securities available-for-sale		290 613	248 724
Net (losses) gains from trading in foreign currencies		(170 269)	356 120
Net (losses) gains from foreign exchange translations		(214 197)	2 456 409
Net gains (losses) from derivatives		2 596 844	(1 851 734)
Fee and commission income		2 191 193	1 981 491
Fee and commission expense		(327 668)	(295 535)
Impairment allowance for credit related commitments		(5 552)	(38 465)
Gain from acquisition of subsidiary		-	488 587
Other net operating income		164 740	155 313
Administrative and other operating expenses			
- staff costs		(2 404 660)	(2 160 265)
- costs related to premises and equipment		(606 325)	(549 217)
- other administrative and operating expenses		(1 948 039)	(1 763 059)
<b>Profit before tax</b>		<b>2 019 504</b>	<b>3 591 114</b>
Income tax expense		(451 867)	(671 598)
<b>Profit for the period</b>		<b>1 567 637</b>	<b>2 919 516</b>
<b>Other comprehensive income (loss)</b>			
<i>Items of comprehensive income (loss) that are or will be reclassified subsequently to profit or loss:</i>			
Net result from revaluation of investment securities available-for-sale		2 159 481	(390 807)
Deferred income tax recognized in equity related to other comprehensive income (loss)		(432 047)	78 162
<b>Other comprehensive income (loss) for the period after tax</b>	15	<b>1 727 434</b>	<b>(312 645)</b>
<b>Total comprehensive income for the period</b>		<b>3 295 071</b>	<b>2 606 871</b>
<b>Basic and diluted earnings per share (in Russian Roubles per share)</b>	17	<b>3.65</b>	<b>6.64</b>

  
V.S. Guz  
Chairman of the Management Board



  
N.G. Tomilina  
Chief Accountant

**PJSC "Bank "Saint Petersburg" Group**  
**Condensed Consolidated Interim Statement of Changes in Equity for the six-month period ended**  
**30 June 2015**

<i>(in thousands of Russian Roubles)</i>	Note	Share capital	Share premium	Revaluation reserve for premises	Revaluation reserve for investment securities available-for-sale	Retained earnings	Total equity
<b>Balance as at 1 January 2014</b>		<b>3 721 734</b>	<b>21 393 878</b>	<b>3 339 031</b>	<b>399 674</b>	<b>18 821 638</b>	<b>47 675 955</b>
Other comprehensive loss recognized directly in equity (unaudited)	15	-	-	-	(312 645)	-	(312 645)
Profit for the period (unaudited)		-	-	-	-	2 919 516	2 919 516
<b>Total comprehensive income for the 6 months ended 30 June 2014 (unaudited)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(312 645)</b>	<b>2 919 516</b>	<b>2 606 871</b>
Dividends declared (unaudited)							
- ordinary shares	18	-	-	-	-	(48 351)	(48 351)
- preference shares	18	-	-	-	-	(2 211)	(2 211)
<b>Balance as at 30 June 2014 (unaudited)</b>		<b>3 721 734</b>	<b>21 393 878</b>	<b>3 339 031</b>	<b>87 029</b>	<b>21 690 592</b>	<b>50 232 264</b>
<b>Balance as at 1 January 2015</b>		<b>3 696 674</b>	<b>21 393 878</b>	<b>3 901 555</b>	<b>(433 894)</b>	<b>22 736 128</b>	<b>51 294 341</b>
Other comprehensive income recognized directly in equity (unaudited)	15	-	-	-	1 727 434	-	1 727 434
Profit for the period (unaudited)		-	-	-	-	1 567 637	1 567 637
Disposal of buildings		-	-	(81 059)	-	81 059	-
<b>Total comprehensive income for the 6 months ended 30 June 2015 (unaudited)</b>		<b>-</b>	<b>-</b>	<b>(81 059)</b>	<b>1 727 434</b>	<b>1 648 696</b>	<b>3 295 071</b>
Sale of treasury shares (unaudited)		24 549	-	-	-	705 339	729 888
Dividends declared (unaudited)							
- ordinary shares	18	-	-	-	-	(887 842)	(887 842)
- preference shares	18	-	-	-	-	(2 211)	(2 211)
<b>Balance as at 30 June 2015 (unaudited)</b>		<b>3 721 223</b>	<b>21 393 878</b>	<b>3 820 496</b>	<b>1 293 540</b>	<b>24 200 110</b>	<b>54 429 247</b>

  
V.S. Guz  
Chairman of the Management Board

  
N.G. Tomilina  
Chief Accountant

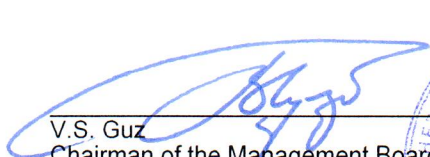


**PJSC "Bank "Saint Petersburg" Group**  
**Condensed Consolidated Interim Statement of Cash Flows for the six-month period**  
**ended 30 June 2015**

	Note	Six-month period ended 30 June 2015 (unaudited)	Six-month period ended 30 June 2014 (unaudited)
<i>(in thousands of Russian Roubles)</i>			
<b>Cash flows from operating activities</b>			
Interest received on loans and correspondent accounts		20 356 449	14 159 141
Interest received on securities		2 948 077	2 514 653
Interest received on securities pledged under sale and repurchase agreements		1 500 503	662 401
Interest paid on due to banks		(5 663 597)	(2 761 511)
Interest paid on customer accounts		(8 275 243)	(5 462 833)
Interest paid on other debt securities issued		(286 913)	(155 365)
Net expense from securities trading		(380 354)	(1 210 336)
Net (expense) gain from trading in foreign currencies		(170 269)	356 137
Net gain (expense) from derivatives		5 449 533	(1 440 290)
Fees and commissions received		2 210 598	1 984 987
Fees and commissions paid		(327 668)	(295 535)
Other operating income received		157 598	150 328
Staff costs paid		(2 237 847)	(1 986 632)
Premises and equipment costs paid		(281 032)	(217 588)
Administrative and operating expenses paid		(1 964 720)	(1 722 590)
Income tax paid		(1 283 162)	(871 567)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>11 751 953</b>	<b>3 703 400</b>
<b>Changes in operating assets and liabilities</b>			
Net decrease (increase) in mandatory reserve deposits with the Central Bank of the Russian Federation		36 510	(71 897)
Net (increase) decrease in trading securities		(3 819 848)	9 720 855
Net increase in trading securities pledged under sale and repurchase agreements		(27 130 617)	(5 396 015)
Net increase in amounts receivable under reverse repurchase agreements		(3 671 080)	(6 378 897)
Net decrease in due from banks		4 839 194	7 369 221
Net increase in loans and advances to customers		(553 506)	(5 749 435)
Net decrease (increase) in other assets		1 370 512	(1 297 515)
Net increase in due to banks		19 294 510	18 754 930
Net (decrease) increase in customer accounts		(7 249 531)	1 662 993
Net decrease in other debt securities issued		(356 255)	(574 045)
Net (decrease) increase in other liabilities		(1 114 302)	832 658
<b>Net cash (used in) received from operating activities</b>		<b>(6 620 460)</b>	<b>22 576 253</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment and intangible assets		(233 589)	(341 768)
Proceeds from disposal of premises and equipment and intangible assets		159 648	4 147
Net disposals of investment securities available-for-sale		1 577 114	1 194 265
Proceeds from disposal of investment securities available-for-sale		275 222	8 393
Net cash received upon acquisition of a subsidiary		-	1 199 140
Proceeds from sale of investment property		8 554	-
Dividend income received		5 715	434
<b>Net cash received from investing activities</b>		<b>1 792 664</b>	<b>2 064 611</b>

**PJSC "Bank "Saint Petersburg" Group**  
**Condensed Consolidated Interim Statement of Cash Flows for the six-month period**  
**ended 30 June 2015**

		Six-month period ended 30 June 2015 (unaudited)	Six-month period ended 30 June 2014 (unaudited)
<i>(in thousands of Russian Roubles)</i>			
	<b>Note</b>		
<b>Cash flows from financing activities</b>			
Sale of treasury shares		729 888	-
Repayment of other borrowed funds		(2 662 507)	(926 529)
Redemption of bonds issued		(1 332 592)	-
Interest paid on bonds issued		(1 130 719)	(947 578)
Interest paid on other borrowed funds		(138 717)	(297 038)
Dividend paid	18	(1 950)	(103)
<b>Net cash used in financing activities</b>		<b>(4 536 597)</b>	<b>(2 171 248)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>(1 415 418)</b>	<b>256 054</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(10 761 811)</b>	<b>22 725 670</b>
Cash and cash equivalents at the beginning of the period		57 240 622	40 060 452
<b>Cash and cash equivalents at the end of the period</b>		<b>46 478 811</b>	<b>62 786 122</b>

  
V.S. Guz  
Chairman of the Management Board



  
N.G. Tomilina  
Chief Accountant



## **1 Background**

This condensed consolidated interim financial information for the six-month period ended 30 June 2015 for PJSC "Bank "Saint Petersburg" (the "Bank") and its subsidiaries, together referred to as the "Group" or PJSC "Bank "Saint Petersburg" Group is prepared in accordance with International Financial Reporting Standards. A list of subsidiaries is disclosed in note 24.

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. In 2014 the Bank was reorganized from Open Joint-Stock Company "Bank "Saint Petersburg" to Public Joint-Stock Company "Bank "Saint Petersburg" following the decision made at the extraordinary General Shareholders' Meeting.

As at 30 June 2015, Mr. A.V. Savelyev and management of the Bank controls 53.2% of the ordinary shares of the Bank (31 December 2014: 52.3%) including: 23.7% of the ordinary shares are controlled by Mr. A.V. Savelyev (31 December 2014: 23.7%), 29.5% are controlled by management of the Bank, including 28.7% of the ordinary shares are controlled by LLC "Management Company "Vernye Druzya" (31 December 2014: 0%). In the company LLC "Management Company "Vernye Druzya", companies "NOROYIA ASSETS LIMITED", "ZERILOD HOLDINGS LIMITED" and the company "CARISTAS LIMITED" each owns 33.2% of the share capital. Mr. A.V. Savelyev has a perpetual option to purchase a 100% share in the companies "NOROYIA ASSETS LIMITED", "ZERILOD HOLDINGS LIMITED" and "CARISTAS LIMITED" (31 December 2014: the company "NOROYIA ASSETS LIMITED" owned 9.4% of the ordinary shares of the Bank, the company "ZERILOD HOLDINGS LIMITED" owned 9.4% of the ordinary shares of the Bank, the company "CARISTAS LIMITED" owned 8.9% of the ordinary shares of the Bank.)

The remaining ordinary shares of the Bank are owned as follows: 9.1% of the shares are owned by the East Capital Group (31 December 2014: 9.3%), 5.5% of the ordinary shares are owned by the European Bank of Reconstruction and Development ("EBRD") (31 December 2014: 5.5%).

The remaining 32.2% of the ordinary shares are widely held (31 December 2014: 27.3%).

As at 31 December 2014, treasury shares purchased by the Bank in response to shareholders' request in accordance with Articles 75, 76 of *Federal Law No. 208-FZ* dated 26 December 1995 *On Joint Stock Companies* due to reorganization of OJSC "Bank "Saint Petersburg" in the form of merger of Evropeisky CJSC ICB into PJSC "Bank "Saint Petersburg" composed 5.6%.

**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* dated 23 December 2003 *On Retail Deposit Insurance in the Russian Federation*. The state deposit insurance system guarantees payment in the amount of 100% of total deposits placed with the Bank, but limited to RR 1,400 thousand, in the event the Bank's license is revoked or the CBRF imposes a moratorium on payments.

As at 30 June 2015, the Bank had five branches within the Russian Federation: four branches are located in the North-West region of Russia, one branch is in Moscow, and forty two outlets (31 December 2014: five branches within the Russian Federation: four branches are located in the North-West region of Russia, one branch is in Moscow, and forty three outlets).

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

**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.

In the first half of 2015, the Russian economy demonstrated downward trends caused by the negative events of the previous year. Introduction of sanctions and a sharp decline in commodity prices, primarily for oil, had a significant impact on business and consumer activity. This resulted in increased capital outflow, growth of interest rates and depreciation of Russian Rouble. According to estimates of the Russian Ministry of Economic Development, the GDP decreased by 3.4% against the corresponding period of 2014. In June of the current year manufacturing, construction, wholesale and retail trade industries contributed the most to the GDP decline. In June of 2015 consumer price index showed a 15.3% growth versus 7.8% in the previous year.

The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. In addition, the recent contraction in the capital and credit markets have further increased the level of economic uncertainty. In general, the current economic environment the Group operates in is characterized by significant growth of risks of different nature and general uncertainty, bounding the strategic horizon for market participants and aggregated risk appetite.

Current economic and political situation, including situation in the Ukraine and introduction of sanctions against the Russian Federation by particular countries and introduction of responsive sanctions against particular countries by the Russian Federation creates risks for operations conducted by the Group.

The condensed consolidated interim financial information reflects 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.

Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

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.

## **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 2014. 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 2015, the official exchange rate used for translating foreign currency balances is USD 1 = RR 55.5240 and Euro 1 = RR 61.5206 (31 December 2014: 56.2584 RR/USD and 68.3427 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 during the following financial year 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 of 5% of the total loans and advances to customers occurred, the allowance would be approximately RR 154 995 thousand higher (31 December 2014: RR 143 624 thousand higher).

**Revaluation of investment securities available-for-sale.** Investment securities available-for-sale are carried at fair value.

Certain types of equity securities available-for-sale are carried at cost when it is not possible to measure their fair value with the sufficient level of reliability (there are no quoted prices on an active market or other observable inputs, such as prices for an identical instrument on an active market). More detailed information is provided in note 22.

**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 1 283 263 thousand (before deferred tax) as at 30 June 2015 (31 December 2014: RR 1 303 894 thousand).



## **5 Adoption of New or Revised Standards and Interpretations**

A number of new standards, amendments and interpretations are not yet effective as at 30 June 2015, and are not applied in preparing this condensed consolidated interim financial information. The Group plans to adopt these pronouncements when they become effective:

**IFRS 15 Revenue from Contracts with Customers** supersedes IAS 11 *Construction Contracts*; IAS 18 *Revenue*; IFRIC 13 *Customer Loyalty Programmes*; IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance on multiple-element arrangements. The standard will be effective for annual periods beginning on or after 1 January 2017. Early adoption is permitted. The Group has not yet analysed the likely impact of the standard on its financial position or performance. The Group does not intend to adopt this standard early.

**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 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 2016. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

## **6 Trading Securities**

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
Corporate bonds	1 919 820	-
Corporate Eurobonds	1 338 459	196 732
Federal loan bonds	419 117	-
Municipal bonds	9 326	-
<b>Total debt securities</b>	<b>3 686 722</b>	<b>196 732</b>
Corporate shares	212 709	8 693
<b>Total trading securities</b>	<b>3 899 431</b>	<b>205 425</b>

Corporate bonds are interest bearing securities denominated in Russian Rouble issued by Russian companies and traded in the Russian market. These bonds have maturity dates from 11 February 2016 to 20 September 2044; coupon rates of 7.8%-16.0% p.a.; yields to maturity of 11.3%-15.2% p.a. as at 30 June 2015, depending on the type of bond issue (31 December 2014: there were no such bonds).

Corporate Eurobonds are interest bearing securities denominated 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. Corporate Eurobonds have maturity dates from 17 February 2016 to 13 February 2018 (31 December 2014: from 18 March 2015 to 24 April 2018); coupon rates of 3.2%-7.8% p.a. (31 December 2014: 3.4%-8.0% p.a.); yields to maturity of 4.9%-12.9% p.a. as at 30 June 2015 (31 December 2014: 7.8-8.3% p.a.), depending on the type of bond issue.

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Federal loan bonds are government securities denominated in Russian Rouble issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 14 June 2017 to 16 August 2023; coupon rates of 6.2%-7.6% p.a.; yields to maturity of 10.7%-11.0% as at 30 June 2015, depending on the type of bond issue (31 December 2014: there were no such bonds).

Municipal bonds are securities denominated in Russian Rouble issued by the municipal administration of the Samara region. These bonds have maturity on 18 June 2020; a coupon rate of 12.4% p.a.; yield to maturity of 12.8% p.a. as at 30 June 2015 (31 December 2014: there were no such bonds).

Corporate shares are shares of Russian companies.

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

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 30 June 2015 by their credit quality is as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	<b>Corporate bonds</b>	<b>Corporate Eurobonds</b>	<b>Federal loan bonds</b>	<b>Municipal bonds</b>	<b>Total</b>
Not overdue or impaired					
Group A	2	-	-	-	2
Group B	1 888 409	1 338 459	419 117	9 326	3 655 311
Group C	1 079	-	-	-	1 079
Group D	30 330	-	-	-	30 330
<b>Total debt trading securities</b>	<b>1 919 820</b>	<b>1 338 459</b>	<b>419 117</b>	<b>9 326</b>	<b>3 686 722</b>

Analysis of debt trading securities outstanding at 31 December 2014 by their credit quality is as follows:

<i>(in thousands of Russian Roubles)</i>	<b>Corporate Eurobonds</b>	<b>Total</b>
Not overdue or impaired		
Group A	24 283	24 283
Group B	172 449	172 449
<b>Total debt trading securities</b>	<b>196 732</b>	<b>196 732</b>

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 20.

## **6 Trading Securities (continued)**

In 2008 the Group reclassified certain financial assets from trading securities to due from banks.

In December 2014 the Group reclassified certain financial assets for which there was no active market from trading securities to due from banks and loans and advances to customers, and financial assets for which there was an active market from trading securities to investment securities available-for-sale. See notes 9, 10.

Management believes that significant deterioration of the situation in the domestic currency market in the fourth quarter of 2014, which led to a sharp increase of the key interest rate of the CBRF, is a rare, unpredictable and extraordinary event, since it does not correspond to the general trend and volatility observed in the financial markets during previous periods.

The Group determined that this anti-crisis change of the key interest rate of the CBRF, which occurred on 15 December 2014, is an example of a "rare event", which provides the basis for reclassification from the category of trading securities.

The carrying and fair values of all financial assets reclassified from trading securities are as follows:

	<b>30 June 2015 (unaudited)</b>		<b>31 December 2014</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
<i>(in thousands of Russian Roubles)</i>				
Loans and advances to customers	13 870 265	14 382 684	13 672 128	13 795 143
Due from banks	7 287 469	7 556 877	11 221 777	11 145 814
Investment securities available-for-sale	26 466 730	26 466 730	35 003 102	35 003 102
<b>Total</b>	<b>47 624 464</b>	<b>48 406 291</b>	<b>59 897 007</b>	<b>59 944 059</b>

The amounts of income or expenses from financial assets reclassified to due from banks and loans and advances to customers, recognized in profit or loss before reclassification date, after reclassification date, and income and expenses (after reclassification date), which would be recognized in profit or loss if these financial assets were not reclassified are as follows:

	<b>Income (expenses) recognized in 2014 before reclassification date</b>	<b>Income (expenses) recognized after reclassification date</b>	<b>Income (expenses) which would be recognized after reclassification date if the assets were not reclassified</b>	
			<b>Six months ended 30 June 2015</b>	<b>Six months ended 30 June 2015</b>
<i>(in thousands of Russian Roubles)</i>				
Interest income	1 060 173	136 325	1 280 490	n/a
Net (losses) gains from trading securities	(805 248)	-	-	106 836
Provision for loan impairment	-	(17 432)	(44 656)	-
<b>Total effect on profit</b>	<b>254 925</b>	<b>118 893</b>	<b>1 235 834</b>	<b>106 836</b>



**7 Securities Pledged under Sale and Repurchase Agreements and Loaned**

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
<b>Trading securities pledged under sale and repurchase agreements and loaned</b>		
Corporate bonds	2 120 719	-
Corporate Eurobonds	1 390 761	2 511 983
Eurobonds of the Russian Federation	639 927	-
Federal loan bonds	338 326	-
<b>Total debt trading securities pledged under sale and repurchase agreements and loaned</b>	<b>4 489 733</b>	<b>2 511 983</b>
Corporate shares	344 343	501 431
<b>Total trading securities pledged under sale and repurchase agreements and loaned</b>	<b>4 834 076</b>	<b>3 013 414</b>
<b>Investment securities available-for-sale pledged under sale and repurchase agreements and loaned</b>		
Corporate Eurobonds	31 442 974	4 932 325
Corporate bonds	25 703 895	28 300 708
Federal loan bonds	3 427 681	1 334 216
Municipal bonds	717 963	1 558 046
Eurobonds of the Russian Federation	141 973	-
<b>Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned</b>	<b>61 434 486</b>	<b>36 125 295</b>
<b>Total securities pledged under sale and repurchase agreements and loaned</b>	<b>66 268 562</b>	<b>39 138 709</b>

Corporate Eurobonds are interest bearing securities denominated in Russian Rouble and foreign currency 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. Corporate Eurobonds have maturity dates from 7 July 2015 to 16 June 2021 (31 December 2014: from 4 March 2015 to 30 June 2035); coupon rates of 3.1%-9.3% p.a. (31 December 2014: 5.0%-8.0% p.a.); and yields to maturity of 2.5%-15.3% p.a. as at 30 June 2015 (31 December 2014: 5.3%-20.6% p.a.). The term of the corresponding sale and repurchase agreements is from 7 to 364 calendar days (31 December 2014: 15 calendar days), with effective rates of 1.3%-12.0% p.a. (31 December 2014: 17.3% p.a.)

The term of the corporate Eurobonds lending transaction is upon demand with an effective rate of 1.5% p.a. (31 December 2014: there were no securities lending transactions).

Corporate bonds are interest bearing securities denominated in Russian Rouble (31 December 2014: in Russian Ruble and foreign currency) issued by Russian companies and traded in the Russian market. Corporate bonds have maturity dates from 14 July 2015 to 20 September 2044 (31 December 2014: from 23 January 2015 to 23 September 2032); coupon rates of 7.6%-19.0% p.a. (31 December 2014: 7.6%-12.9% p.a.); and yields to maturity of -27.4%-21.6% p.a. as at 30 June 2015 (31 December 2014: -7.0%-36.5% p.a.) The term of the corresponding repurchase agreements was 1-7 calendar days (31 December 2014: 15 calendar days), with effective rates from 11.5% to 12.0% p.a. (31 December 2014: from 17.2% to 17.3% p.a.)

**7 Securities Pledged under Sale and Repurchase Agreements and Loaned (continued)**

Federal loan bonds are government securities denominated in Russian Rouble issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 19 April 2017 to 16 August 2023 (31 December 2014: from 19 April 2017 to 14 April 2021); coupon rates from 6.2% to 10.9% p.a. (31 December 2014: from 6.2% to 7.6% p.a.); and yields to maturity from 10.8% to 11.0% as at 30 June 2015 (31 December 2014: from 14.8% to 15.4% p.a.), depending on the type of bond issue. The term of the corresponding repurchase agreements is from 1 to 7 calendar days (31 December 2014: 15 calendar days), with effective rates from 11.8% to 12.2% p.a. (31 December 2014: from 17.2% to 17.3% p.a.)

Municipal bonds are securities denominated in Russian Rouble issued by the municipal administrations of Moscow, Saint-Petersburg, Tula Region, Volgograd Region, Smolensk and Tomsk Regions, and Stavropol Territory (31 December 2014: Saint Petersburg, Belgorod Region, Tula Region, Voronezh Region, Volgograd and Smolensk Regions, and Stavropol Territory). These bonds are sold at a discount to nominal value, have maturity dates from 25 September 2015 to 4 November 2020 (31 December 2014: from 25 September 2015 to 4 November 2020); coupon rates from 7.0% to 8.9% p.a. (31 December 2014: from 7.8% to 8.9% p.a.) and yields to maturity from 9.9% to 14.3% p.a. as at 30 June 2015 (31 December 2014: from 2.1% to 22.5% p.a.), depending on the type of bond issue. The term of the corresponding repurchase agreements is 7 calendar days (31 December 2014: 15 calendar days), with an effective rate of 12.0% p.a. (31 December 2014: 17.2% to 17.3% p.a.)

Eurobonds of the Russian Federation are interest bearing securities denominated in Russian Rouble and foreign currency issued by the Ministry of Finance of the Russian Federation and traded in the international market. Eurobonds have maturity dates from 10 March 2018 to 29 April 2020; coupon rates from 3.5% p.a. to 7.9% p.a.; yields to maturity from 4.0% p.a. to 11.2% p.a. as at 30 June 2015. The term of the corresponding repurchase agreements is 7 calendar days, with an effective rate of 12.0% p.a. (31 December 2014: there were no Eurobonds of the Russian Federation).

Corporate shares are shares of Russian companies. The term of the corresponding repurchase agreements is 7 calendar days (31 December 2014: from 13 to 15 calendar days), with an effective rate of 12.0% p.a. (31 December 2014: 16.8%-17.3% p.a.).

As at 31 December 2014, the term of the corporate shares lending transactions was 6 calendar days, with effective rates from 10.0% to 45.2% p.a.

The analysis of debt securities pledged under sale and repurchase agreements and loaned outstanding at 30 June 2015 by their credit quality is as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	<b>Corporate Eurobonds</b>	<b>Corporate bonds</b>	<b>Federal loan bonds</b>	<b>Eurobonds of the Russian Federation</b>	<b>Municipal bonds</b>	<b>Total</b>
<b>Trading securities pledged under sale and repurchase agreements and loaned</b>						
Group B	1 390 761	1 910 204	338 326	639 927	-	<b>4 279 218</b>
Group C	-	175 828	-	-	-	<b>175 828</b>
Group D	-	34 687	-	-	-	<b>34 687</b>
<b>Total debt trading securities pledged under sale and repurchase agreements and loaned</b>	<b>1 390 761</b>	<b>2 120 719</b>	<b>338 326</b>	<b>639 927</b>	<b>-</b>	<b>4 489 733</b>

**7 Securities Pledged under Sale and Repurchase Agreements and Loaned (continued)**

<i>(in thousands of Russian Roubles)</i>	<b>Corporate Eurobonds</b>	<b>Corporate bonds</b>	<b>Federal loan bonds</b>	<b>Eurobonds of the Russian Federation</b>	<b>Municipal bonds</b>	<b>Total</b>
<b>Investment securities available-for-sale pledged under sale and repurchase agreements and loaned</b>						
Group A	230 192	483 053	-	-	-	<b>713 245</b>
Group B	31 212 782	22 113 364	3 427 681	141 973	505 467	<b>57 401 267</b>
Group C	-	1 957 625	-	-	212 496	<b>2 170 121</b>
Group D	-	1 149 853	-	-	-	<b>1 149 853</b>
<b>Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned</b>						
	<b>31 442 974</b>	<b>25 703 895</b>	<b>3 427 681</b>	<b>141 973</b>	<b>717 963</b>	<b>61 434 486</b>
<b>Total debt securities pledged under sale and repurchase agreements and loaned</b>						
	<b>32 833 735</b>	<b>27 824 614</b>	<b>3 766 007</b>	<b>781 900</b>	<b>717 963</b>	<b>65 924 219</b>

The analysis of debt securities pledged under sale and repurchase agreements and loaned outstanding at 31 December 2014 by their credit quality is as follows:

<i>(in thousands of Russian Roubles)</i>	<b>Corporate bonds</b>	<b>Corporate Eurobonds</b>	<b>Municipal bonds</b>	<b>Federal loan bonds</b>	<b>Total</b>
<b>Trading securities pledged under sale and repurchase agreements and loaned</b>					
Group A	-	768 481	-	-	<b>768 481</b>
Group B	-	1 743 502	-	-	<b>1 743 502</b>
<b>Total debt trading securities pledged under sale and repurchase agreements and loaned</b>					
	<b>-</b>	<b>2 511 983</b>	<b>-</b>	<b>-</b>	<b>2 511 983</b>
<b>Investment securities available-for-sale pledged under sale and repurchase agreements and loaned</b>					
Group A	11 578 394	1 666 071	952 980	1 334 216	<b>15 531 661</b>
Group B	13 747 426	3 266 254	504 619	-	<b>17 518 299</b>
Group C	1 810 759	-	100 447	-	<b>1 911 206</b>
Group D	1 164 129	-	-	-	<b>1 164 129</b>
<b>Total debt investment securities available-for-sale pledged under sale and repurchase agreements and loaned</b>					
	<b>28 300 708</b>	<b>4 932 325</b>	<b>1 558 046</b>	<b>1 334 216</b>	<b>36 125 295</b>
<b>Total debt securities pledged under sale and repurchase agreements and loaned</b>					
	<b>28 300 708</b>	<b>7 444 308</b>	<b>1 558 046</b>	<b>1 334 216</b>	<b>38 637 278</b>

For definition of groups see note 6.



## **7 Securities Pledged under Sale and Repurchase Agreements and Loaned (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 related to these securities and therefore has not derecognized them. In addition, the Group recognizes a financial liability for cash received included in due to banks and customer accounts as appropriate. See note 11.

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

Currency and maturity analyses of securities pledged under sale and repurchase agreements and loaned are disclosed in note 20.

## **8 Amounts Receivable under Reverse Repurchase Agreements**

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
Amounts receivable under reverse repurchase agreements with customers	20 913 029	10 876 330
Amounts receivable under reverse repurchase agreements with banks	12 234 782	18 634 779
<b>Total amounts receivable under reverse repurchase agreements</b>	<b>33 147 811</b>	<b>29 511 109</b>

As at 30 June 2015, amounts receivable under reverse repurchase agreements represent agreements with customers and banks that are secured by Eurobonds of the Russian Federation, corporate bonds and corporate shares (31 December 2014: federal loan bonds, Eurobonds of the Russian Federation, municipal bonds, corporate Eurobonds, corporate bonds and corporate shares).

As at 30 June 2015, the fair value of securities that serve as collateral under reverse repurchase agreements is RR 37 587 993 thousand (31 December 2014: RR 35 014 745 thousand).

Eurobonds of the Russian Federation with a fair value of RR 10 223 917 thousand, corporate bonds with a fair value of RR 7 726 471 thousand, corporate shares with a fair value of RR 4 956 352 thousand, received as collateral under these agreements were pledged under sale and repurchase agreements; corporate shares with a fair value of RR 602 248 thousand and Eurobonds of the Russian Federation with a fair value of RR 106 488 thousand were sold by the Group (31 December 2014: corporate shares with a fair value of RR 6 387 452 thousand, corporate bonds with a fair value of RR 4 442 424 thousand, Eurobonds of the Russian Federation with a fair value of RR 1 232 954 thousand, federal loan bonds with a fair value of RR 920 932 thousand, municipal bonds with a fair value of RR 266 405 thousand received as collateral under these agreements were pledged under sale and repurchase agreements, corporate Eurobonds with a fair value of RR 2 464 262 thousand and corporate shares with a fair value of RR 179 896 thousand were sold by the Group). See note 11. 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 20.

**9 Loans and Advances to Customers**

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
<b>Loans and advances to legal entities</b>		
- loans to finance working capital	185 469 473	192 004 978
- investment loans	79 645 337	82 454 015
- loans to entities financed by the government	19 678 138	17 506 709
<b>Loans and advances to individuals</b>		
- mortgage loans	30 213 544	29 387 894
- car loans	3 119 183	3 867 790
- consumer loans to VIP clients	5 534 185	7 505 307
- other consumer loans	10 725 969	11 017 420
Impairment allowance	(28 474 421)	(28 405 118)
<b>Total loans and advances to customers</b>	<b>305 911 408</b>	<b>315 338 995</b>

As at 30 June 2015, the carrying value of securities reclassified from trading securities to loans and advances to customers in 2014 amounts to RR 13 870 265 thousand before impairment (31 December 2014: RR 13 672 128 thousand). Reclassified securities with a carrying value of RR 11 261 686 thousand are securities pledged under repurchase agreements in due to banks. As at 30 June 2015, the fair value of these securities amounts to RR 11 776 775 thousand (31 December 2014: RR 12 127 220 thousand were securities pledged under repurchase agreements in due to banks. The fair value of these securities amounted to RR 12 266 517 thousand).

Movements in the allowance for loan impairment during the six-month period ended 30 June 2015 are as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	<b>Loans and advances to legal entities</b>	<b>Loans and advances to individuals</b>	<b>Total</b>
<b>Allowance for impairment at 1 January 2015</b>	<b>27 220 071</b>	<b>1 185 047</b>	<b>28 405 118</b>
Provision for impairment during the period	5 016 238	551 535	<b>5 567 773</b>
Loans written off during the period as non-recoverable	(5 280 433)	(215 974)	<b>(5 496 407)</b>
Loans sold during the period	(2 063)	-	<b>(2 063)</b>
<b>Allowance for impairment at 30 June 2015</b>	<b>26 953 813</b>	<b>1 520 608</b>	<b>28 474 421</b>

Movements in the allowance for loan impairment during the six-month period ended 30 June 2014 are as follows (unaudited). Allowance for impairment of the acquired subsidiary is provided separately for representative purposes only.

<i>(in thousands of Russian Roubles)</i>	<b>Loans and advances to legal entities</b>	<b>Loans and advances to individuals</b>	<b>Total</b>
<b>Allowance for impairment at 1 January 2014</b>	<b>25 106 163</b>	<b>842 125</b>	<b>25 948 288</b>
Provision for impairment of the acquired subsidiary	807 675	86 165	<b>893 840</b>
Provision for impairment during the period	2 761 633	34 098	<b>2 795 731</b>
Loans sold during the period	(2 473 231)	-	<b>(2 473 231)</b>
Loans written-off during the period as non-recoverable	(2 648 846)	(9 754)	<b>(2 658 600)</b>
<b>Allowance for impairment at 30 June 2014</b>	<b>23 553 394</b>	<b>952 634</b>	<b>24 506 028</b>

**9 Loans and Advances to Customers (continued)**

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

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>		<b>31 December 2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Individuals	49 592 881	14.8	51 778 411	15,1
Construction	49 462 236	14.8	48 003 731	14,0
Trade	37 862 557	11.3	45 976 427	13,4
Production and food industry	37 028 539	11.1	36 492 435	10,6
Leasing and financial services	32 651 314	9.8	37 078 581	10,8
Real estate	26 040 723	7.8	26 607 574	7,7
Heavy machinery and ship-building	23 752 606	7.1	22 681 580	6,6
Extraction and transportation of oil and gas	20 231 138	6.1	14 434 517	4,2
Entities financed by the government	19 678 139	5.9	17 506 709	5,1
Transport	12 285 247	3.7	12 356 940	3,6
Sports and health and entertainment organizations	7 689 627	2.3	9 123 993	2,7
Telecommunications	4 322 212	1.3	3 950 457	1,1
Energy	2 497 908	0.7	5 993 292	1,7
Chemical industry	2 021 552	0.6	1 209 854	0,4
Other	9 269 150	2.7	10 549 612	3,0
<b>Total loans and advances to customers (before allowance for impairment)</b>	<b>334 385 829</b>	<b>100.0</b>	<b>343 744 113</b>	<b>100.0</b>

As at 30 June 2015, the 20 largest groups of borrowers have aggregated loan amounts of RR 94 663 134 thousand (31 December 2014: RR 89 962 589 thousand), or 28.3% (31 December 2014: 26.2%) 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 2015 are as follows:

<i>(in thousands of Russian Roubles)</i>	<b>Gross loans and advances to customers</b>	<b>Allowance for impairment</b>	<b>Net loans and advances to customers</b>	<b>Allowance for impairment to loans and advances to customers, %</b>
<b>Loans and advances to legal entities:</b>				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	235 956 105	(7 078 107)	228 877 998	3.00
Watch list loans not past due	18 070 571	(1 617 239)	16 453 332	8.95
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	17 700 935	(9 601 263)	8 099 672	54.24
Overdue:				
- less than 5 calendar days	302 574	(15 438)	287 136	5.10
- 6 to 30 calendar days	3 540 416	(2 648 549)	891 867	74.81
- 31 to 60 calendar days	158 666	(43 545)	115 121	27.44
- 61 to 90 calendar days	233 685	(80 055)	153 630	34.26
- 91 to 180 calendar days	1 164 740	(777 645)	387 095	66.77
- 181 to 365 calendar days	1 187 763	(542 284)	645 479	45.66
- over 365 calendar days	6 477 493	(4 549 688)	1 927 805	70.24
<b>Total loans and advances to legal entities</b>	<b>284 792 948</b>	<b>(26 953 813)</b>	<b>257 839 135</b>	<b>9.46</b>
<b>Loans and advances to individuals:</b>				
- mortgage loans	30 213 544	(401 148)	29 812 396	1.33
- car loans	3 119 183	(52 955)	3 066 228	1.70
- consumer loans to VIP clients	5 534 185	(531 492)	5 002 693	9.60
- other consumer loans	10 725 969	(535 013)	10 190 956	4.99
<b>Total loans and advances to individuals</b>	<b>49 592 881</b>	<b>(1 520 608)</b>	<b>48 072 273</b>	<b>3.07</b>
<b>Total loans and advances to customers</b>	<b>334 385 829</b>	<b>(28 474 421)</b>	<b>305 911 408</b>	<b>8.52</b>

**9 Loans and Advances to Customers (continued)**

<i>(in thousands of Russian Roubles)</i>	<b>Mortgage loans</b>	<b>Car loans</b>	<b>Consumer loans to VIP clients</b>	<b>Other consumer loans</b>	<b>Total loans and advances to individuals</b>
<b>Loans and advances to individuals:</b>					
Standard loans not past due	29 187 464	2 975 856	5 168 885	10 002 555	47 334 760
Overdue:					
- less than 5 calendar days	20 548	3 877	-	22 887	47 312
- 6 to 30 calendar days	118 046	11 257	-	83 558	212 861
- 31 to 60 calendar days	68 844	11 051	-	54 819	134 714
- 61 to 90 calendar days	66 927	10 672	-	59 805	137 404
- 91 to 180 calendar days	238 051	22 355	-	110 714	371 120
- 181 to 365 calendar days	261 256	27 816	14 901	145 650	449 623
- over 365 calendar days	252 408	56 299	350 399	245 981	905 087
<b>Total gross loans and advances to individuals (before allowance for impairment)</b>	<b>30 213 544</b>	<b>3 119 183</b>	<b>5 534 185</b>	<b>10 725 969</b>	<b>49 592 881</b>
<b>Allowance for impairment</b>	<b>(401 148)</b>	<b>(52 955)</b>	<b>(531 492)</b>	<b>(535 013)</b>	<b>(1 520 608)</b>
<b>Total loans and advances to individuals (after allowance for impairment)</b>	<b>29 812 396</b>	<b>3 066 228</b>	<b>5 002 693</b>	<b>10 190 956</b>	<b>48 072 273</b>



**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 2014 are as follows:

<i>(in thousands of Russian Roubles)</i>	<b>Gross loans and advances to customers</b>	<b>Allowance for impairment</b>	<b>Net loans and advances to customers</b>	<b>Allowance for impairment to loans and advances to customers, %</b>
<b>Loans and advances to legal entities:</b>				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	242 081 537	(6 214 221)	235 867 316	2.57
Watch list loans not past due	17 643 664	(1 606 474)	16 037 190	9.11
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	18 586 681	(8 697 725)	9 888 956	46.80
Overdue:				
- less than 5 calendar days	273 917	(231 266)	42 651	84.43
- 6 to 30 calendar days	130 971	(59 584)	71 387	45.49
- 31 to 60 calendar days	310 223	(17 707)	292 516	5.71
- 61 to 90 calendar days	68 953	(5 435)	63 518	7.88
- 91 to 180 calendar days	523 605	(137 658)	385 947	26.29
- 181 to 365 calendar days	1 615 976	(1 220 852)	395 124	75.55
- over 365 calendar days	10 730 175	(9 029 149)	1 701 026	84.15
<b>Total loans and advances to legal entities</b>	<b>291 965 702</b>	<b>(27 220 071)</b>	<b>264 745 631</b>	<b>9.32</b>
<b>Loans and advances to individuals:</b>				
- mortgage loans	29 387 894	(175 562)	29 212 332	0.60
- car loans	3 867 790	(57 782)	3 810 008	1.49
- consumer loans to VIP clients	7 505 307	(569 715)	6 935 592	7.59
- other consumer loans	11 017 420	(381 988)	10 635 432	3.47
<b>Total loans and advances to individuals</b>	<b>51 778 411</b>	<b>(1 185 047)</b>	<b>50 593 364</b>	<b>2.29</b>
<b>Total loans and advances to customers</b>	<b>343 744 113</b>	<b>(28 405 118)</b>	<b>315 338 995</b>	<b>8.26</b>

**9 Loans and Advances to Customers (continued)**

<i>(in thousands of Russian Roubles)</i>	<b>Mortgage loans</b>	<b>Car loans</b>	<b>Consumer loans to VIP clients</b>	<b>Other consumer loans</b>	<b>Total loans and advances to individuals</b>
<b>Loans and advances to individuals</b>					
Standard loans not past due	28 650 414	3 719 649	6 907 876	10 512 616	49 790 555
Overdue:					
- less than 5 calendar days	26 925	7 127	-	26 701	60 753
- 6 to 30 calendar days	100 205	10 453	-	41 186	151 844
- 31 to 60 calendar days	63 049	7 567	-	37 037	107 653
- 61 to 90 calendar days	59 932	6 866	-	35 149	101 947
- 91 to 180 calendar days	171 175	23 224	-	86 746	281 145
- 181 to 365 calendar days	114 689	30 470	63 951	116 711	325 821
- over 365 calendar days	201 505	62 434	533 480	161 274	958 693
<b>Total gross loans and advances to individuals (before allowance for impairment)</b>	<b>29 387 894</b>	<b>3 867 790</b>	<b>7 505 307</b>	<b>11 017 420</b>	<b>51 778 411</b>
<b>Allowance for impairment</b>	<b>(175 562)</b>	<b>(57 782)</b>	<b>(569 715)</b>	<b>(381 988)</b>	<b>(1 185 047)</b>
<b>Total loans and advances to individuals (after allowance for impairment)</b>	<b>29 212 332</b>	<b>3 810 008</b>	<b>6 935 592</b>	<b>10 635 432</b>	<b>50 593 364</b>

The Group 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 2015 and 31 December 2014.

The Group estimates loan impairment for loans and advances 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 have been identified. In determining the impairment allowance for loans and advances 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 borrowers and other information, including the external environment, indicates the stable position of the borrowers, however there are some negative factors that may have an impact on the ability of the borrowers 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 and advances 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 not past due 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 loans and advances to legal entities would have been RR 13 214 686 thousand higher without taking into consideration collateral value (31 December 2014: RR 14 662 293 thousand).

Interest income accrued on overdue and impaired loans for the 6 months period ended 30 June 2015 (unaudited) amounts to RR 262 210 thousand (31 December 2014: RR 329 405 thousand).

Currency and maturity analyses of loans and advances to customers are disclosed in note 20. Fair value analysis of loans and advances to customers is disclosed in note 22. The information on related party transactions is disclosed in note 23.

## **10 Investment Securities Available-for-sale**

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
Corporate bonds	4 053 378	4 344 405
Federal loan bonds	1 650 399	1 407 515
Municipal bonds	1 245 779	502 104
Corporate Eurobonds	459 912	575 474
<b>Total debt securities</b>	<b>7 409 468</b>	<b>6 829 498</b>
Corporate shares	2 432 292	2 429 895
<b>Total investment securities available-for-sale</b>	<b>9 841 760</b>	<b>9 259 393</b>

As at 30 June 2015, fair value of securities reclassified in 2014 from trading securities to investment securities available-for-sale equals RR 26 466 730 thousand (31 December 2014: 35 003 102 thousand). Reclassified securities with a fair value of RR 18 906 763 thousand (31 December 2014: RR 29 699 415 thousand) are securities pledged under sale and repurchase agreements.

Corporate bonds are interest bearing securities denominated in Russian Rouble issued by Russian companies traded in the Russian market. Corporate bonds have maturity from 14 July 2015 to 1 March 2033 (31 December 2014: from 23 January 2015 to 20 September 2044); coupon rates from 7.5% to 19.0% p.a. (31 December 2014: 7.0%-13.3% p.a.) and yields to maturity dates from -27.4% to 21.6% p.a. as at 30 June 2015 (31 December 2014: -7.0%-36.5% p.a.), depending on the type of bond issue.

## **10 Investment Securities Available-for-sale (continued)**

Federal loan bonds are government securities denominated in Russian Rouble issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 19 April 2017 to 20 June 2022 (31 December 2014: from 3 August 2016 to 14 April 2021); coupon rates from 6.2% to 10.9% p.a. (31 December 2014: 6.0%-7.6% p.a.); yields to maturity from 10.7% to 11.0% p.a. as at 30 June 2015 (31 December 2014: 13.5%-16.0% p.a.), depending on the type of bond issue.

Municipal bonds are securities denominated in Russian Rouble issued by the municipal administrations of Moscow, Saint Petersburg, Belgorod Region, Smolensk Region, Tomsk Region, Tula Region, Volgograd and Voronezh Regions, Krasnoyarsk and Stavropol Territories, Sakha Republic (31 December 2014: Moscow, Saint-Petersburg, Belgorod Region, Tula Region, Voronezh Region, Volgograd Region, Smolensk and Tomsk Regions, Krasnoyarsk and Stavropol Territories, Sakha Republic). These bonds have maturity dates from 25 September 2015 to 4 November 2020 (31 December 2014: from 24 June 2015 to 4 November 2020); coupon rates from 7.0% p.a. to 8.9% p.a. (31 December 2014: from 7.0% to 8.9% p.a.) and yields to maturity from -4.7% p.a. to 14.3% p.a. as at 30 June 2015 (31 December 2014: from 2.1% to 22.5% p.a.), depending on the type of bond issue.

Corporate Eurobonds are interest bearing securities denominated in Russian Rouble and foreign currency 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. Corporate Eurobonds have maturity dates from 28 October 2015 to 13 February 2018 (31 December 2014: from 4 March 2015 to 10 June 2017); coupon rates from 3.2% p.a. to 7.9% p.a. (31 December 2014: 4.3%-7.9% p.a.); yields to maturity for Eurobonds denominated in foreign currency are from 3.6% to 5.3% p.a. as at 30 June 2015 (31 December 2014: from 6.4% to 10.6% p.a.), and for Eurobonds denominated in Russian Rouble from 12.9% p.a. to 14.4% p.a. as at 30 June 2015 (31 December 2014: 20.6% p.a.).

Corporate shares are shares of Russian companies and shares of a close-ended real estate mutual investment fund.

Debt investment securities available-for-sale are carried at fair value, which also reflects the credit risk of these securities.

Debt investment securities available-for-sale are divided by the issuer's credit rating defined by rating agencies Moody's, S&P and Fitch.

For definition of groups see note 6.

The analysis of debt investment securities available-for-sale at 30 June 2015 (unaudited) by their credit quality is as follows:

<i>(in thousands of Russian Roubles)</i>	<b>Corporate bonds</b>	<b>Federal loan bonds</b>	<b>Municipal bonds</b>	<b>Corporate Eurobonds</b>	<b>Total</b>
Not overdue or impaired					
Group A	244 021	-		13 213	257 234
Group B	3 190 286	1 650 399	1 170 136	446 699	6 457 520
Group C	467 703	-	27 179	-	494 882
Group D	151 368	-	48 464	-	199 832
<b>Total debt investment securities available-for-sale</b>	<b>4 053 378</b>	<b>1 650 399</b>	<b>1 245 779</b>	<b>459 912</b>	<b>7 409 468</b>

## 10 Investment Securities Available-for-sale (continued)

The analysis of debt investment securities available-for-sale at 31 December 2014 by their credit quality is as follows:

<i>(in thousands of Russian Roubles)</i>	<b>Corporate bonds</b>	<b>Federal loan bonds</b>	<b>Corporate Eurobonds</b>	<b>Municipal bonds</b>	<b>Total</b>
Not overdue or impaired					
Group A	2 772 919	1 407 515	245 893	312 582	4 738 909
Group B	882 327	-	329 581	187 974	1 399 882
Group C	306 575	-	-	1 548	308 123
Group D	382 584	-	-	-	382 584
<b>Total debt investment securities available-for-sale</b>	<b>4 344 405</b>	<b>1 407 515</b>	<b>575 474</b>	<b>502 104</b>	<b>6 829 498</b>

Currency and maturity analyses of investment securities available-for-sale are disclosed in note 20.

## 11 Customer Accounts

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
<b>State and public organizations</b>		
- Current/settlement accounts	349 612	635 967
- Term deposits	4 714 012	200 110
<b>Other legal entities</b>		
- Current/settlement accounts	59 647 292	69 137 524
- Term deposits	73 759 768	82 499 772
- Sale and repurchase agreements	21 624	-
<b>Individuals</b>		
- Current accounts/demand accounts	35 852 715	39 946 167
- Term deposits	124 161 129	116 062 191
<b>Total customer accounts</b>	<b>298 506 152</b>	<b>308 481 731</b>

State and public organizations exclude government owned profit oriented businesses.



## 11 Customer Accounts (continued)

Economic sector concentrations within customer accounts are as follows:

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>		<b>31 December 2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Individuals	160 013 844	53.6	156 008 358	50,6
Trade	24 744 599	8.3	24 526 548	8,0
Financial services	22 216 198	7.4	18 082 935	5,9
Construction	21 347 512	7.2	41 197 684	13,4
Manufacturing	20 065 306	6.7	19 957 688	6,5
Art, science and education	15 608 707	5.2	12 181 243	3,9
Transport	9 859 693	3.3	6 900 311	2,2
Real estate	9 196 883	3.1	11 328 594	3,7
Cities and municipalities	5 844 756	2.0	4 112 957	1,3
Public utilities	1 404 679	0.5	1 766 419	0,6
Communications	865 979	0.3	982 717	0,3
Medical institutions	545 401	0.2	468 075	0,2
Energy	263 526	0.1	718 038	0,2
Other	6 529 069	2.1	10 250 164	3,2
<b>Total customer accounts</b>	<b>298 506 152</b>	<b>100.0</b>	<b>308 481 731</b>	<b>100,0</b>

As at 30 June 2015, there are sale and repurchase agreements with legal entities in the amount of RR 21 624 thousand. Securities pledged under sale and repurchase agreements are represented by own portfolio securities, including corporate bonds with a fair value of RR 24 060 thousand (31 December 2014: no such liabilities).

As at 30 June 2015, included in customer accounts are deposits in the amount of RR 4 663 970 thousand held as collateral for irrevocable commitments under import letters of credit and guarantees (31 December 2014: RR 8 475 789 thousand).

Currency and maturity analyses of customer accounts are disclosed in note 20. Fair value analysis of customer accounts is disclosed in note 22. The information on related party transactions is disclosed in note 23.

## 12 Bonds Issued

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
Subordinated Eurobonds	16 772 514	17 225 687
Bonds	5 273 482	6 638 420
<b>Total bonds issued</b>	<b>22 045 996</b>	<b>23 864 107</b>

In March 2015 during the public offer the Group redeemed 1 332 592 bonds of one of the issues from the holders on their demand. These interest bearing Russian Rouble denominated bonds were issued by the Group in September 2013 in the amount of 5 000 000 items (one bond – RR 1 000, the bonds were placed at nominal value), and have a maturity of 1 092 days, and a coupon period of 182 days. The Group's obligation to redeem the bonds from the holders on their demand was discharged in full. As at 30 June 2015, the carrying value of bonds of this issue is RR 175 234 thousand (31 December 2014: RR 1 541 375 thousand), the coupon rate for the fourth coupon period is 15.0% p.a. (for the first two coupon periods the rate was 8.5% p.a., for the third coupon period – 10.9%).

In the event of liquidation of the Bank, the claims for repayment of subordinated Eurobonds are subordinated to the claims of other creditors and depositors.

Currency and maturity analyses of bonds issued are disclosed in note 20.

### 13 Other Borrowed Funds

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
Subordinated loans	1 565 684	1 565 474
Eurasian Development Bank	996 607	996 925
AKA AFK	687 175	763 374
VTB Bank	-	2 259 076
EBRD	-	86 330
<b>Total other borrowed funds</b>	<b>3 249 466</b>	<b>5 671 179</b>

In June 2015 there were changes made to the terms of the credit facility granted by AKA Ausfuhrkredit-Gesellschaft m.b.H. Following changes in the customer's trade contract, the total maximum amount of the credit facility was reduced to EUR 29 751 thousand. Under the new terms, the Group will start scheduled repayment of funds received no later than on 30 September 2015, and the loan maturity is on 30 March 2018. As at 30 June 2015, the carrying value of three tranches of this loan is EUR 11 170 thousand, the equivalent of RR 687 175 thousand (31 December 2014: EUR 11 170 thousand, the equivalent of RR 763 374 thousand). The interest rate on this loan is EURIBOR + 1.75% p.a., which as at 30 June 2015 is 1.84% p.a.

In February 2015 the Group performed scheduled repayment of the loan from VTB Bank (Deutschland) in the amount of USD 20 000 thousand. The loan was attracted by the Group in August 2013 to finance trade contracts of clients. As at 31 December 2014, the carrying value of the loan was USD 20 089 thousand, the equivalent of RR 1 130 168 thousand. The interest rate on this loan was LIBOR + 3.25% which as at 31 December 2014 was 3.48% p.a.

In May 2015 the Group performed scheduled repayment of the loan received from VTB Bank (Deutschland) in the amount of USD 20 000 thousand. The loan was attracted by the Group in September 2013 to finance trade contracts of clients. As at 31 December 2014, the carrying amount of the loan was USD 20 066 thousand, the equivalent of RR 1 128 908 thousand. The interest rate was 3.48% p.a. The interest rate on this loan was LIBOR + 3.25%.

In May 2015 the Group performed scheduled repayment of the loan under a revolving loan agreement with EBRD in the amount of USD 1 528 thousand. The loan was attracted by the Group in May 2012 to finance trade contracts of clients. As at 31 December 2014, the carrying amount of the loan was USD 1 535 thousand, the equivalent of RR 86 330 thousand. The interest rate was 4.33% p.a. The interest rate on this loan was LIBOR + 4.00%.

In the event of liquidation of the Bank, the claims for repayment of subordinated loans are subordinated to the claims of all other creditors and depositors.

The Group is required to meet certain covenants attached to subordinated loans and funds from Eurasian Development Bank, AKA Ausfuhrkredit-Gesellschaft m.b.H. 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 2015 and 31 December 2014, the Group fully meets all covenants of the loan agreements.

Currency and maturity analyses of other borrowed funds are disclosed in note 20. The information on related party transactions is disclosed in note 23.

**14 Share Capital**

<i>(in thousands of Russian Roubles)</i>	<b>Number of outstanding ordinary shares (thousand)</b>	<b>Number of outstanding preference shares (thousand)</b>	<b>Ordinary shares</b>	<b>Preference shares</b>	<b>Share premium</b>	<b>Total</b>
<b>As at 1 January 2014</b>	<b>439 554</b>	<b>20 100</b>	<b>3 544 283</b>	<b>177 451</b>	<b>21 393 878</b>	<b>25 115 612</b>
Treasury shares purchased	(24 549)	(511)	(24 549)	(511)	-	<b>(25 060)</b>
<b>As at 31 December 2014</b>	<b>415 005</b>	<b>19 589</b>	<b>3 519 734</b>	<b>176 940</b>	<b>21 393 878</b>	<b>25 090 552</b>
Treasury shares sold	24 549	-	24 549	-	-	<b>24 549</b>
<b>As at 30 June 2015</b>	<b>439 554</b>	<b>19 589</b>	<b>3 544 283</b>	<b>176 940</b>	<b>21 393 878</b>	<b>25 115 101</b>

As at 30 June 2015, 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 2014: RR 459 654 thousand). As at 30 June 2015, all of the outstanding shares are authorized, issued and fully paid in.

All ordinary shares have a nominal value of RR 1 per share (31 December 2014: RR 1 per share). Each share carries one vote.

As at 30 June 2015, the Group has one type of preference shares with a nominal value of RR 1 in the amount of 20 100 000 shares.

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.

In the first half of 2015, the Bank sold 24 549 047 ordinary shares purchased in December 2014 in the course of reorganization in the form of merger of CJSC ICB “Evropeisky” into the Bank with in the total amount of RR 729 888 thousand. The Group intends to resell all treasury shares provided the economic environment is favorable.

## **15 Other Comprehensive Income (Loss) Recognized Directly in Equity**

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

<i>(in thousands of Russian Roubles)</i>	<b>Note</b>	<b>Revaluation reserve for investment securities available-for-sale (unaudited)</b>	<b>Total other comprehensive (loss) income (unaudited)</b>
<b>Six-month period ended 30 June 2014</b>			
<i>Items that are reclassified or will be reclassified subsequently to profit or loss:</i>			
Net result from revaluation of investment securities available-for-sale		(390 807)	<b>(390 807)</b>
Deferred income tax recognized in equity related to other comprehensive loss		78 162	<b>78 162</b>
<b>Total other comprehensive loss</b>		<b>(312 645)</b>	<b>(312 645)</b>
<b>Six-month period ended 30 June 2015</b>			
<i>Items that are reclassified or will be reclassified subsequently to profit or loss:</i>			
Net result from revaluation of investment securities available-for-sale		2 159 481	<b>2 159 481</b>
Deferred income tax recognized in equity related to other comprehensive income		(432 047)	<b>(432 047)</b>
<b>Total other comprehensive income</b>		<b>1 727 434</b>	<b>1 727 434</b>

## 16 Interest Income and Expense

<i>(in thousands of Russian Roubles)</i>	Six-month period ended 30 June 2015 (unaudited)	Six-month period ended 30 June 2014 (unaudited)
<b>Interest income</b>		
Loans and advances to customers	18 891 261	14 365 028
Investment securities available-for-sale	2 758 839	-
Due from banks	1 620 047	464 016
Reverse repurchase agreements	1 467 856	651 439
Trading securities	145 334	2 520 965
Correspondent accounts with other banks	4 868	5 733
<b>Total interest income</b>	<b>24 888 205</b>	<b>18 007 181</b>
<b>Interest expense</b>		
Due to banks	5 799 639	2 634 136
Term deposits of individuals	4 787 540	3 016 359
Term deposits of legal entities	4 456 982	2 297 034
Bonds issued	1 053 447	956 544
Other debt securities issued	291 162	196 367
Other borrowed funds	129 316	291 620
Current/settlement accounts	130 200	111 622
<b>Total interest expense</b>	<b>16 648 286</b>	<b>9 503 682</b>
<b>Net interest income</b>	<b>8 239 919</b>	<b>8 503 499</b>

## 17 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 year less treasury shares.

As at 30 June 2015, 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:

<i>(in thousands of Russian Roubles)</i>	Six-month period ended 30 June 2015 (unaudited)	Six-month period ended 30 June 2014 (unaudited)
Profit attributable to shareholders of the Group	1 567 637	2 919 516
Less preference dividends	(2 211)	(2 211)
<b>Profit attributable to ordinary shareholders of the Bank</b>	<b>1 565 426</b>	<b>2 917 305</b>
Weighted average number of ordinary shares in issue (thousands)	428 839	439 554
<b>Basic earnings per share (in RR per share)</b>	<b>3.65</b>	<b>6.64</b>



## 18 Dividends

<i>(in thousands of Russian Roubles)</i>	Six-month period ended 30 June 2015 (unaudited)		Six-month period ended 30 June 2014 (unaudited)	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
<b>Dividends payable as at 1 January</b>	<b>4 146</b>	<b>-</b>	<b>3 743</b>	<b>-</b>
Dividends declared during the period	887 842	2 211	48 351	2 211
Dividends paid during the period	(1 950)	-	(103)	-
<b>Dividends payable as at 30 June</b>	<b>890 038</b>	<b>2 211</b>	<b>51 991</b>	<b>2 211</b>
<b>Dividends per share declared during the period (in RR per share)</b>	<b>2.02</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>

All dividends were declared and paid in Russian Roubles.

## 19 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.

**19 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.

**19 Segment Analysis (continued)**

**Information on profit or loss, assets and liabilities of reporting segments**

Segment information for the main reporting business segments for the six-month period ended 30 June 2015 and the six-month period ended 30 June 2014 is set out below (in accordance with the management information).

<i>(in thousands of Russian Roubles)</i>	<b>Corporate banking</b>	<b>Operations on financial markets</b>	<b>Retail banking</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Total</b>
<b>Six-month period ended 30 June 2015 (unaudited)</b>						
External revenues	16 186 123	6 507 734	3 592 449	708 912	-	<b>26 995 218</b>
Revenues from other segments	10 934 570	28 585 796	8 283 818	-	(47 804 184)	-
<b>Total revenues</b>	<b>27 120 693</b>	<b>35 093 530</b>	<b>11 876 267</b>	<b>708 912</b>	<b>(47 804 184)</b>	<b>26 995 218</b>
<b>Total revenues comprise:</b>						
- Interest income	25 658 669	35 091 905	11 246 904	-	(47 804 184)	24 193 294
- Fee and commission income	1 447 508	1 625	608 548	-	-	2 057 681
- Other operating income	14 516	-	20 815	708 912	-	744 243
<b>Segment results</b>	<b>1 689 029</b>	<b>(377 136)</b>	<b>3 069 499</b>	<b>-</b>	<b>-</b>	<b>4 381 392</b>
Unallocated costs	-	-	-	(2 240 597)	-	(2 240 597)
<b>Profit (loss) before tax</b>	<b>1 689 029</b>	<b>(377 136)</b>	<b>3 069 499</b>	<b>(2 240 597)</b>	<b>-</b>	<b>2 140 795</b>
Income tax benefit	-	-	-	(1 069 096)	-	(1 069 096)
<b>Profit (loss) for the period</b>	<b>1 689 029</b>	<b>(377 136)</b>	<b>3 069 499</b>	<b>(3 309 693)</b>	<b>-</b>	<b>1 071 699</b>
<b>As at 30 June 2015 (unaudited)</b>						
<b>Segment assets</b>	<b>278 615 323</b>	<b>189 028 529</b>	<b>45 629 742</b>	<b>35 653 279</b>	<b>-</b>	<b>548 926 873</b>
<b>Other segment items for the six-month period ended 30 June 2015 (unaudited)</b>						
Depreciation and amortization charge	(74 539)	(11 429)	(43 400)	(133 387)	-	(262 755)
(Provision) recovery of provision for loan impairment	(5 096 010)	10 094	(564 663)	-	-	(5 650 579)

**PJSC "Bank "Saint Petersburg" Group**  
**Notes to the Condensed Consolidated Interim Financial Information as at 30 June 2015**

**19 Segment Analysis (continued)**

<i>(in thousands of Russian Roubles)</i>	<b>Corporate banking</b>	<b>Operations on financial markets</b>	<b>Retail banking</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Total</b>
<b>Six-month period ended 30 June 2014 (unaudited)</b>						
External revenues	12 550 911	3 597 907	3 074 534	-	-	<b>19 223 352</b>
Revenues from other segments	5 707 273	17 447 904	4 540 585	-	(27 695 762)	-
<b>Total revenues</b>	<b>18 258 184</b>	<b>21 045 811</b>	<b>7 615 119</b>	<b>-</b>	<b>(27 695 762)</b>	<b>19 223 352</b>
<b>Total revenues comprise:</b>						
- 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
<b>Segment results</b>	<b>1 511 477</b>	<b>1 365 553</b>	<b>1 709 861</b>	<b>-</b>	<b>-</b>	<b>4 586 891</b>
Unallocated costs	-	-	-	(1 880 271)	-	(1 880 271)
<b>Profit (loss) before tax</b>	<b>1 511 477</b>	<b>1 365 553</b>	<b>1 709 861</b>	<b>(1 880 271)</b>	<b>-</b>	<b>2 706 620</b>
Income tax benefit	-	-	-	360 503	-	360 503
<b>Profit (loss) for the period</b>	<b>1 511 477</b>	<b>1 365 553</b>	<b>1 709 861</b>	<b>(1 519 768)</b>	<b>-</b>	<b>3 067 123</b>
<b>As at 30 June 2014 (unaudited)</b>						
<b>Segment assets</b>	<b>242 831 349</b>	<b>161 915 802</b>	<b>41 141 859</b>	<b>26 463 282</b>	<b>-</b>	<b>472 352 292</b>
<b>Other segment items for the six-month period ended 30 June 2014 (unaudited)</b>						
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)

**19 Segment Analysis (continued)**

A reconciliation of segment information with assets in accordance with IFRS as at 30 June 2015 and 31 December 2014 is set out below:

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
<b>Total segment assets</b>	<b>548 926 873</b>	<b>566 793 820</b>
Adjustment of allowance for impairment	(28 510 739)	(28 410 210)
Adjustments of income/expense accruals	(27 897)	1 043 335
Premises, equipment and intangible assets depreciation and fair value adjustment	1 515 685	1 892 008
Fair value and amortized cost adjustments	(252 521)	(2 828 859)
Income tax adjustments	(1 311 902)	(450 165)
Elimination of assets additionally recognized in management accounting	(302 054)	(13 566 702)
Other adjustments	246 137	(2 812 799)
Consolidation	(19 991)	(60 278)
<b>Total assets under IFRS</b>	<b>520 263 591</b>	<b>521 600 150</b>

A reconciliation of segment information with profit before tax in accordance with IFRS for the six-month period ended 30 June 2015 and for the six-month period ended 30 June 2014:

<i>(in thousands of Russian Roubles)</i>	<b>Six-month period ended 30 June 2015 (unaudited)</b>	<b>Six-month period ended 30 June 2014 (unaudited)</b>
<b>Total profit for the reporting segments (before tax)</b>	<b>2 140 795</b>	<b>2 706 620</b>
Adjustment of provision for loan impairment	1 547 718	(181 997)
Adjustments of income/expense accruals	(865 950)	43 691
Premises, equipment and intangible assets depreciation and fair value adjustment	2 891	(46 016)
Fair value and amortized cost adjustments	253 743	566 419
Consolidation	8 603	725 924
Other adjustments	(1 068 296)	(223 527)
<b>Total profit before tax under IFRS</b>	<b>2 019 504</b>	<b>3 591 114</b>

**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.

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



## **20 Risk Management, Corporate Governance and Internal Control**

### ***Corporate governance and internal control***

Corporate governance system of the Group is based on full compliance with requirements of statutory legislation and the CBRF and considers world best practices to the largest possible extent. The Group fully complies with the legislation requirements concerning shareholders' rights observance.

General activities of the Bank are managed by the Supervisory Board, except for areas in competence of the general shareholders' meeting. The Supervisory Board is elected and approved by the general shareholders meeting. The Supervisory Board sets the key strategic directions of the Group's activity and manages the work of executive bodies.

As at 30 June 2015, the composition of the Supervisory Board is as follows:

Alexander Vasilyevich Savelyev – Chairman of the Supervisory Board, Chairman of the Strategy Committee since June 2015; Elena Viktorovna Ivannikova – Deputy Chairperson of the Supervisory Board, Head of the Human Resources and Remuneration Committee since June 2014; Susan Gail Buyske – member of the Supervisory Board since April 2012, Chairperson of the Risk Management Committee since August 2012; Andrey Pavlovich Bychkov – member of the Supervisory Board since April 2010; Alexey Andreevich Germanovich – independent member of the Supervisory Board since June 2014; Vladislav Stanislavovich Guz – Chairman of the Management Board, member of the Supervisory Board since June 2014; Andrey Taledovich Ibragimov – independent member of the Supervisory Board since December 2005, Alexander Ivanovich Polukeev – independent member of the Supervisory Board, member of the Supervisory Board from December 2005 to April 2008 and then since June 2014; Alexander Vadimovich Pustovalov – independent member of the Supervisory Board since April 2012, Head of the Audit Committee since April 2013.

The Supervisory Board includes Committees, established for the purpose of review and analysis of matters in competence of the Supervisory Board, preparation of recommendations on these matters for the Supervisory Board and execution of other functions, vested to these Committees.

The Strategy Committee was established in June 2015. The primary objectives of the Committee are setting the Bank's long- and middle-term strategy and priority activities; consideration of main innovative and investment programs and projects for the Bank.

Operating activities of the Bank are managed by the sole executive body of the Bank - the Chairman of the Management Board and collective executive body of the Bank – the Management Board.

As at 30 June 2015, the composition of the Management Board is as follows:

Vladislav Stanislavovich Guz – Chairman of the Management Board since August 2014, First Deputy Chairman of the Management Board since August 2009; Alexandr Sergeevich Konyshkov – First Deputy Chairman of the Management Board since July 2014; Vladimir Pavlovich Skatin – Deputy Chairman of the Management Board since May 2008, First Deputy Chairman of the Management Board since August 2009, Konstantin Yuryevich Balandin – Deputy Chairman of the Management Board since January 2008; Vladimir Konstantinovich Lihodievsky – Deputy Chairman of the Management Board since April 2015; Kristina Borisovna Mironova – Deputy Chairman of the Management Board since September 2013; Vladimir Grigoryevich Reutov – Deputy Chairman of the Management Board since January 2006; Oksana Sivokobil'ska – Deputy Chairperson of the Management Board since November 2011; Pavel Vladimirovich Filimonenok – Deputy Chairman of the Management Board since August 2003.

There have been no changes to the internal control system during the period ended 30 June 2015.

**20 Risk Management, Corporate Governance and Internal Control (continued)**

***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 consolidated financial statements for the year ended 31 December 2014.

## 20 Risk Management, Corporate Governance and Internal Control (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 2015 (unaudited). The Group does not use this currency risk analysis for management purposes.

<i>(in thousands of Russian Roubles)</i>	RR	USD	EUR	Other	Total
<b>ASSETS</b>					
Cash and cash equivalents	17 025 292	12 139 731	17 102 526	211 262	46 478 811
Mandatory reserve deposits with the Central Bank of the Russian Federation	3 253 574	-	-	-	3 253 574
Trading securities	2 613 278	-	-	1 286 153	3 899 431
Securities pledged under sale and repurchase agreements and loaned	36 738 845	26 818 746	2 710 971	-	66 268 562
Amounts receivable under reverse repurchase agreements	15 438 324	17 709 487	-	-	33 147 811
Due from banks	21 117 143	3 288 918	14 150	-	24 420 211
Loans and advances to customers	228 194 558	57 621 568	20 095 282	-	305 911 408
Investment securities available-for-sale	9 271 680	570 080	-	-	9 841 760
Prepaid income tax	192 308	-	-	-	192 308
Investment property	3 185 709	-	-	-	3 185 709
Property, equipment and intangible assets	14 302 787	-	-	-	14 302 787
Other assets	7 866 286	57 329	44 098	24 418	7 992 131
Long-term assets held for sale	1 369 088	-	-	-	1 369 088
<b>TOTAL ASSETS</b>	<b>360 568 872</b>	<b>118 205 859</b>	<b>39 967 027</b>	<b>1 521 833</b>	<b>520 263 591</b>
<b>LIABILITIES</b>					
Due to banks	108 763 216	13 115 625	17 694	-	121 896 535
Customer accounts	219 017 196	50 992 228	28 150 223	346 505	298 506 152
Bonds issued	5 273 482	16 772 514	-	-	22 045 996
Other debt securities issued	4 236 064	9 958 823	1 573 874	-	15 768 761
Other borrowed funds	2 562 291	-	687 175	-	3 249 466
Deferred tax liability	262 353	-	-	-	262 353
Other liabilities	4 040 063	30 916	34 102	-	4 105 081
<b>TOTAL LIABILITIES</b>	<b>344 154 665</b>	<b>90 870 106</b>	<b>30 463 068</b>	<b>346 505</b>	<b>465 834 344</b>
Less fair value of currency derivatives	(4 209 144)	-	-	-	(4 209 144)
<b>Net recognized position, excluding currency derivative financial instruments</b>	<b>12 205 063</b>	<b>27 335 753</b>	<b>9 503 959</b>	<b>1 175 328</b>	<b>50 220 103</b>
<b>Currency derivatives</b>	<b>38 254 516</b>	<b>(25 498 292)</b>	<b>(7 411 484)</b>	<b>(1 135 596)</b>	<b>4 209 144</b>
<b>Net recognized position, including currency derivative financial instruments</b>	<b>50 459 579</b>	<b>1 837 461</b>	<b>2 092 475</b>	<b>39 732</b>	<b>54 429 247</b>

## 20 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2014. The Group does not use this currency risk analysis for management purposes.

<i>(in thousands of Russian Roubles)</i>	<b>RUB</b>	<b>USD</b>	<b>EUR</b>	<b>Other</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	27 403 675	15 387 795	13 961 613	487 539	57 240 622
Mandatory reserve deposits with the Central Bank of the Russian Federation	3 290 084	-	-	-	3 290 084
Trading securities	8 693	196 732	-	-	205 425
Securities pledged under sale and repurchase agreements and loaned	31 714 034	7 424 675	-	-	39 138 709
Amounts receivable under reverse repurchase agreements	25 248 753	4 262 356	-	-	29 511 109
Due from banks	21 588 463	7 676 007	-	-	29 264 470
Loans and advances to customers	229 548 549	65 613 359	20 177 087	-	315 338 995
Investment securities available-for-sale	8 526 627	669 961	62 805	-	9 259 393
Prepaid income tax	819 399	-	-	-	819 399
Investment property	1 591 433	-	-	-	1 591 433
Property, equipment and intangible assets	14 535 188	-	-	-	14 535 188
Other assets	19 607 144	429 099	36 293	5 759	20 078 295
Long-term assets held for sale	1 327 028	-	-	-	1 327 028
<b>TOTAL ASSETS</b>	<b>385 209 070</b>	<b>101 659 984</b>	<b>34 237 798</b>	<b>493 298</b>	<b>521 600 150</b>
<b>LIABILITIES</b>					
Due to banks	97 539 369	4 925 042	132 279	-	102 596 690
Customer accounts	217 624 826	58 964 996	30 896 924	994 985	308 481 731
Bonds issued	6 638 420	17 225 687	-	-	23 864 107
Other debt securities issued	6 728 732	8 088 906	1 588 326	-	16 405 964
Other borrowed funds	2 562 399	2 345 406	763 374	-	5 671 179
Deferred tax liability	1 293 069	-	-	-	1 293 069
Other liabilities	11 693 133	291 143	8 792	1	11 993 069
<b>TOTAL LIABILITIES</b>	<b>344 079 948</b>	<b>91 841 180</b>	<b>33 389 695</b>	<b>994 986</b>	<b>470 305 809</b>
Less fair value of currency derivatives	(7 061 833)	-	-	-	(7 061 833)
<b>Net recognized position, excluding currency derivative financial instruments</b>	<b>34 067 289</b>	<b>9 818 804</b>	<b>848 103</b>	<b>(501 688)</b>	<b>44 232 508</b>
<b>Currency derivatives</b>	<b>15 603 585</b>	<b>(11 423 624)</b>	<b>2 430 574</b>	<b>451 298</b>	<b>7 061 833</b>
<b>Net recognized position, including currency derivative financial instruments</b>	<b>49 670 874</b>	<b>(1 604 820)</b>	<b>3 278 677</b>	<b>(50 390)</b>	<b>51 294 341</b>

**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.

## 20 Risk Management, Corporate Governance and Internal Control (continued)

Below is the liquidity position using figures from the financial statements prepared in accordance with IFRS at 30 June 2015 (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 and investment securities available-for-sale, which are shown in the category “Demand and less than 1 month”.

<i>(in thousands of Russian Roubles)</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years or no maturity</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	46 478 811	-	-	-	-	46 478 811
Mandatory cash balances with the Central Bank of the Russian Federation	1 447 725	1 005 911	566 882	224 842	8 214	3 253 574
Trading securities	3 899 431	-	-	-	-	3 899 431
Securities pledged under sale and repurchase agreements and loaned	66 268 562	-	-	-	-	66 268 562
Amounts receivable under reverse repurchase agreements	33 147 811	-	-	-	-	33 147 811
Due from banks	17 736 069	499 683	2 734 323	3 450 136	-	24 420 211
Loans and advances to customers	9 007 327	72 884 952	51 407 468	128 685 756	43 925 905	305 911 408
Investment securities available-for-sale	9 841 760	-	-	-	-	9 841 760
Prepaid income tax	-	192 308	-	-	-	192 308
Investment property	-	-	-	-	3 185 709	3 185 709
Property, equipment and intangible assets	-	-	-	-	14 302 787	14 302 787
Other assets	1 200 603	2 955 382	225 361	3 580 169	30 616	7 992 131
Long-term assets held for sale	-	-	1 369 088	-	-	1 369 088
<b>TOTAL ASSETS</b>	<b>189 028 099</b>	<b>77 538 236</b>	<b>56 303 122</b>	<b>135 940 903</b>	<b>61 453 231</b>	<b>520 263 591</b>
<b>LIABILITIES</b>						
Due to banks	106 217 402	5 374 768	10 181 972	122 393	-	121 896 535
Customer accounts	132 809 284	92 298 022	52 014 613	20 630 561	753 672	298 506 152
Bonds issued	-	5 098 248	-	16 947 748	-	22 045 996
Other debt securities issued	8 592 601	2 150 877	3 377 884	1 641 893	5 506	15 768 761
Other borrowed funds	-	1 110 661	114 054	2 024 751	-	3 249 466
Deferred tax liability	-	-	-	-	262 353	262 353
Other liabilities	2 414 642	1 634 859	44 110	7 954	3 516	4 105 081
<b>TOTAL LIABILITIES</b>	<b>250 033 929</b>	<b>107 667 435</b>	<b>65 732 633</b>	<b>41 375 300</b>	<b>1 025 047</b>	<b>465 834 344</b>
<b>Net liquidity gap</b>	<b>(61 005 830)</b>	<b>(30 129 199)</b>	<b>(9 429 511)</b>	<b>94 565 603</b>	<b>60 428 184</b>	<b>54 429 247</b>
<b>Cumulative liquidity gap as at 30 June 2015</b>	<b>(61 005 830)</b>	<b>(91 135 029)</b>	<b>(100 564 540)</b>	<b>(5 998 937)</b>	<b>54 429 247</b>	

## 20 Risk Management, Corporate Governance and Internal Control (continued)

Below is the IFRS liquidity position at 31 December 2014.

<i>(in thousands of Russian Roubles)</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years or no maturity</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	57 240 622	-	-	-	-	57 240 622
Mandatory reserve deposits with the Central Bank of the Russian Federation	1 596 387	840 934	533 867	302 431	16 465	3 290 084
Trading securities	205 425	-	-	-	-	205 425
Securities pledged under sale and repurchase agreements and loaned	39 138 709	-	-	-	-	39 138 709
Amounts receivable under reverse repurchase agreements	23 241 763	3 152 381	-	-	3 116 965	29 511 109
Due from banks	18 052 867	3 996 257	1 075 715	6 139 631	-	29 264 470
Loans and advances to customers	8 865 208	64 206 082	69 023 952	126 975 772	46 267 981	315 338 995
Investment securities available-for-sale	9 259 393	-	-	-	-	9 259 393
Prepaid income tax	-	819 399	-	-	-	819 399
Investment property	-	-	-	-	1 591 433	1 591 433
Property, equipment and intangible assets	-	-	-	-	14 535 188	14 535 188
Other assets	2 896 380	9 367 693	3 829 848	3 947 533	36 841	20 078 295
Long-term assets held for sale	-	-	1 327 028	-	-	1 327 028
<b>TOTAL ASSETS</b>	<b>160 496 754</b>	<b>82 382 746</b>	<b>75 790 410</b>	<b>137 365 367</b>	<b>65 564 873</b>	<b>521 600 150</b>
<b>LIABILITIES</b>						
Due to banks	85 984 395	5 820 638	8 616 536	2 175 121	-	102 596 690
Customer accounts	150 759 969	77 975 533	49 383 919	28 856 468	1 505 842	308 481 731
Bonds issued	-	-	5 097 045	18 767 062	-	23 864 107
Other debt securities issued	5 723 162	5 286 918	2 252 511	3 142 272	1 101	16 405 964
Other borrowed funds	-	2 472 107	1 123 628	2 075 444	-	5 671 179
Deferred tax liability	-	-	-	-	1 293 069	1 293 069
Other liabilities	4 859 316	5 411 826	1 704 483	14 827	2 617	11 993 069
<b>TOTAL LIABILITIES</b>	<b>247 326 842</b>	<b>96 967 022</b>	<b>68 178 122</b>	<b>55 031 194</b>	<b>2 802 629</b>	<b>470 305 809</b>
<b>Net liquidity gap</b>	<b>(86 830 088)</b>	<b>(14 584 276)</b>	<b>7 612 288</b>	<b>82 334 173</b>	<b>62 762 244</b>	<b>51 294 341</b>
<b>Cumulative liquidity gap as at 31 December 2014</b>	<b>(86 830 088)</b>	<b>(101 414 364)</b>	<b>(93 802 076)</b>	<b>(11 467 903)</b>	<b>51 294 341</b>	

Management believes that unused credit limits opened for the Group of RR 122 900 000 thousand and stability of customer accounts in unstable environment will fully cover the Group's liquidity gap disclosed in the tables above.

## **21 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" N 1.0) of at least 10.0%, base capital adequacy ratio (N 1.1) of at least 5.0%, core capital adequacy ratio (N 1.2) of at least 6.0% (31 December 2014: 5.5%). Core capital, base capital and own funds and capital adequacy ratios are based on reports prepared under Russian statutory accounting standards are presented in the table below:

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
Total capital	55 574 983	58 377 878
Base capital	39 675 145	36 447 440
Core capital	39 075 145	36 447 440
Capital adequacy ratio N 1.0	13.15%	13.29%
Base capital adequacy ratio N 1.1	9.48%	8.38%
Core capital adequacy ratio N 1.2	9.48%	8.38%

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 a daily basis by the Planning and Financial Control Department, management believes that as at 30 June 2015 and 31 December 2014 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.

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.



## **21 Management of Capital (continued)**

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

<i>(in thousands of Russian Roubles)</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
<b>Capital</b>	<b>64 426 500</b>	<b>62 687 408</b>
<b>Tier 1</b>	<b>49 315 211</b>	<b>47 826 680</b>
Paid-in share capital	3 721 223	3 696 674
Reserves and profit	45 593 988	44 130 006
<i>Including:</i>		
- Share premium	21 393 878	21 393 878
- Retained earnings	24 200 110	22 736 128
<b>Tier 2</b>	<b>15 111 289</b>	<b>14 860 728</b>
Revaluation reserve for premises	3 820 496	3 901 555
Revaluation reserve for investment securities available-for-sale	1 293 540	(433 894)
Subordinated loans	9 997 253	11 393 067
<b>Risk weighted assets</b>	<b>470 584 315</b>	<b>470 721 443</b>
Risk weighted banking assets	422 101 113	418 110 341
Risk weighted trading assets	14 446 538	7 324 277
Risk weighted unrecognized exposures	34 036 664	45 286 825
<b>Total capital adequacy ratio</b>	<b>13.69%</b>	<b>13.32%</b>
<b>Total tier 1 capital</b>	<b>10.48%</b>	<b>10.16%</b>

The Group was in compliance with the minimum capital adequacy ratio agreed with the creditors as at 30 June 2015 and 31 December 2014.

## **22 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.

## **22 Fair Value of Financial Instruments (continued)**

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 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 categorized as Level 3.

The following table provides an analysis of financial instruments recognized at fair value by evaluation categories as at 30 June 2015 (unaudited):

<i>(in thousands of Russian Roubles)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>FINANCIAL ASSETS</b>			
<b>Trading securities</b>			
- Corporate bonds	1 919 820	-	-
- Corporate Eurobonds	1 338 459	-	-
- Federal loan bonds	419 117	-	-
- Corporate shares	212 709	-	-
- Municipal bonds	9 326	-	-
<b>Securities pledged under sale and repurchase agreements and loaned</b>			
- Corporate Eurobonds	32 833 735	-	-
- Corporate bonds	27 519 588	305 026	-
- Federal loan bonds	3 766 007	-	-
- Eurobonds of the Russian Federation	781 900	-	-
- Municipal bonds	717 963	-	-
- Corporate shares	344 343	-	-
<b>Investment securities available-for-sale</b>			
- Corporate bonds	3 868 776	184 602	-
- Corporate shares	432 284	-	-
- Federal loan bonds	1 650 399	-	-
- Municipal bonds	135 749	1 110 030	-
- Corporate Eurobonds	459 912	-	-
<b>Other financial assets</b>			
- Net fair value of derivative financial instruments	-	4 209 144	-
<b>TOTAL FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE</b>	<b>76 410 087</b>	<b>5 808 802</b>	<b>-</b>

## 22 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 2014:

<i>(in thousands of Russian Roubles)</i>	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>			
<b>Trading securities</b>			
- Corporate Eurobonds	196 732	-	
- Corporate shares	8 693	-	
<b>Securities pledged under sale and repurchase agreements and loaned</b>			
- Corporate bonds	26 892 693	1 408 015	-
- Corporate Eurobonds	7 444 308	-	-
- Federal loan bonds	1 334 216	-	-
- Municipal bonds	697 652	860 394	-
- Corporate shares	501 431	-	-
<b>Investment securities available-for-sale</b>			
- Corporate bonds	4 243 838	100 567	-
- Federal loan bonds	1 407 515		-
- Corporate Eurobonds	575 474	-	-
- Corporate shares	429 887	-	-
- Municipal bonds	252 248	249 856	-
<b>Other financial assets</b>			
- Net fair value of derivative financial instruments	-	7 061 833	-
<b>TOTAL FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE</b>	<b>43 984 687</b>	<b>9 680 665</b>	<b>-</b>

The following table provides fair values of financial assets carried at amortized cost as at 30 June 2015 and 31 December 2014:

<i>(in thousands of Russian Roubles)</i>	30 June 2015 (unaudited)		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
<b>FINANCIAL ASSETS CARRIED AT AMORTIZED COST</b>				
<b>Loans and advances to customers</b>				
Loans and advances to legal entities				
- loans to finance working capital	167 239 859	166 631 869	171 004 115	163 230 047
- investment loans	71 173 438	69 149 522	76 364 594	70 029 941
- loans to entities financed by government	19 425 838	19 257 980	17 376 922	16 003 473
Loans and advances to individuals				
- mortgage loans	29 812 396	26 136 421	29 212 332	24 981 624
- car loans	3 066 228	2 630 019	3 810 008	3 912 006
- consumer loans to VIP clients	5 002 693	5 094 165	6 935 592	6 947 187
- other loans to individuals	10 190 956	11 213 051	10 635 432	11 386 750
<b>TOTAL</b>	<b>305 911 408</b>	<b>300 113 027</b>	<b>315 338 995</b>	<b>296 491 028</b>

## 22 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial liabilities carried at amortized cost as at 30 June 2015 and 31 December 2014:

<i>(in thousands of Russian Roubles)</i>	30 June 2015 (unaudited)		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
<b>FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST</b>				
<b>Customer accounts</b>				
State and public organizations				
- Current/settlement accounts	349 612	349 612	635 967	635 967
- Term deposits	4 714 012	4 700 206	200 110	200 433
Other legal entities				
- Current/settlement accounts	59 647 292	59 647 292	69 137 524	69 147 526
- Term deposits	73 759 768	72 112 456	82 499 772	82 012 107
- Amounts payable under sale and repurchase agreements	21 624	24 060	-	-
Individuals				
- Current accounts/demand deposits	35 852 715	35 852 715	39 946 167	39 946 167
- Term deposits	124 161 129	120 654 595	116 062 191	103 669 459
<b>Bonds issued</b>				
- Subordinated Eurobonds	16 772 514	16 198 673	17 225 687	12 098 278
- Bonds	5 273 482	5 210 166	6 638 420	6 438 998
<b>Other debt securities issued</b>				
- Promissory notes	15 768 759	15 957 373	16 405 963	16 520 760
- Deposit certificates	2	2	1	2
<b>Other borrowed funds</b>				
- Subordinated loans	1 565 684	1 576 472	1 565 474	1 562 639
- Eurasian Development Bank	996 607	972 749	996 925	963 764
- AKA AFK	687 175	649 547	763 374	721 718
- VTB Bank	-	-	2 259 076	2 244 854
- EBRD	-	-	86 330	85 306
<b>TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST</b>	<b>339 570 375</b>	<b>333 905 918</b>	<b>354 422 981</b>	<b>336 247 978</b>

Trading securities, securities pledged under sale and repurchase agreements and lent out, investment securities available-for-sale, derivative financial instruments are carried at fair value in the 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.

## **22 Fair Value of Financial Instruments (continued)**

The fair value of instruments with floating interest rates usually equals their carrying value. If the 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.

The following table provides an analysis of interest rates on loans and advances to customers as at 30 June 2015 and 31 December 2014:

	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014</b>
Loans and advances to customers:		
Loans and advances to legal entities	3.46% - 27.18% p.a.	1.32% - 25.44% p.a.
Loans and advances to individuals	4.02% - 23.03% p.a.	1.49% - 25.66% p.a.

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

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 2015 ranges from 0.03% p.a. to 14.20% p.a. (31 December 2014: ranged from 0.47% p.a. to 19.95% p.a.).

## **23 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. A.V. Savelyev as the Chairman of the Supervisory Board and through his direct share ownership and option on purchase of shares in companies that are currently under control of other members of management (see note 1) has 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.

As at 30 June 2015, the outstanding balances with related parties are as follows (unaudited):

<i>(in thousands of Russian Roubles)</i>	<b>Shareholders</b>	<b>Management of the Group</b>	<b>Other related parties</b>
Loans and advances to customers (contractual interest rates: 4.75%- 27.00% p.a.)	267	1 172	193 036
Impairment allowance for loans and advances to customers	(14)	(61)	(27 357)
Customer accounts (contractual interest rates: 1.50% - 17.00% p.a.)	1 586 135	1 439 016	39 510

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 2015 (unaudited) are as follows:

<i>(in thousands of Russian Roubles)</i>	<b>Shareholders</b>	<b>Management of the Group</b>	<b>Other related parties</b>
Interest income	6	668	8 193
Interest expense	(39 978)	(39 048)	(51 614)
Recovery of (charge for) provision for loan impairment	25	2 448	(865)
Fee and commission income	38	422	18 233

Aggregate amounts lent to and repaid by related parties during the six-month period ended 30 June 2015 (unaudited) are:

<i>(in thousands of Russian Roubles)</i>	<b>Shareholders</b>	<b>Management of the Group</b>	<b>Other related parties</b>
Amounts lent to related parties during the period	2 431	21 679	6 655
Amounts repaid by related parties during the period	3 214	89 727	24 487

## **23 Related Party Transactions (continued)**

As at 31 December 2014, the outstanding balances with related parties are as follows:

<i>(in thousands of Russian Roubles)</i>	<b>Shareholders</b>	<b>Management of the Group</b>	<b>Other related parties</b>
Loans and advances to customers (contractual interest rates: 4.75%-27.00% p.a)	1 050	69 220	210 868
Impairment allowance for loans and advances to customers	(39)	(2 509)	(26 492)
Customer accounts (contractual interest rates: 0.70%-19.25% p.a.)	1 276 210	1 270 965	2 443 556
Other borrowed funds (contractual interest rates: 4.33% p.a.)	86 330	-	-

Other borrowed funds were resrepresented by a credit line.

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 (unaudited) are as follows:

<i>(in thousands of Russian Roubles)</i>	<b>Shareholders</b>	<b>Management of the Group</b>	<b>Other related parties</b>
Interest income	2 649	6 413	17 584
Interest expense	(213 541)	(28 917)	(24 943)
Charge for 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 (unaudited) are:

<i>(in thousands of Russian Roubles)</i>	<b>Shareholders</b>	<b>Management of the Group</b>	<b>Other related parties</b>
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

During the six-month period ended 30 June 2015 (unaudited), total remuneration of members of the Supervisory Board and the Management Board of the Bank, including pension contributions and discretionary bonuses, amounts to RR 262 170 thousand (six-month period ended ended 30 June 2014 (unaudited): RR 174 002 thousand).

## 24 Consolidation of Companies

The Group's condensed consolidated interim financial information includes:

Name	Country of incorporation	Ownership %		Principal activities
		30 June 2015	31 December 2014	
BSPB-Trading Systems	Russian Federation	100%	100%	Operation on financial markets

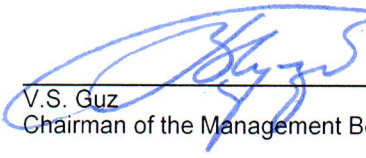
The Bank uses structured entity BSPB Finance PLC for issue of bonds on the international capital market (refer to note 12).

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.

## 25 Events after the reporting period

In July 2015 the Group redeemed outstanding subordinated Eurobonds issued by BSPB Finance P.L.C. with maturity in 2017 and the notional amount of USD 20 023 thousand and with maturity in 2018 and the notional amount of USD 8 389 thousand.

This redemption is a part of the Group's current strategy on funds management which is aimed to optimize the cost of capital.

  
V.S. Guz  
Chairman of the Management Board



  
N.G. Tomilina  
Chief Accountant